



# NewAlliance Bancshares

Sterne Agee

Financial Services Symposium

February 9, 2009

# Discussion Topics

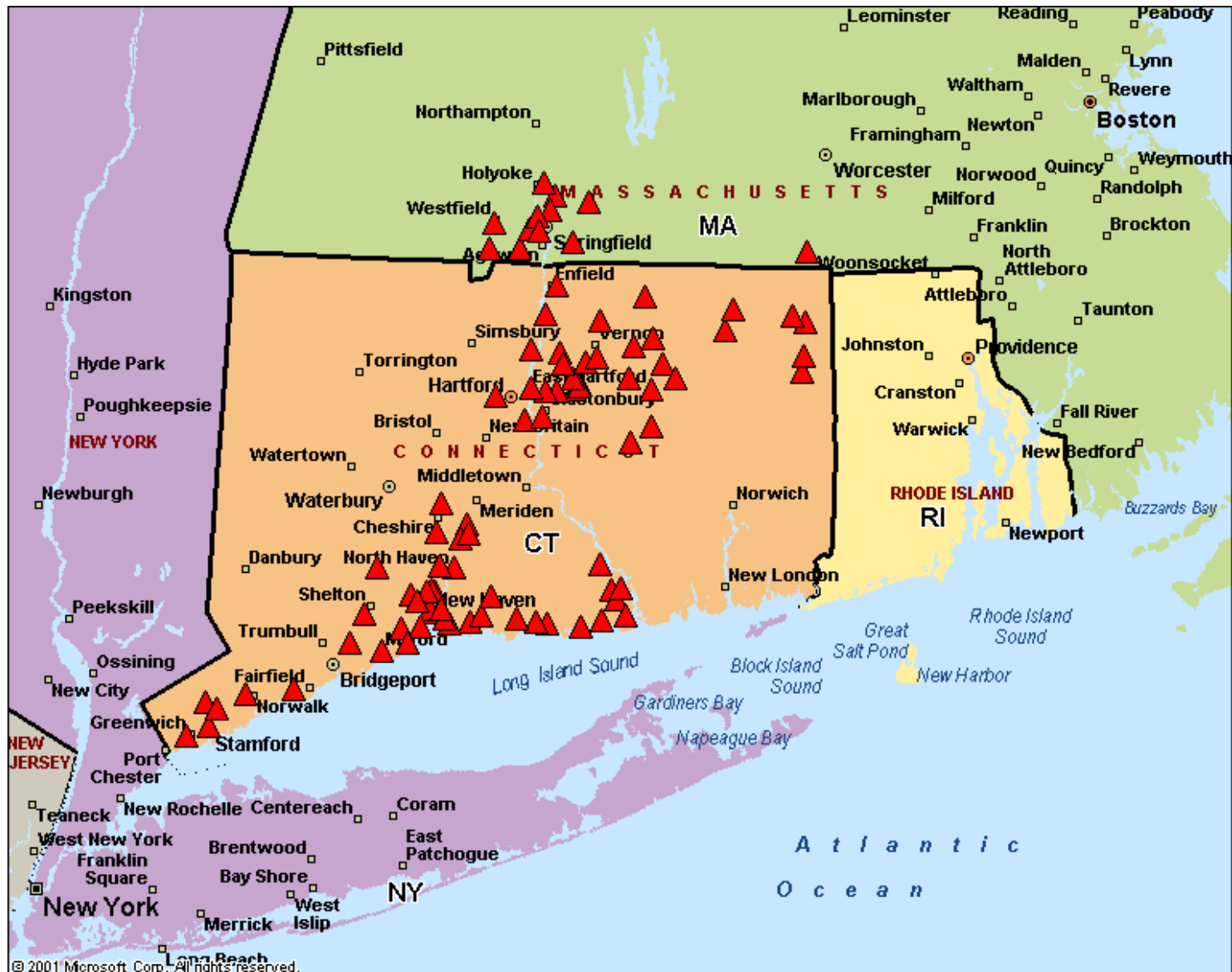
- Company Profile and Business Focus
- Key 2008 Business Priorities
- Highlights of 2008
- Credit Quality
- Key 2009 Business Priorities

# Company Profile

NewAlliance is a regional community bank with a significant southern New England presence:

- Approximately \$8.3 billion in assets and \$4.4 billion in deposits;
- 89 branches in Connecticut and Massachusetts;
- Among banks headquartered in New England, ranked 4<sup>th</sup> by asset size and ranked 3<sup>rd</sup> by market capitalization;
- Balance sheet growth driven by strong sales culture and acquisitions;
- Strong credit quality with total delinquencies (30 days +) of 1.22%;
- Strong capital - - Tier 1 risk based capital of 18.7%.

# Building the NewAlliance Franchise



# Executive Management Team

Name	Title	Years in Industry	Prior Experience
<b>Peyton R. Patterson</b>	<b>Chairman, President &amp; Chief Executive Officer</b>	<b>27</b>	<b>Dime Bancorp (NY) Chemical Bank/Chase Manhattan (NY) CoreStates Financial Corp. (PA)</b>
<b>Merrill B. Blanksteen</b>	<b>Executive Vice President, Chief Financial Officer &amp; Treasurer</b>	<b>32</b>	<b>American Savings Bank (FL) AmeriFirst Bank (FL)</b>
<b>Gail E.D. Brathwaite</b>	<b>Executive Vice President &amp; Chief Operating Officer</b>	<b>30</b>	<b>Dime Bancorp (NY)</b>
<b>Donald T. Chaffee</b>	<b>Executive Vice President &amp; Chief Credit Officer</b>	<b>37</b>	<b>Dime Bancorp (NY) Chase Manhattan Bank (NY)</b>
<b>Diane L. Wishnafski</b>	<b>Executive Vice President, Consumer &amp; Business Services</b>	<b>34</b>	<b>Dime Savings Bank of Wallingford (CT) First Bank (CT) Connecticut Bank &amp; Trust Co. (CT)</b>
<b>Mark Gibson *</b>	<b>Executive Vice President Chief Marketing Officer</b>	<b>25</b>	<b>BBVA/Compass Bank (AL) John Ryan Company (CT)</b>
<b>Koon-Ping Chan</b>	<b>Executive Vice President &amp; Chief Risk Officer</b>	<b>31</b>	<b>Dime Bancorp (NY) Chase Manhattan Bank (NY)</b>

**\* Joining NAL 2-18-09**

# 2008 Business Priorities

- PRIORITY: Focus on profitable organic balance sheet growth;
- PRIORITY: Maintain vigilant risk management focus;
- PRIORITY: Invest in technology and breadth of business capabilities;
- PRIORITY: Deploy capital opportunistically.

# Consolidated Statements of Income

(In millions) (Unaudited)	Twelve Months Ended			
	December 31,		Variance	
	2008	2007		
Interest and dividend income	\$ 399.2	\$ 403.3	(1.0)	%
Interest expense	209.1	228.2	(8.4)	%
Net interest income before provision	190.1	175.0	8.6	%
Provision	13.4	4.9	173.5	%
Net interest income after provision	176.7	170.1	3.9	%
Total non-interest income	55.9	31.2 (1)	79.2	%
Total non-interest expense	166.6	162.4 (2)	2.6	%
Income before income taxes	66.0	38.9 (3)	69.7	%
Income tax provision	20.7	15.1 (4)	37.1	%
Net income	\$ 45.3	\$ 23.8 (5)	90.3	%
Basic and Diluted EPS	0.45	0.23		
Net interest margin	2.61%	2.48%		

## Proforma 12/31/07 Data:

- (1) \$59.5 million before net loss on sale of restructured securities
- (2) \$164.9 million before merger and related costs
- (3) \$64.6 million before net loss on sale of restructured securities and merger related costs
- (4) \$18.7 million before charitable contribution valuation allowance adjustment
- (5) \$45.9 million before net loss on sale of restructured securities, merger related costs & charitable contribution valuation allowance adjustment

