



# Annual Shareholders' Meeting

**FEBRUARY 21, 2013**

# Forward-Looking Statements and Associated Risk Factors

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*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” and other similar words and expressions.*

*These statements are based on the current beliefs and expectations of management. Since these statements reflect the views of management concerning future events, these statements involve risks, uncertainties, and assumptions. These risks and uncertainties include among others: 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; and other factors discussed in the documents filed by us with the Securities and Exchange Commission from time to time. 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. 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 and other information contained in this presentation should be reviewed together with the Company’s Quarterly Report on Form 10-Q for the three months ended December 31, 2012 and the Company’s Annual Report on Form 10-K for the year ended September 30, 2012 filed with the Securities and Exchange Commission. These financial statements are available at [www.providentbanking.com](http://www.providentbanking.com).*



# Significant Progress in 2012

## Strategic Goals

- Achieve top-tier performance on key metrics (three years):
  - ROTE: >12%
  - ROA : >1%
  - Long-term EPS growth: 10-15%
  - Efficiency ratio: <55%
  - Increase share price
- Create a high performing regional bank operating in the Metropolitan NY area
- Drive significant, sustainable organic growth above peers
- Augment organic growth with opportunistic M&A
- Establish a competitive advantage through:
  - Superior value proposition focusing on specific target segments
  - Highly efficient operating platform

## Fiscal Year Results<sup>1</sup>

|   | <u>September 2011</u> | <u>September 2012</u><br><small>Including merger-related expense</small> | <u>September 2012</u><br><small>Excluding merger-related expense</small> |
|---|-----------------------|--|--|
|   | 4.46%                 | 7.07%  | 8.67%  |
|   | 0.40%                 | 0.62%  | 0.76%  |
|   | –                     | 67.7% <sup>2</sup>   | 106.5% <sup>2</sup>  |
|   | 71.3%                 | 68.3%  | –  |
|   | \$5.82                | \$9.41   | –  |
| ▪ Expanded into NYC; strengthened presence in Westchester and Bergen counties     |                       |  |  |
| ▪ Total asset growth in FY 2012 of approximately 14% <sup>3</sup>                 |                       |  |  |
| ▪ Completed Gotham acquisition; integration tracking to plan                      |                       |  |  |
| ▪ Organized into 17 relationship teams serving targeted commercial segments*      |                       |  |  |
| ▪ Reduced approximately \$10mm in core operating expenses with \$5mm reinvestment |                       |  |  |

<sup>1</sup> Please refer to Appendix for reconciliation on non-GAAP financial measures.

<sup>2</sup> Represents year-over-year EPS growth rate.

<sup>3</sup> Excludes assets from the acquisition of Gotham Bank of New York.

\* As of 1/1/13



# Summary Financial Performance

| <i>(\$ in millions, except per share data)</i>      | FY 2010 | FY 2011 | FY 2012 | Q1 2013 |
|---|---------|---------|---------|---------|
| <b>Selected Balance Sheet Data:</b>                 |         |         |         |         |
| Total Assets  | \$3,021 | \$3,137 | \$4,023 | \$3,790 |
| Net Loans   | 1,671   | 1,676   | 2,091   | 2,165   |
| Securities  | 935     | 850     | 1,153   | 1,131   |
| Deposits  | 2,143   | 2,297   | 3,111   | 2,904   |
| Tangible Equity                                     | 266     | 266     | 321     | 324     |
| <b>Selected Profitability Data:</b>                 |         |         |         |         |
| Net Interest Income                                 | \$93.3  | \$91.3  | \$96.5  | \$27.9  |
| Provision   | 10.0    | 16.6    | 10.6    | 3.0     |
| Non Interest Income (Excluding Security Gains/OTTI) | 19.0    | 20.2    | 21.7    | 6.3     |
| Non Interest Expense                                | 83.2    | 90.1    | 92.0    | 22.5    |
| Net Income  | 20.5    | 11.7    | 19.9    | 7.0     |
| Securities Gains/Caps/OTTI                          | 7.1     | 9.5     | 10.3    | 1.4     |
| <b>Key Performance Measures:</b>                    |         |         |         |         |
| Diluted Earnings per Share                          | \$0.54  | \$0.31  | \$0.52  | \$0.16  |
| Net Interest Margin                                 | 3.78%   | 3.65%   | 3.51%   | 3.37%   |
| Efficiency Ratio                                    | 69.0%   | 71.3%   | 68.3%   | 62.9%   |
| ROAA  | 0.70%   | 0.40%   | 0.62%   | 0.73%   |
| ROTE  | 7.88%   | 4.46%   | 7.07%   | 8.71%   |