# Highlights of 2008

## Priority

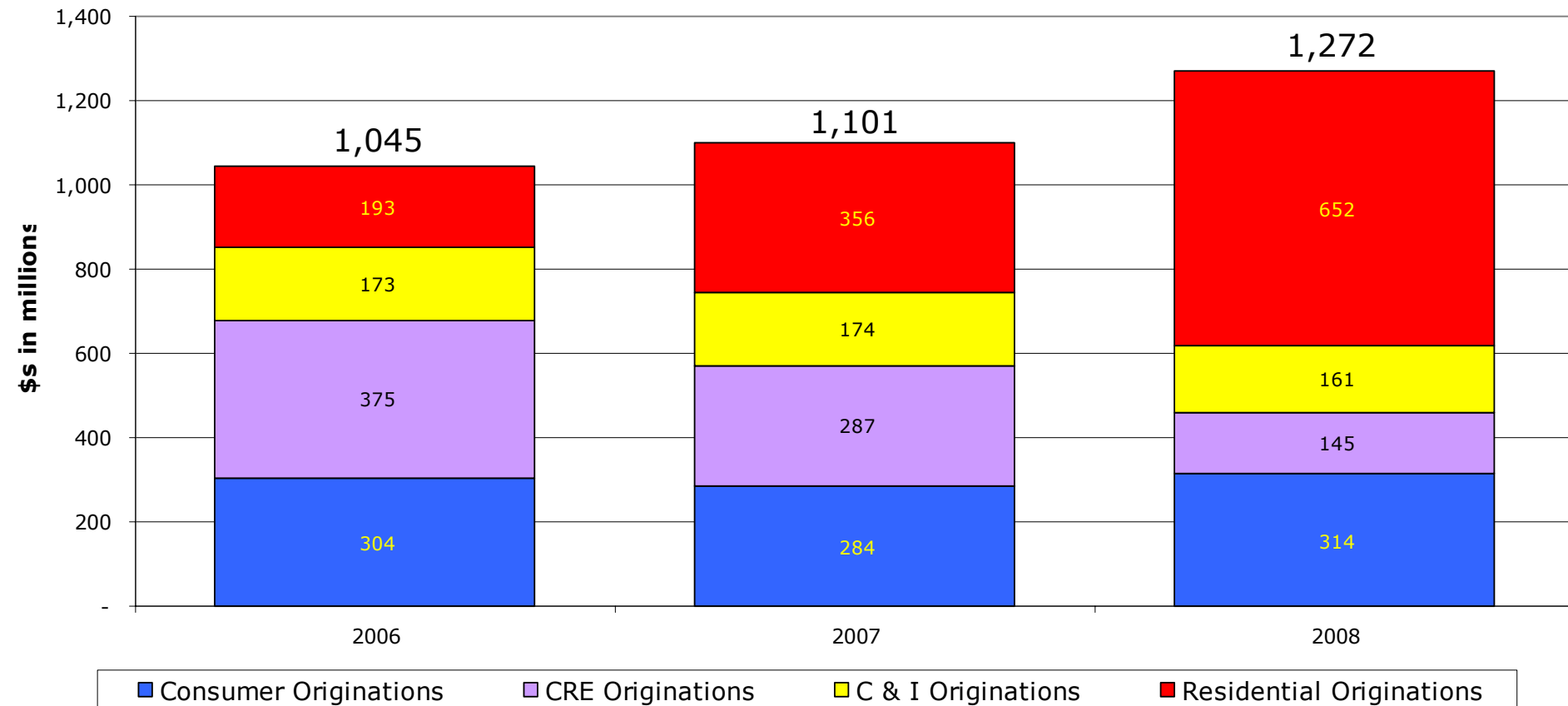
Focus on profitable organic balance sheet growth:

## Performance Against Goals

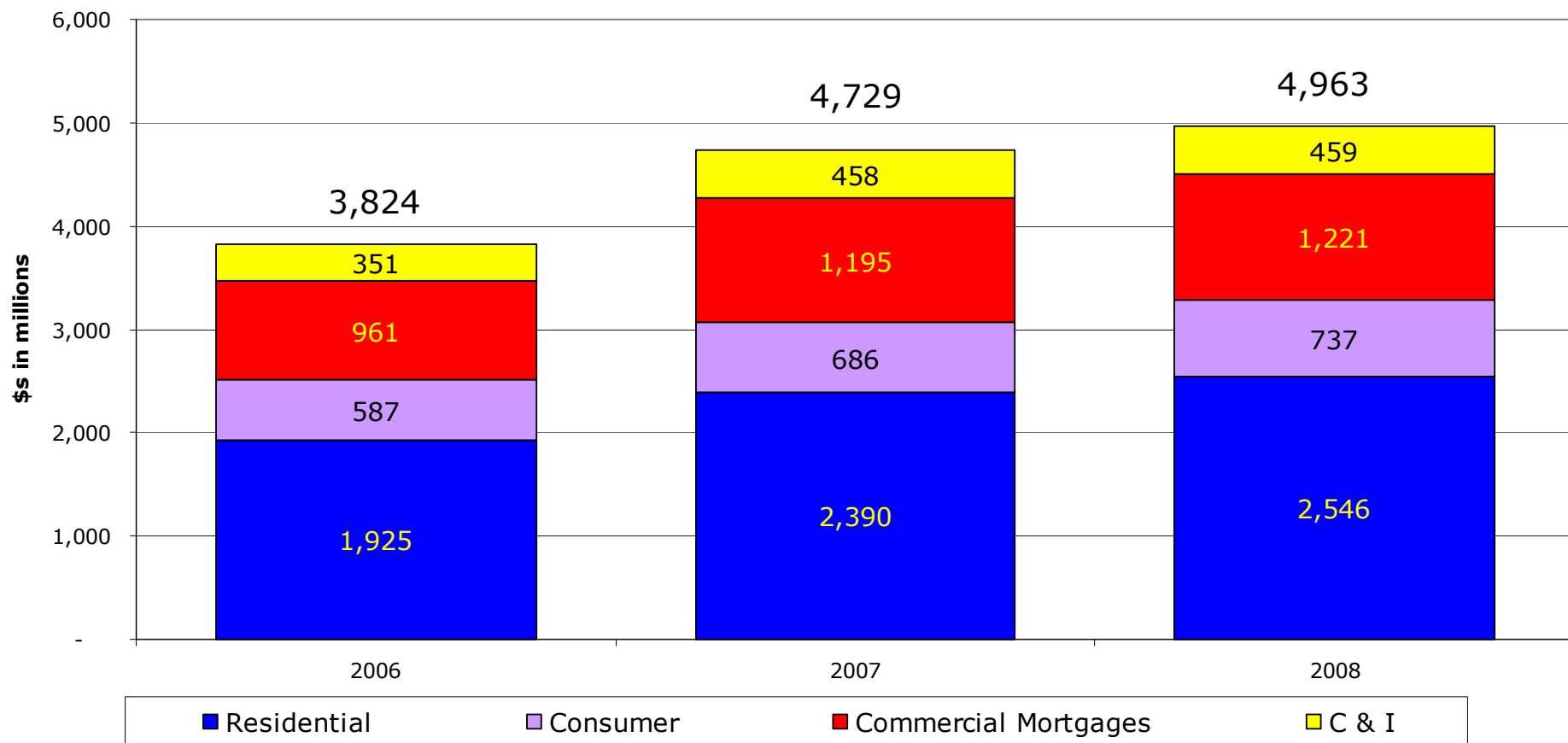
- Total deposits up 2% year over year; core deposits up 16%;
- Savings accounts up 19% over '07;
- Total loans up 5% from '07, mostly from residential mortgages;
- NIM improved 13 bps from a year ago to 2.61%;
- Loan originations up 16% from 2007;
- Loan to deposit ratio improved to 112% from 114% at June '08.



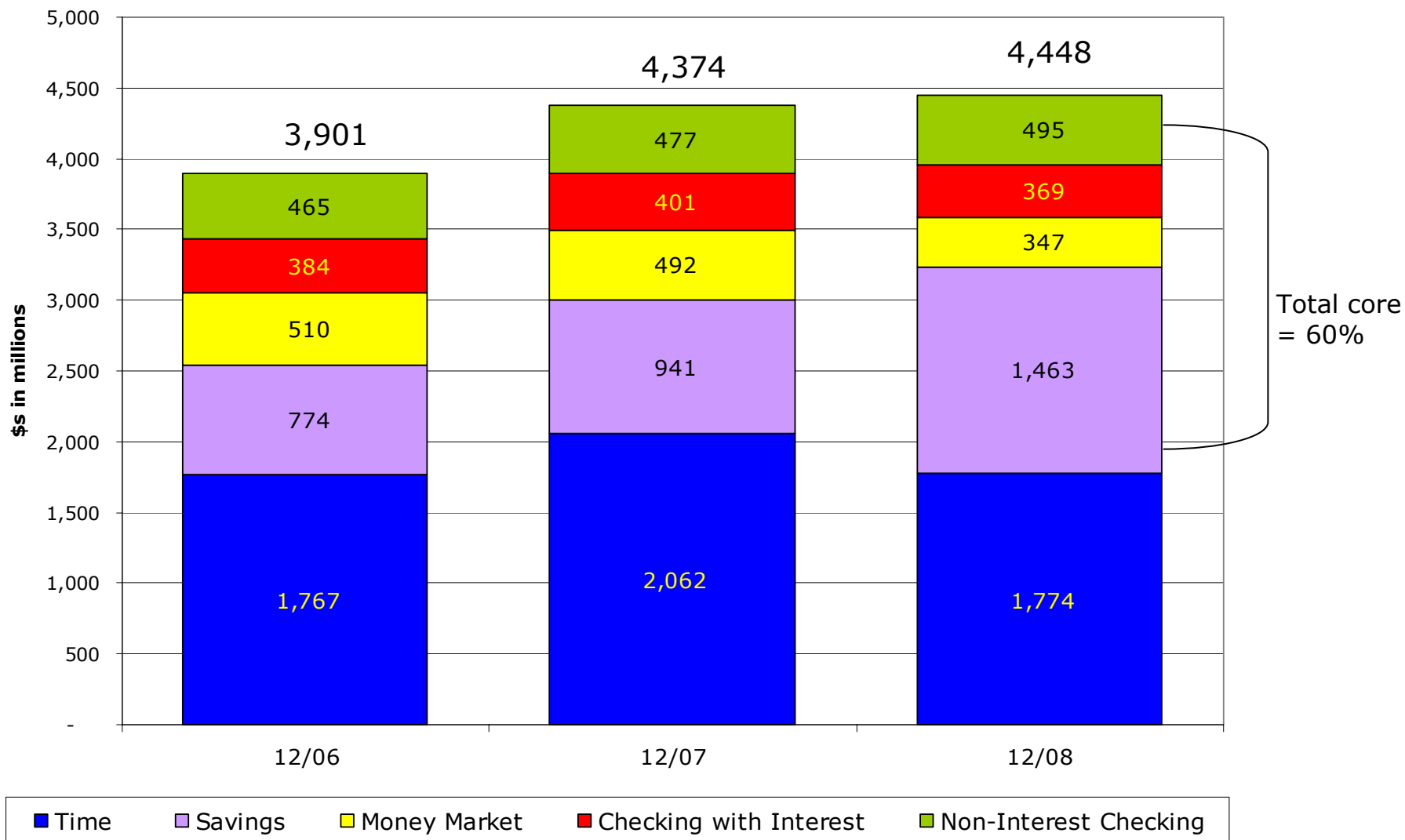
# Loan Originations



# Year End Loan Balances

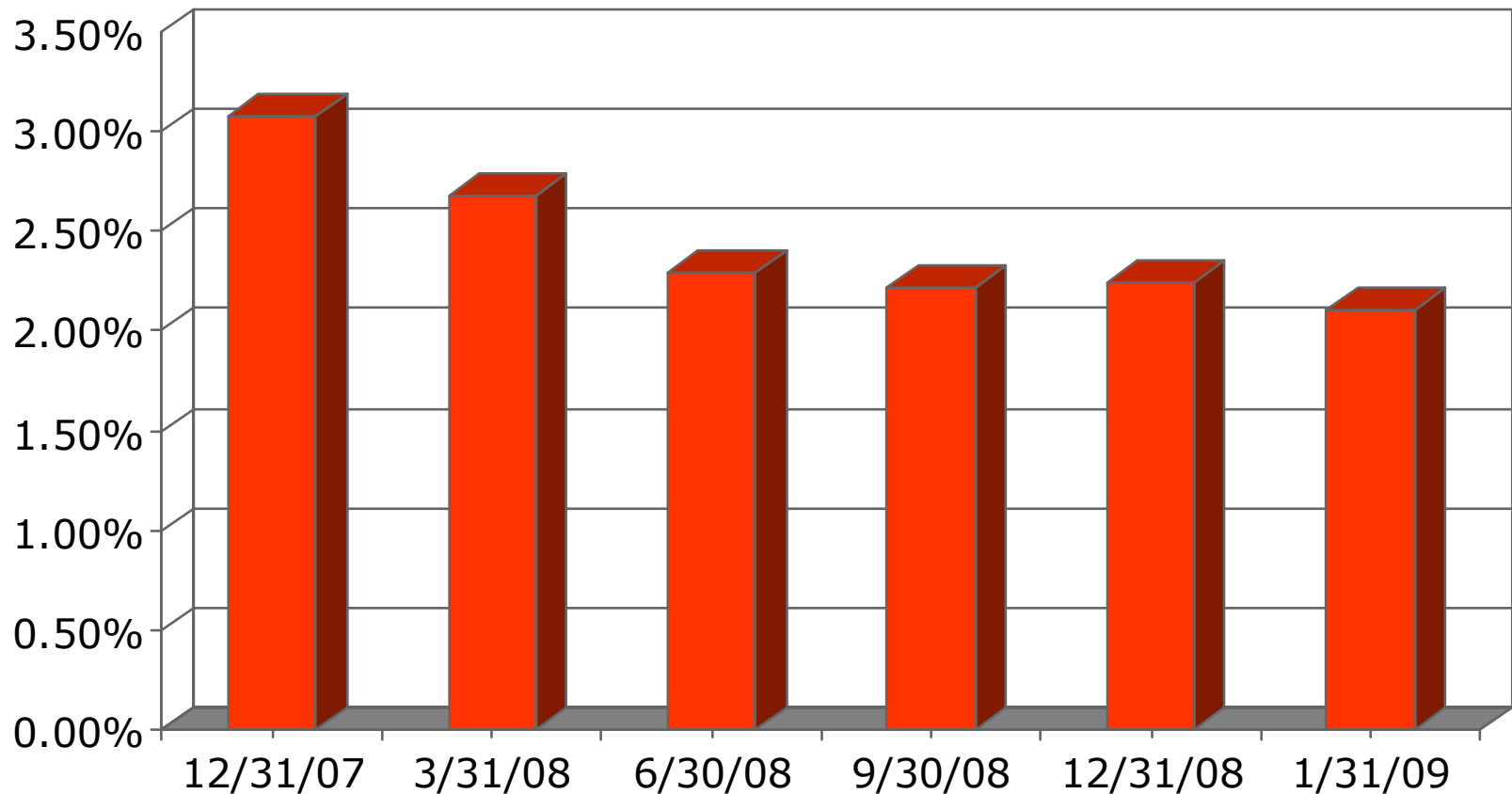


# Year End Deposit Balances



# Deposit Pricing Trends

■ Weighted average cost of total deposits for the month



# 2008 Year End Highlights

## Priority

### **Maintain vigilant risk management focus:**

- Accelerated account monitoring;
- Introduced credit scoring on commercial loan portfolio.

## Performance Against Goals

- Total delinquencies of 122 bps;
- Non-performing loans to total loans at 77 bps;
- Net charge-offs of 15 bps;
- Adequate reserve coverage at 101 bps.

# 2008 Year End Highlights

## Priority

Invest in technology and breadth of business capabilities:

## Performance Against Goals

- Expanded Internet sales channel;
- Converted to imaged statements and offered e-statements;
- Introduced Cash Rewards Program;
- Upgraded branch platform.