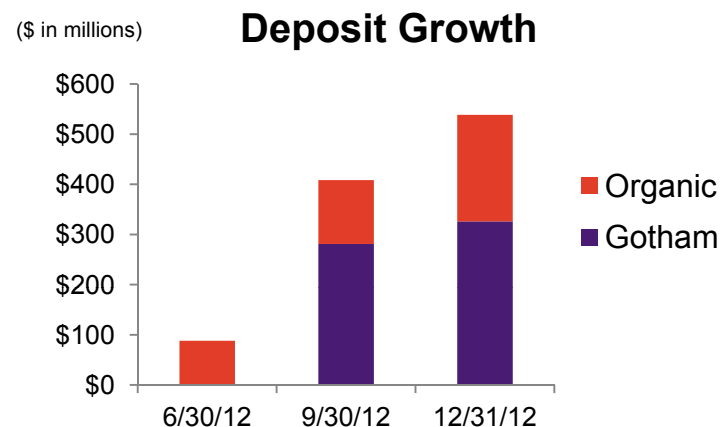
Note: Please refer to Appendix for details on reconciliation of non-GAAP financial measures.



# Growing Presence in NYC Market

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- NYC market is delivering growth
  - Total NYC assets: \$384mm (1)
  - Total NYC deposits: \$539mm (1)
- 17 total teams now onboard
  - One additional team hired in Q1 2013
  - Opened Melville financial center
- Gotham integration continues as planned
  - Retention of core customer relationships
  - Established platform for continued growth



(1) Data as of December 31, 2012.