# 2008 Year End Highlights

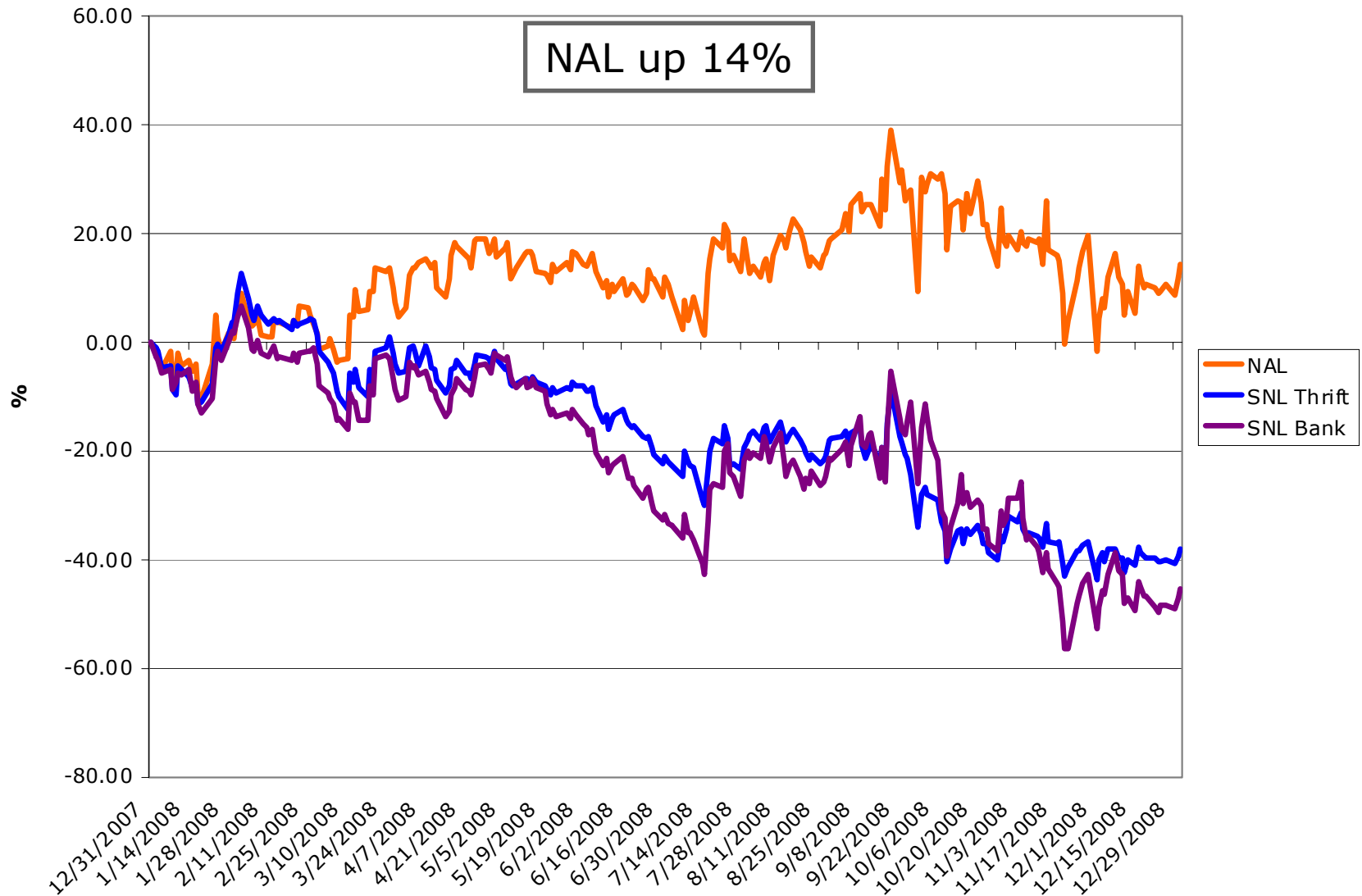
## Priority

Deploy capital opportunistically:

## Performance Against Goals

- Twice “well capitalized” regulatory benchmark;
  - ◇ Tier 1 capital 11.1%;
  - ◇ Tier 1 risk-based capital of 18.7%;
- Repurchased 1.7 million shares at average price of \$12.33.
- Did not apply for the TARP since it would have:
  - ◇ Restricted share repurchases;
  - ◇ Restricted dividend increases;
  - ◇ Diluted current shares through grant of warrants;
  - ◇ Reduced EPS & ROE.

# 2008 Year End Stock Price Performance



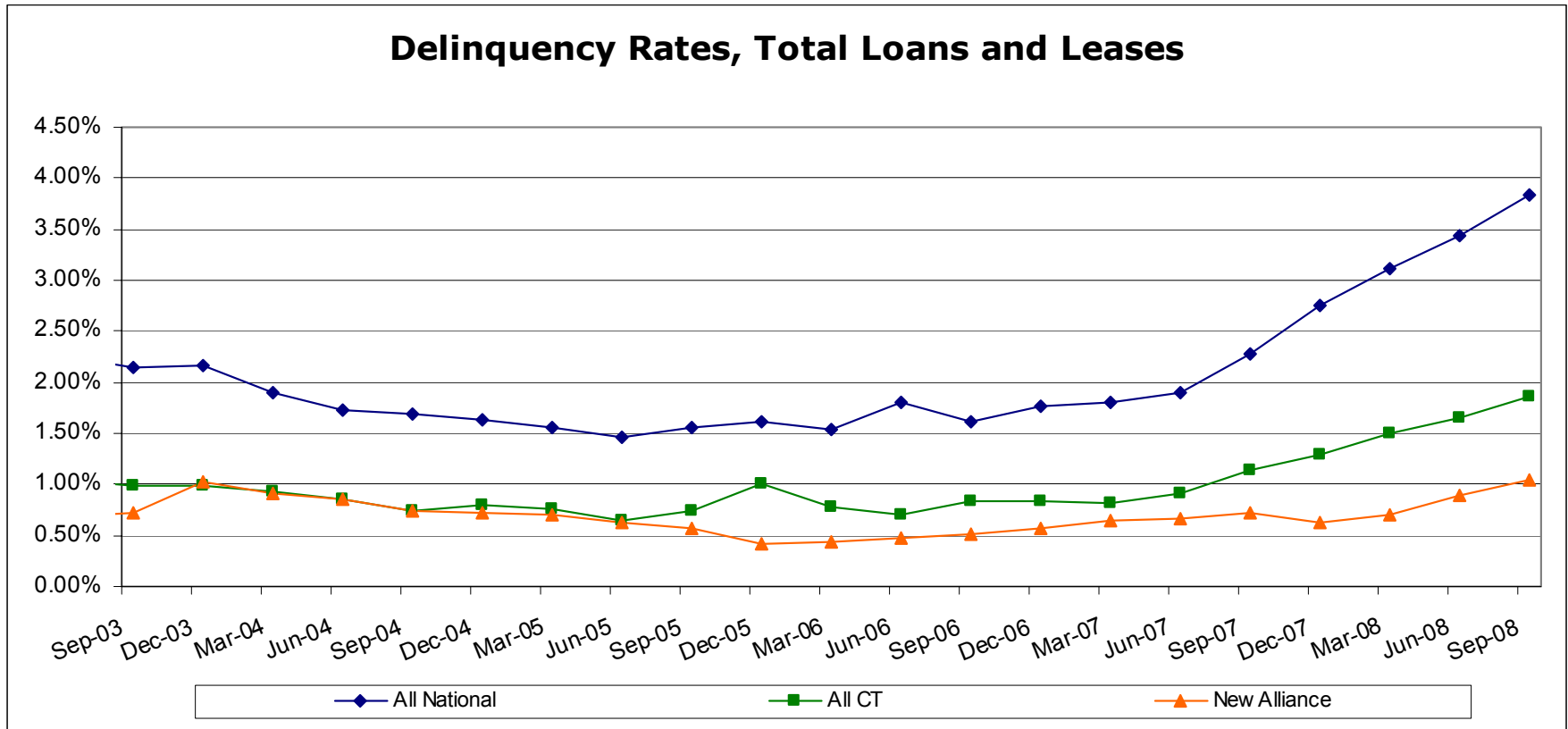




**NewAlliance Bancshares**

**Credit Quality**

# 2008 Credit Quality vs. Peers



September 30, 2008

All National

3.84%

All CT

1.85%

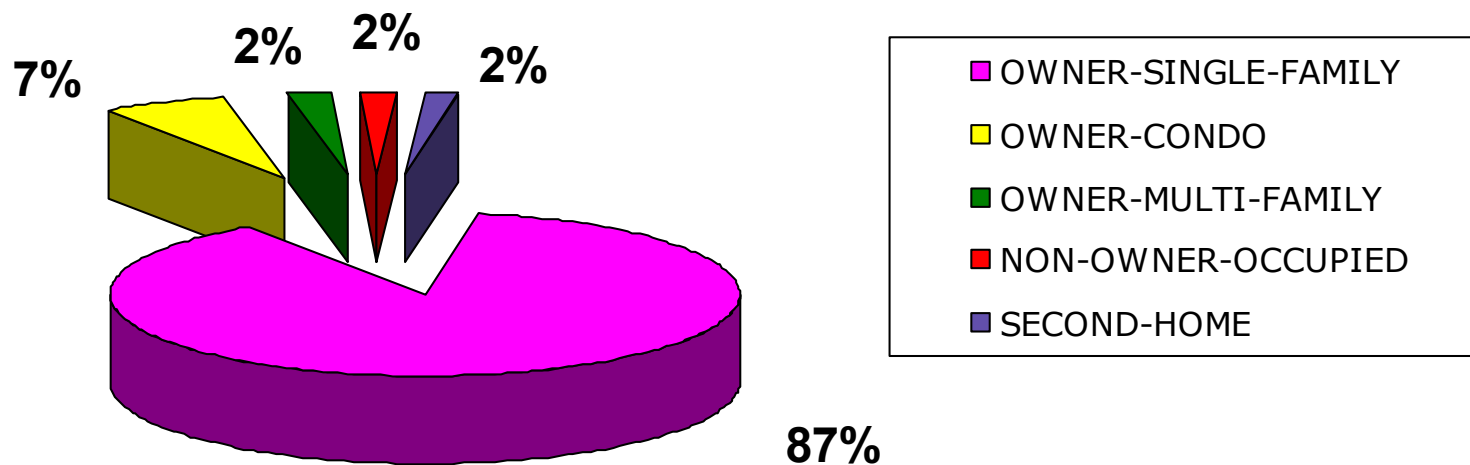
NewAlliance

1.05%

# Residential Portfolio Snapshot

December 31, 2008

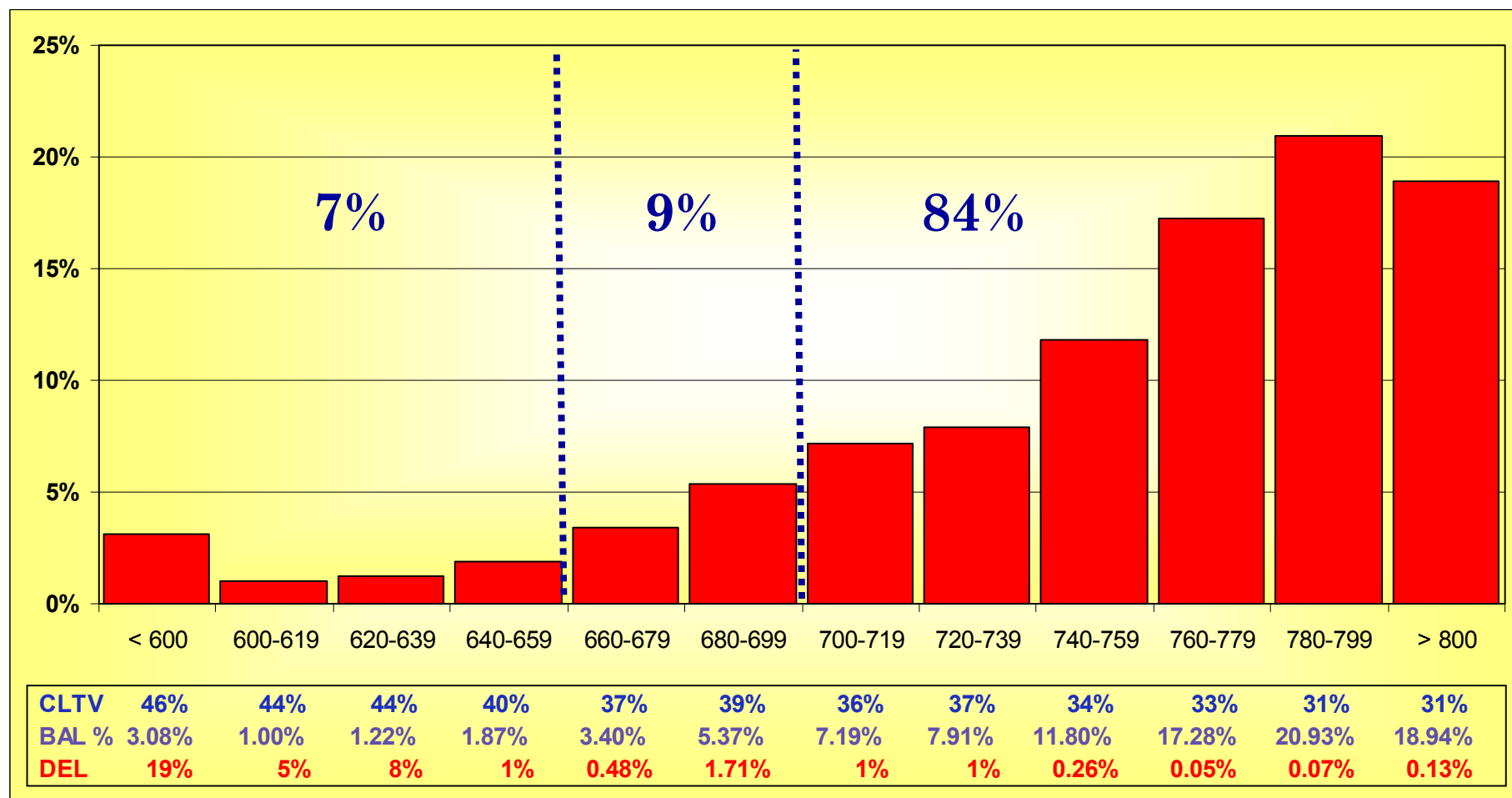
Total portfolio:	\$2.5 billion
Percent of total loans:	50%



• Total delinquencies	1.00%
• Net credit losses	0.01%
• Average FICO	747
• Average LTV	<50%