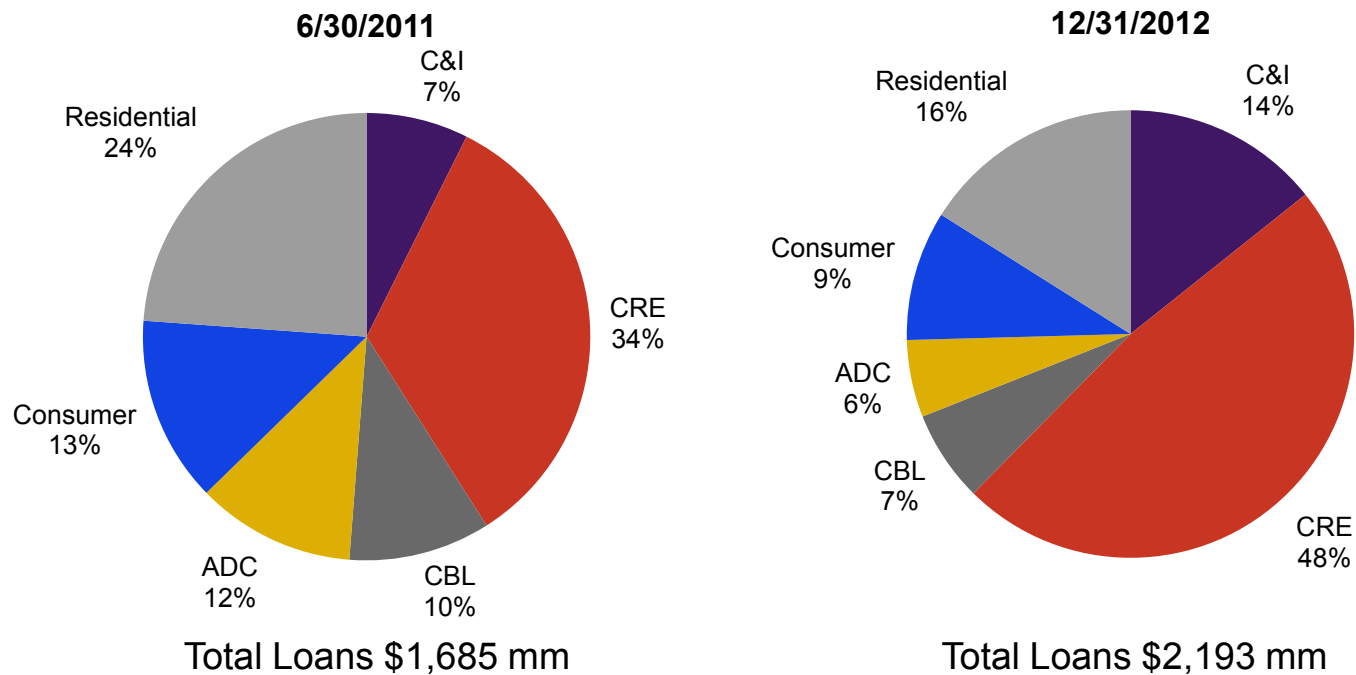


# Strong Pipeline of New Business

## Originations

| Volume (\$ in millions) | 1Q12    | 4Q12    | 1Q13    | % LINKED | YOY |
|-------------------------|---------|---------|---------|----------|-----|
| Total Commercial        | \$186.6 | \$162.2 | \$230.5 | 42%      | 23% |
| Total Consumer          | 45.0    | 43.5    | 60.6    | 39%      | 35% |
| Total Originations      | 231.6   | 205.7   | 291.1   | 42%      | 26% |

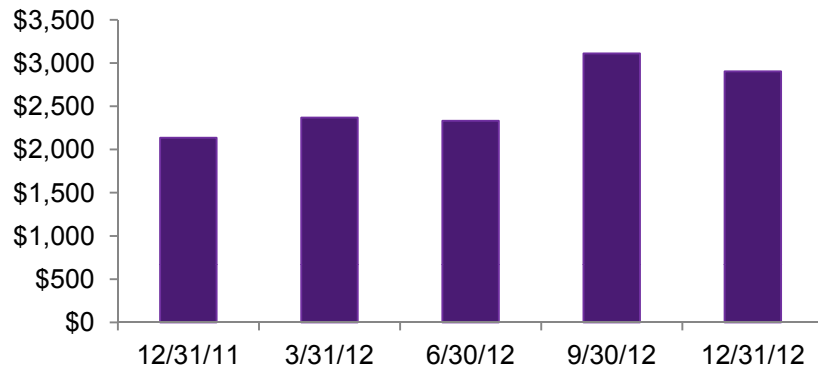
## Loan Composition



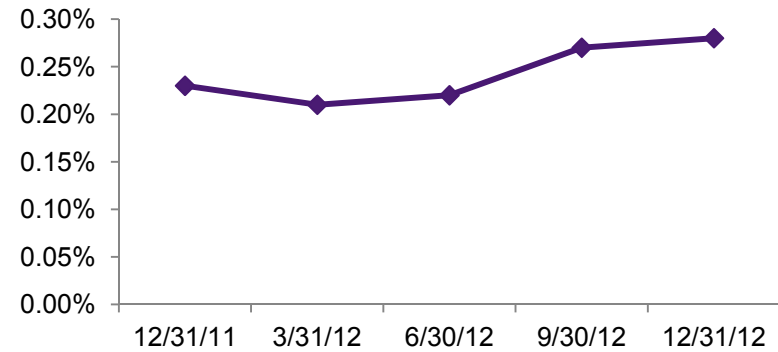
# Low Cost, Diversified Deposit Base

## Total Deposits

(\$ in millions)

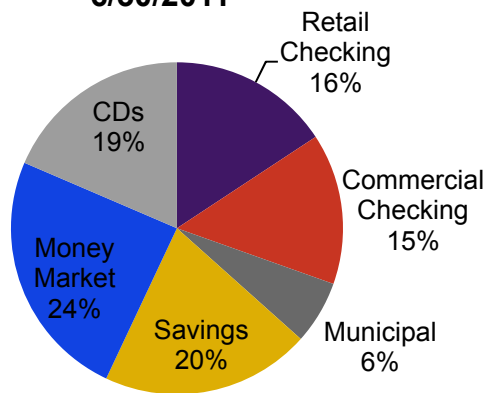


## Deposit Cost



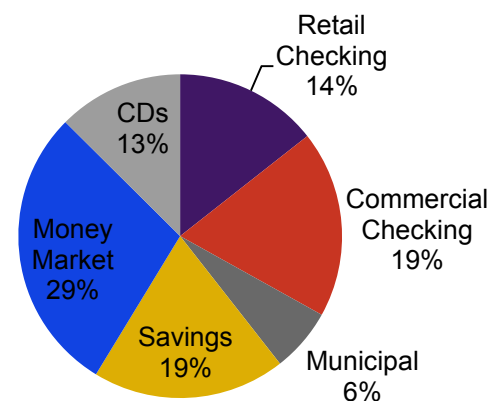
## Deposit Composition

6/30/2011



Total Deposits \$2,098mm

12/31/2012



Total Deposits \$2,904mm



## Operating Efficiency is Improving

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- Strong revenue momentum

|               | 6/30/11  | 6/30/12  | 9/30/12  | 12/31/12 | Δ Since 6/11 |
|---------------|----------|----------|----------|----------|--------------|
| Core Revenues | \$28,750 | \$30,521 | \$31,882 | \$34,972 | 21.6%        |