# Residential Portfolio Score Distribution

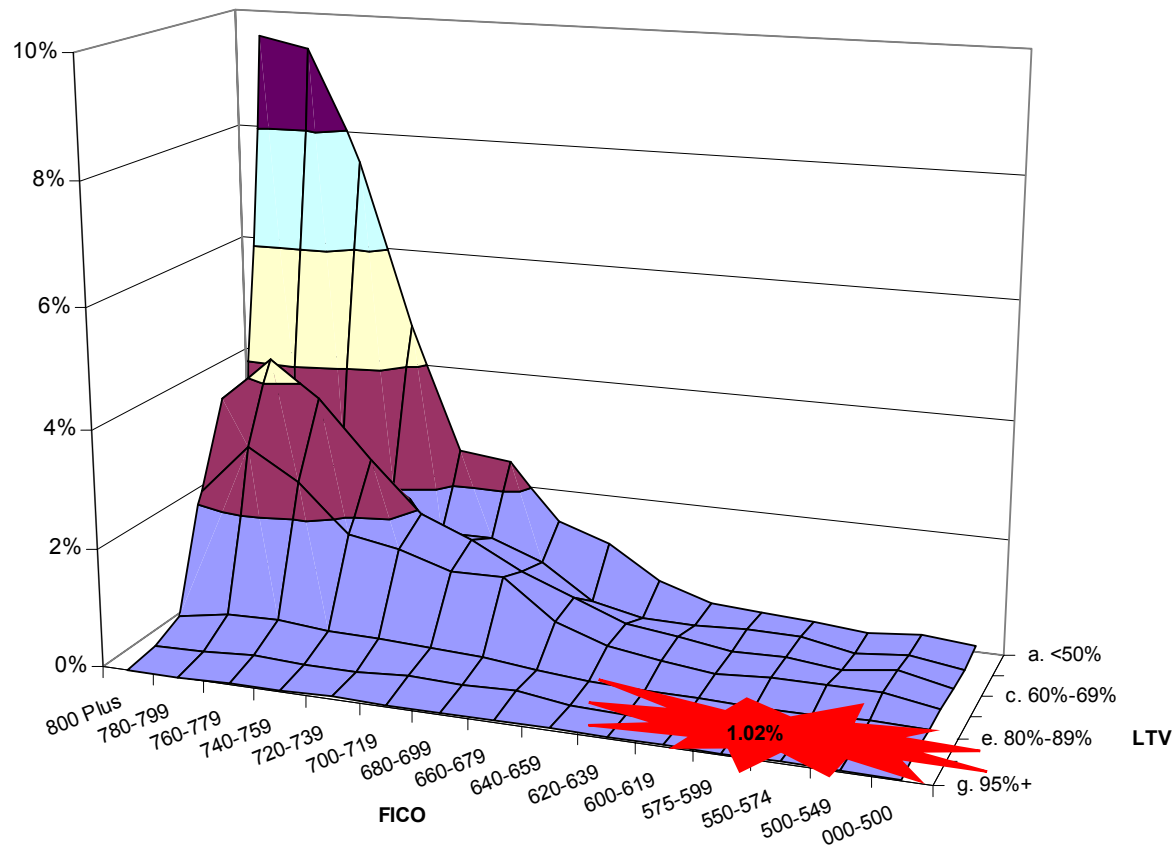
December 31, 2008



# Residential Mortgage FICO/LTV/Volume Matrix

December 31, 2008

**Majority of loans have both high  
FICO scores and low LTVs**



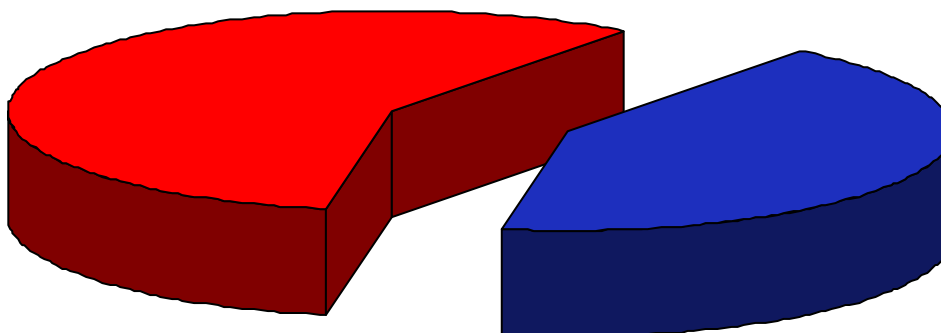
**Only 1.02% of Mortgages are designated high risk (\$25 million)**

# Home Equity Portfolio Snapshot

December 31, 2008

Total portfolio:	\$714 million
Percent of total loans:	14%

**HELOAN**  
**58%**



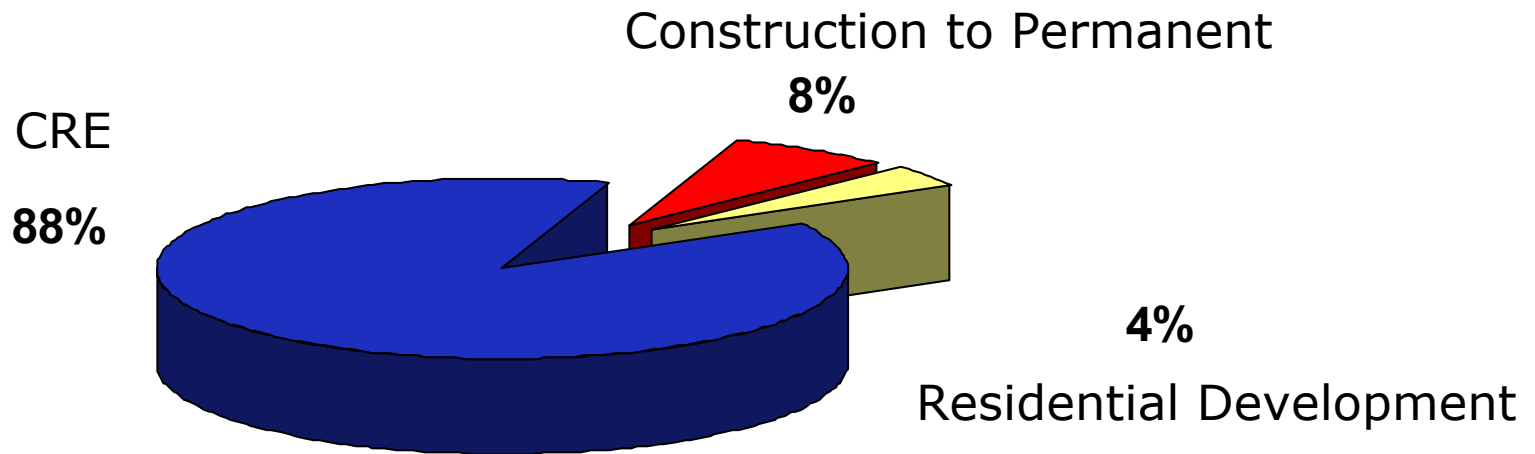
**HELOC**  
**42%**

- |                       |       |
|-----------------------|-------|
| • Total delinquencies | 0.59% |
| • Net credit losses   | 0.06% |
| • Average CLTV        | <50%  |
| • Line utilization    | 45%   |

# Total CRE Portfolio Snapshot

December 31, 2008

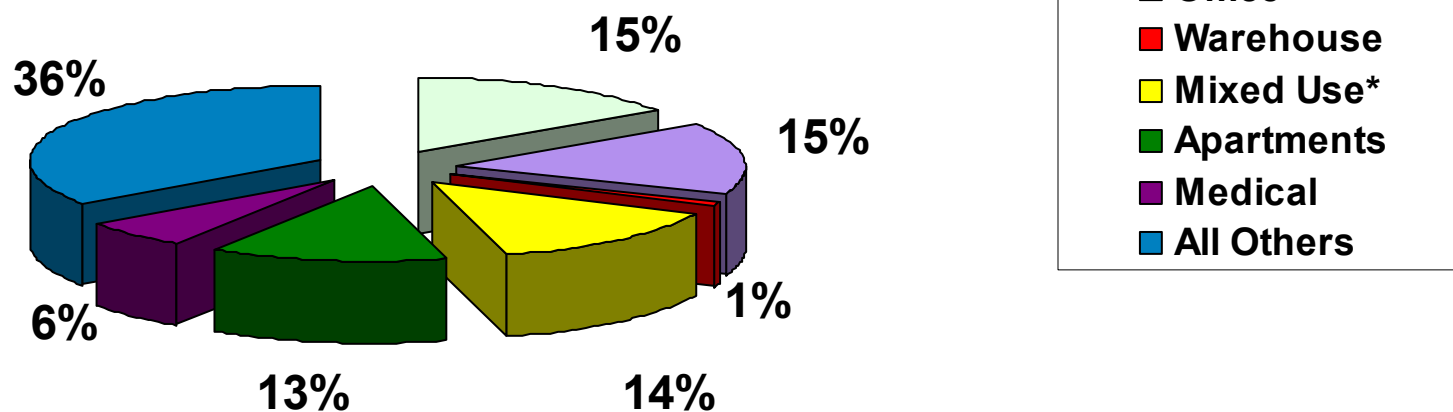
Total portfolio:	\$1.2 billion
Percent of total loans:	25%



- |                        |       |
|------------------------|-------|
| • Total delinquencies  | 1.76% |
| • Non-performing loans | 1.51% |
| • Net credit losses    | 0.40% |

# CRE Portfolio Snapshot

December 31, 2008



Balanced distribution of risk

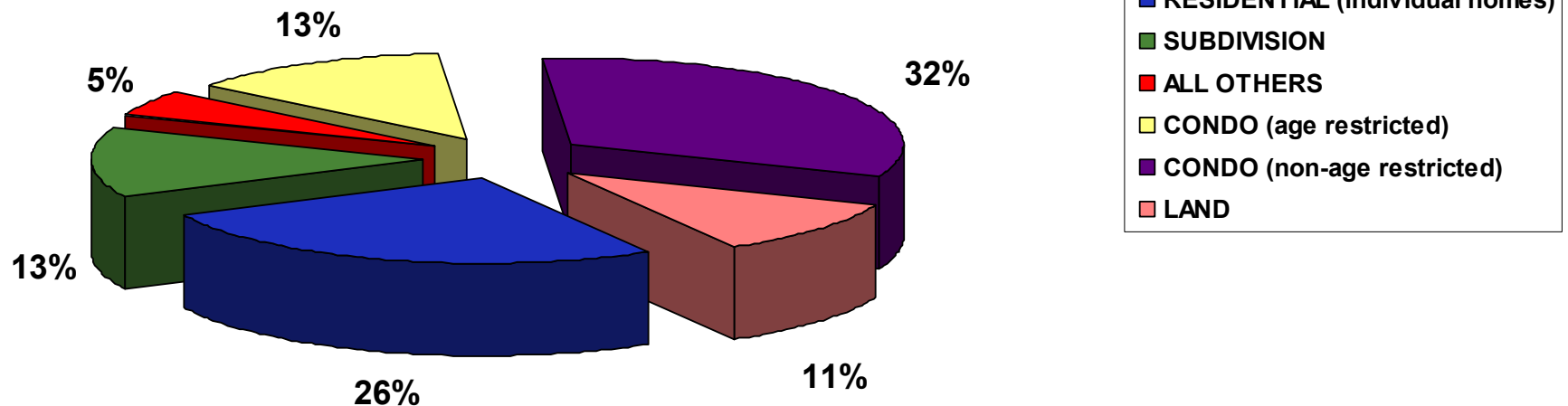
\* Primarily retail/office & retail/apartments



# Residential Development Portfolio Snapshot

December 31, 2008

Total portfolio:	\$48 million
Percent of total loans:	0.96%

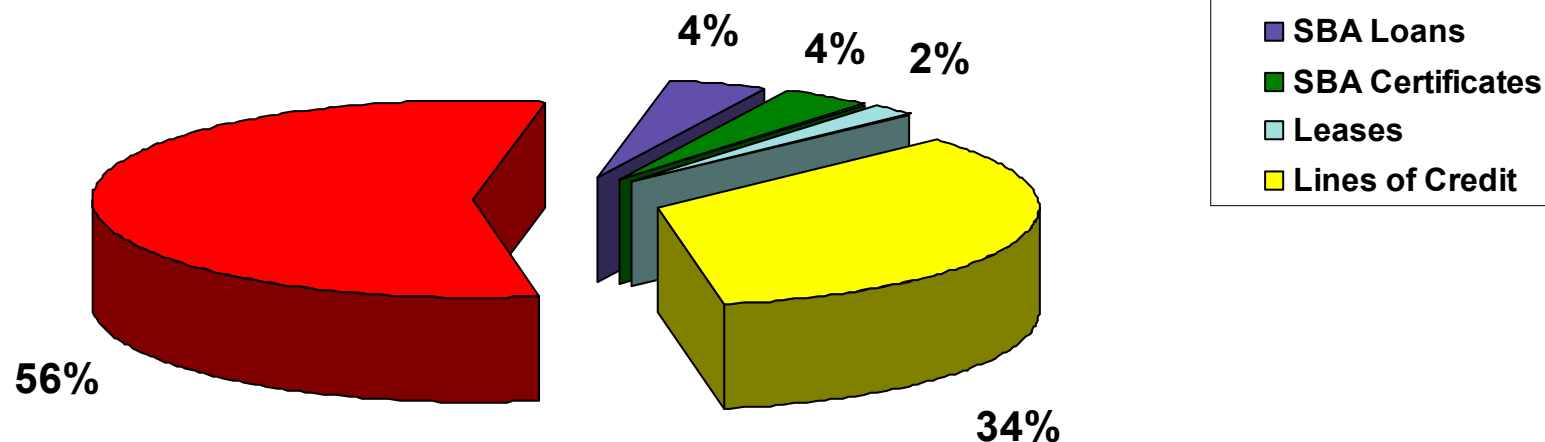


■ Total condo portfolio	\$20.6 million
■ Total NPL's for condo portfolio	\$9.4 million

# C&I Portfolio Snapshot

December 31, 2008

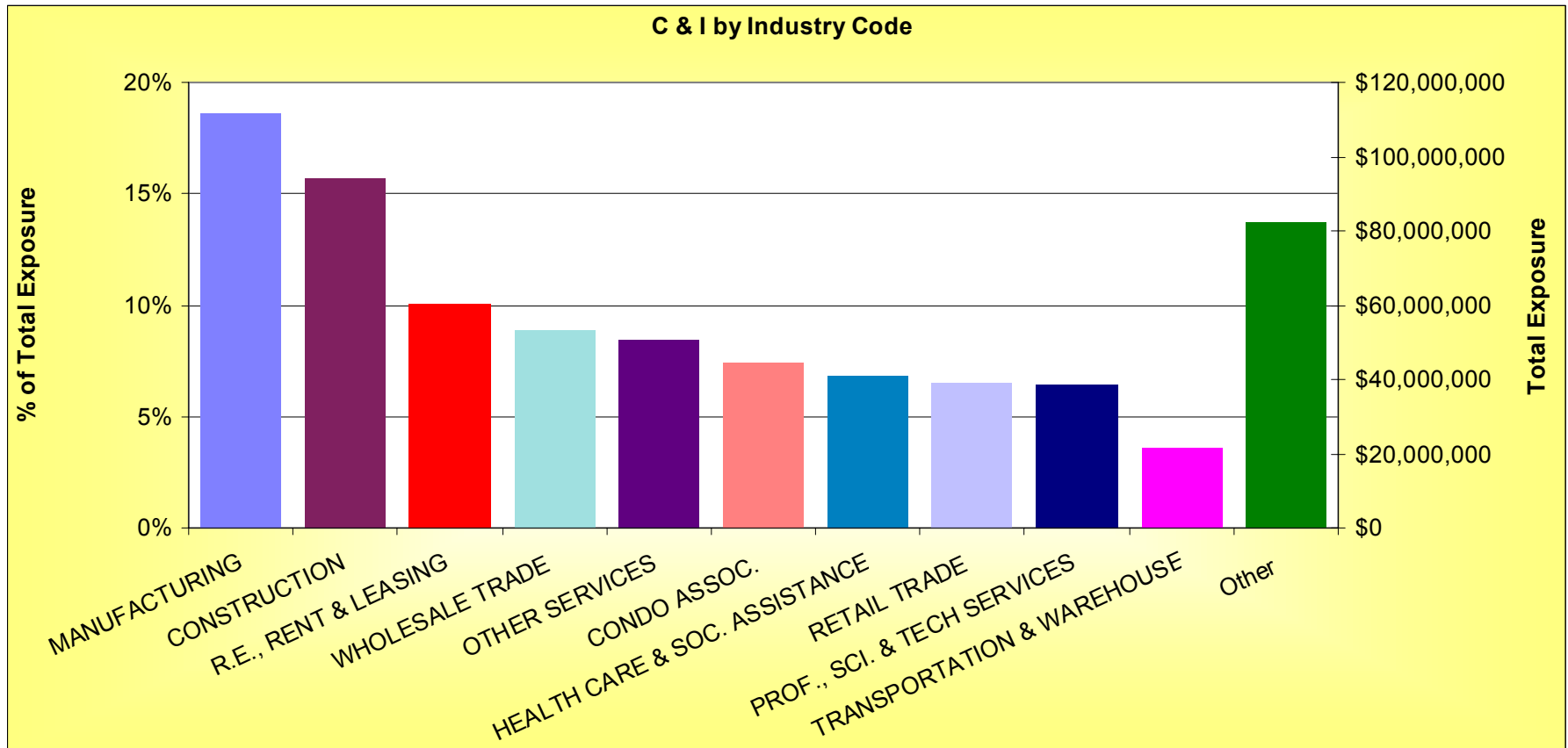
Total portfolio	\$459 million
Percent of total loans	9%