- Holding the line on expenses

|                    | 6/30/11  | 6/30/12  | 9/30/12  | 12/31/12 | Δ Since 6/11 |
|--------------------|----------|----------|----------|----------|--------------|
| Operating Expenses | \$20,409 | \$20,000 | \$22,949 | \$22,000 | 7.8%         |

- Resulting in increased operating efficiency

|                  | 6/30/11 | 6/30/12 | 9/30/12 | 12/31/12 | Δ Since 6/11 |
|------------------|---------|---------|---------|----------|--------------|
| Efficiency Ratio | 71.0%   | 65.5%   | 72.0%   | 62.9%    | (810) bps    |

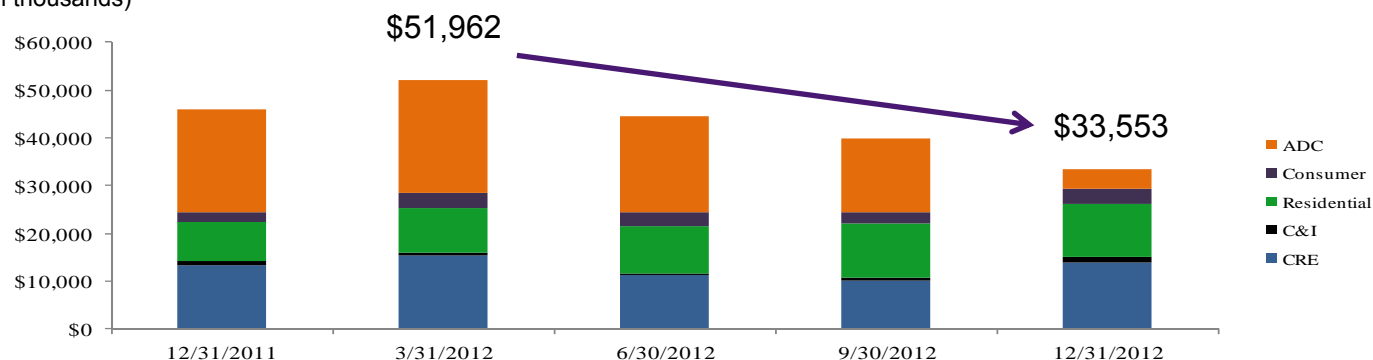




# Continued Improvement in Asset Quality

## Non-Accrual and Past Due 90 Days

(\$ in thousands)



## Asset Quality Ratios

|  | 1Q12   | 2Q12   | 3Q12   | 4Q12   | 1Q13   |
|--|--------|--------|--------|--------|--------|
| <b>Non-performing loans to total loans</b>                           | 2.59%  | 2.89%  | 2.40%  | 1.88%  | 1.53%  |
| <b>Net charge-offs to average loans (1)</b>                          | 0.37%  | 0.74%  | 0.55%  | 0.57%  | 0.58%  |
| <b>Allowance for loan loss to total loans</b>                        | 1.59%  | 1.54%  | 1.49%  | 1.33%  | 1.28%  |
| <b>Allowance for loan losses to total loans excluding Gotham (2)</b> | N/A    | N/A    | N/A    | 1.47%  | 1.41%  |
| <b>Allowance for loan losses to non-performing</b>                   | 62%    | 54%    | 62%    | 71%    | 84%    |
| <b>Non-performing assets to total assets</b>                         | 1.67%  | 1.80%  | 1.64%  | 1.15%  | 1.07%  |
| <b>Special Mention (MM)</b>  | \$18.4 | \$37.4 | \$37.6 | \$42.4 | \$29.8 |
| <b>Substandard/Doubtful (MM)</b>                                     | \$99.4 | \$89.1 | \$88.4 | \$88.7 | \$83.1 |

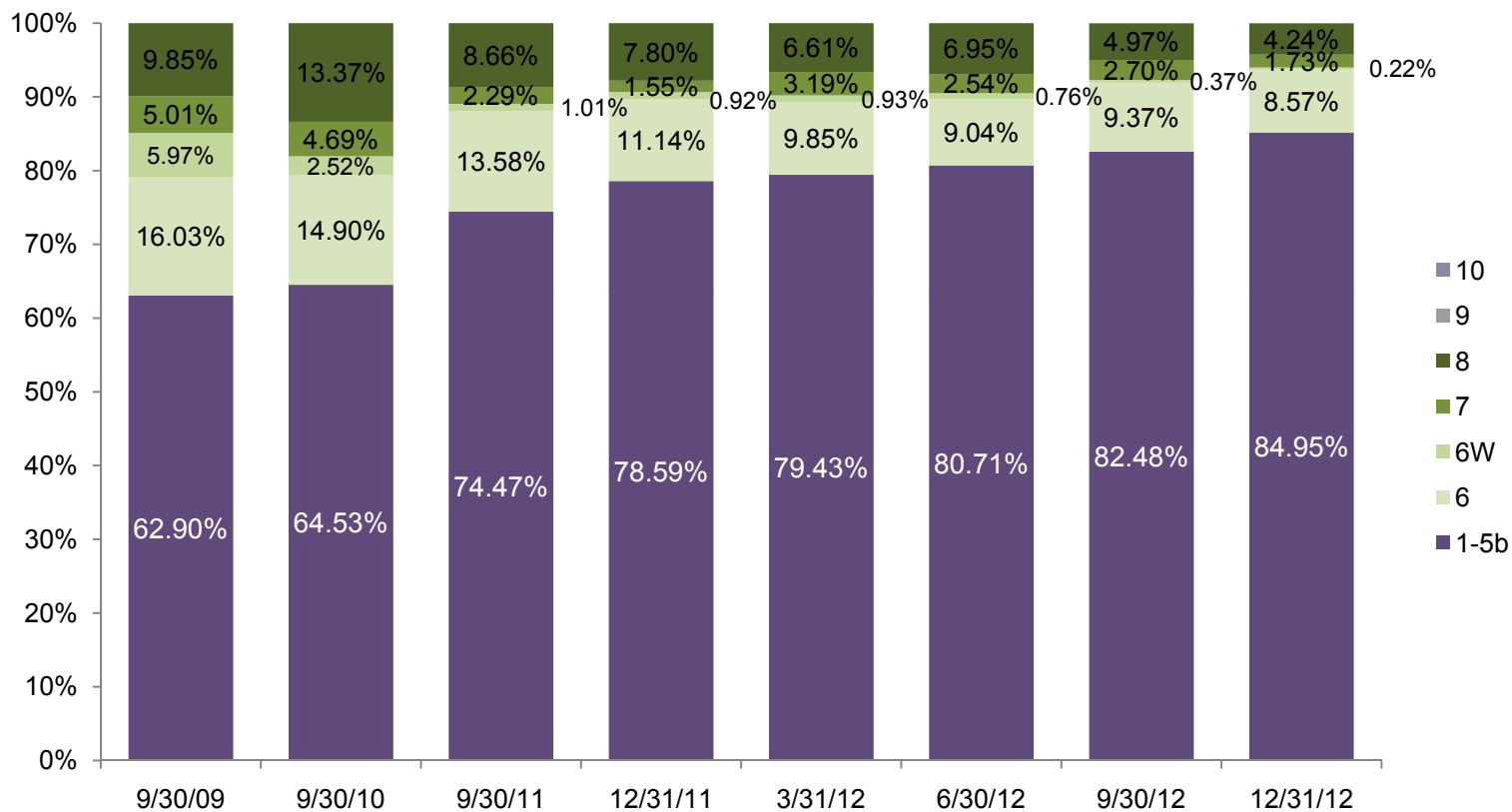
(1) Annualized.

(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 either date. See Page 15 for a reconciliation of these amounts to our GAAP measures.



# Positive Trends in Risk Ratings

12/31/12 Risk Rating Report  
 All Source Risk Rating % Comparisons  
 Commercial Loans - Excluding Business Banking Loans



|                   | 9/30/09 | 9/30/10 | 9/30/11 | 12/31/11 | 3/31/12 | 6/30/12 | 9/30/12 | 12/31/12 |
|-------------------|---------|---------|---------|----------|---------|---------|---------|----------|
| Portfolio Avg RR  | 5.723   | 5.755   | 5.504   | 5.458    | 5.459   | 5.464   | 5.342   | 5.309    |
| Performing Avg RR | 5.383   | 5.317   | 5.223   | 5.213    | 5.219   | 5.226   | 5.155   | 5.170    |
| Total of RR 1-5B  | 62.90%  | 64.53%  | 74.47%  | 78.59%   | 79.43%  | 80.71%  | 82.48%  | 84.95%   |



# Strong Capital and Liquidity Position

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As of December 31, 2012

- Tier 1 Leverage ratio of 8.23%
  - Increased 74 bps due to retained earnings and reduction in total assets
- Total risk based capital ratio of 13.45%
  - An increase from 13.36% at September 30, 2012
- Reflects low overall risk weighting of our securities portfolio
- Our liquidity remains strong
  - Cash and available for sale securities represented \$1.3 billion at December 31, 2012
  - Cash declined between September and December due to planned withdrawals of municipal deposits



## 2013 Strategic Imperatives

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- Optimize the existing commercial banking teams and deploy an additional 3-5 teams
- Roll out a comprehensive team-based Business Banking Strategy
- Optimize the Financial Center Network
- Significantly improve results in non-interest income by delivering new revenue streams
- Drive year end efficiency ratio to approximately 60% by improving effectiveness of teams and efficiency of the back office and support areas



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# Appendix



# Reconciliation of Non-GAAP Financial Measures

| Non-GAAP Financial Measures<br>(in thousands except share)                                | As of and for the Years Ended |            |  |
|---|-------------------------------|------------|--|
|   | 9/30/11                       | 9/30/12    |  |
|   | Actual                        | Actual     | Excluding<br>merger-related<br>expense |
| <b>The following table shows the reconciliation of return on average tangible equity:</b> |                               |            |  |
| Average stockholders' equity  | \$ 427,290                    | \$ 447,065 | \$ 447,065                             |
| Average goodwill and other amortizable intangibles  | (163,795)                     | (165,699)  | (165,699)                              |
| Average tangible stockholders' equity   | 263,495                       | 281,366    | 281,366                                |
| Net income <sup>(1)</sup>   | 11,739                        | 19,888     | 24,391                                 |
| Return on tangible equity   | 4.46%                         | 7.07%      | 8.67%                                  |

The Company provides supplemental reporting of non-GAAP return on tangible equity as management believes this information is useful to investors.

|  |           |           |           |
|--|-----------|-----------|-----------|
| <b>The following table shows the reconciliation of the operating efficiency ratio:</b> |           |           |           |
| Net interest income  | \$ 91,290 | \$ 96,464 | \$ 96,464 |
| Non-interest income  | 29,951    | 32,152    | 32,152    |
| Total revenue  | 121,241   | 128,616   | 128,616   |
| Tax equivalent adjustment on securities interest income                                | 4,007     | 3,498     | 3,498     |
| Net gain on sales of securities  | (10,011)  | (10,452)  | (10,452)  |
| Other than temporary loss on securities  | 278       | 47        | 47        |
| Other, (other gains and fair value loss on interest rate caps)                         | 197       | (7)       | (7)       |
| Core total revenue   | 115,712   | 121,702   | 121,702   |
| Non-interest expense   | 90,111    | 91,957    | 86,032    |
| Merger related expense   | -         | (5,925)   | -         |
| Defined benefit settlement charge/CEO change   | (4,973)   | -         | -         |
| Foreclosed property expense  | (1,171)   | (1,618)   | (1,618)   |
| Amortization of intangible assets  | (1,426)   | (1,245)   | (1,245)   |
| Core non-interest expense  | 82,541    | 83,169    | 83,169    |
| Unadjusted efficiency ratio  | 74.3%     | 71.5%     | 66.9%     |
| Core efficiency ratio  | 71.3%     | 68.3%     | 68.3%     |

The unadjusted efficiency ratio equals non-interest expense divided by total revenue. The core efficiency ratio reflects total revenues inclusive of the tax equivalent adjustment on municipal securities and excludes securities gains, other than temporary impairments and the other adjustments shown above. Core non-interest expense is adjusted to exclude the effect of foreclosed property expense and amortization of intangible assets. The Company believes this non-GAAP information provides useful information to users to assess the Company's core operations.

<sup>(1)</sup> Net income excluding merger costs represents net income for fiscal 2012 less merger expenses of \$5,925 net of related income tax benefit of \$1,422.





Your Connection