• Total delinquencies	1.96%
• Net credit losses	0.19%

# C&I Portfolio Snapshot

December 31, 2008



**No excessive concentrations**

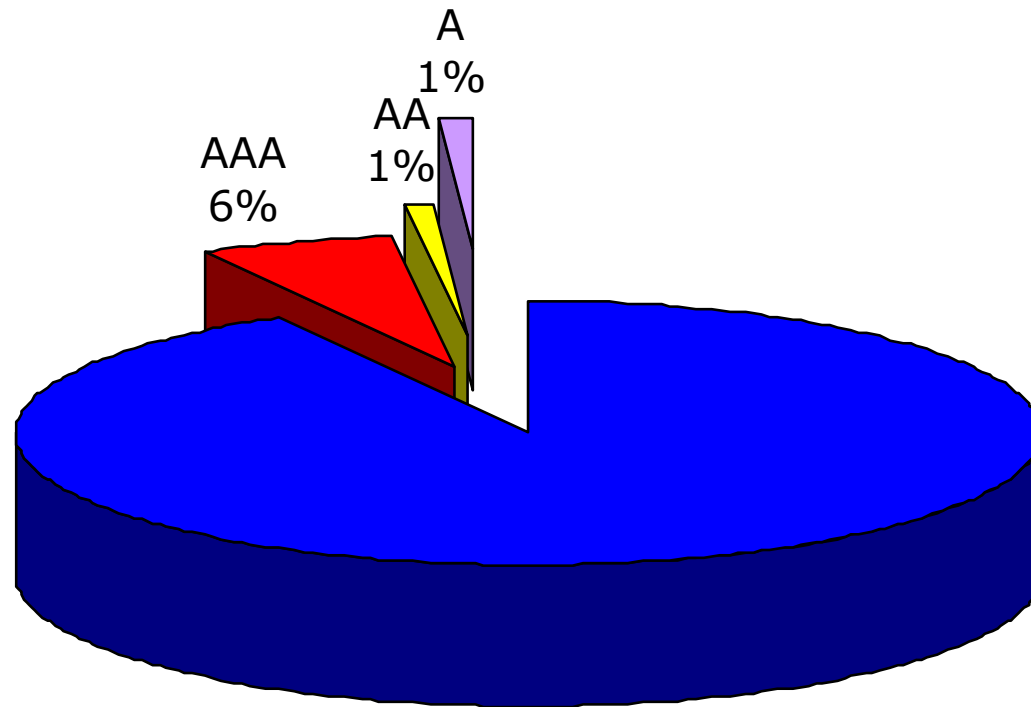
# 2008 Net Charge-offs by Category

<b>(\$s in thousands)</b>	<b>Portfolio size</b>	<b>Charge-offs</b>	<b>B.P.</b>
<b>Residential</b>	<b>2,546,018</b>	<b>598</b>	<b>2</b>
<b>Consumer</b>	<b>737,005</b>	<b>956</b>	<b>13</b>
<b>Residential Development</b>	<b>47,700</b>	<b>4,213</b>	<b>883</b>
<b>Other Commercial Construction</b>	<b>95,910</b>	<b>0</b>	<b>0</b>
<b>Commercial Real Estate</b>	<b>1,077,200</b>	<b>651</b>	<b>6</b>
<b>C&amp;I</b>	<b>458,952</b>	<b>884</b>	<b>19</b>
<b>Total</b>	<b>4,962,785</b>	<b>7,302</b>	<b>15</b>

# Investment Portfolio

December 31, 2008

**Total Portfolio \$2.4 billion**



*Floating Rate Trust Preferred Debt:*

**Individual Names (A- to AA)**

**Book \$38.4 million      Market \$25.5 million**

**Pools (AA to AAA)**

**Book \$6.8 million      Market \$3.6 million**

*Fixed Rate Trust Preferred Debt:*

**Individual Names (A- to AA)**

**Book \$2.5 million      Market \$2.1 million**

Treasury /  
Agency  
92%



# Gap Report December 2008

	Dec-08		< 3 Months		3 - 12 Months		< 1 Year Gap	
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
<b>Assets:</b>								
Cash and Due From Banks	98,131	-	-	-	-	-	-	-
Short Term Investments	101,000	1.64	101,000	1.64	-	-	101,000	1.64
Long Term Investments	2,313,166	4.91	484,769	4.25	734,337	5.05	1,219,105	4.73
<b>Total Investments:</b>	<b>2,414,166</b>	<b>4.77</b>	<b>585,769</b>	<b>3.80</b>	<b>734,337</b>	<b>5.05</b>	<b>1,320,105</b>	<b>4.50</b>
Loans - Adjustable and Variable	2,974,495	5.38	791,035	4.36	561,931	5.65	1,352,966	4.90
Loans - Fixed	1,946,555	5.85	142,577	5.90	374,078	5.87	516,655	5.88
<b>Total Loans:</b>	<b>4,921,050</b>	<b>5.57</b>	<b>933,612</b>	<b>4.59</b>	<b>936,008</b>	<b>5.74</b>	<b>1,869,620</b>	<b>5.17</b>
Nonaccrual Loans	44,503	-	-	-	-	-	-	-
Other Assets	819,472	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>8,297,321</b>	<b>4.69</b>	<b>1,519,381</b>	<b>4.29</b>	<b>1,670,345</b>	<b>5.44</b>	<b>3,189,726</b>	<b>4.89</b>
<b>Liabilities:</b>								
Certificates of Deposit	1,774,259	3.32	348,421	2.66	901,778	3.26	1,250,199	3.09
Core Accounts	2,691,391	1.51	43,584	2.25	1,092,191	2.11	1,135,775	2.11
<b>Total Deposits:</b>	<b>4,465,650</b>	<b>2.23</b>	<b>392,005</b>	<b>2.62</b>	<b>1,993,969</b>	<b>2.63</b>	<b>2,385,974</b>	<b>2.63</b>
Borrowed Money	2,376,496	4.29	288,646	3.04	407,755	4.49	696,402	3.89
Other Liabilities	73,959	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>6,916,106</b>	<b>2.91</b>	<b>680,651</b>	<b>2.80</b>	<b>2,401,725</b>	<b>2.94</b>	<b>3,082,376</b>	<b>2.91</b>
<b>Capital:</b>	<b>1,381,216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities &amp; Equity</b>	<b>8,297,321</b>	<b>2.43</b>	<b>680,651</b>	<b>2.80</b>	<b>2,401,725</b>	<b>2.94</b>	<b>3,082,376</b>	<b>2.91</b>
<b>Total Rate Sensitive Assets:</b>	<b>7,317,747</b>	<b>5.32</b>	<b>1,519,381</b>	<b>4.29</b>	<b>1,670,345</b>	<b>5.44</b>	<b>3,189,726</b>	<b>4.89</b>
<b>Total Rate Sensitive Liabilities:</b>	<b>6,329,349</b>	<b>3.18</b>	<b>680,651</b>	<b>2.80</b>	<b>2,401,725</b>	<b>2.94</b>	<b>3,082,376</b>	<b>2.91</b>
<b>Cumulative RSA/RSL:</b>			<b>2.23</b>		<b>1.03</b>		<b>1.03</b>	
<b>Period Gap:</b>			<b>838,729</b>		<b>(731,380)</b>		<b>107,350</b>	
<b>Cumulative Gap:</b>			<b>838,729</b>		<b>107,350</b>		<b>107,350</b>	
<b>Cumulative Gap/Total Assets:</b>			<b>10.11%</b>		<b>1.29%</b>		<b>1.29%</b>	



**NewAlliance Bancshares**

**Outlook for 2009**

# Outlook for 2009

**NewAlliance enters 2009 with a strong balance sheet and healthy capital levels. This places us at a competitive advantage to grow the franchise and to focus on the core earnings of the company.**

**Our priorities in 2009 will be to:**

- **Strengthen the margin;**
- **Build “core” fee income momentum;**
- **Maintain flat expenses;**
- **Aggressively manage credit quality;**
- **Seize opportunities to grow the franchise.**



# Outlook for 2009

Priority:

STRENGTHEN THE MARGIN:

Key Tactics:

- Seize opportunities to originate mortgages at favorable spreads;
- Use pricing power to improve commercial loan yields;
- Accelerate core deposits;
- Reduce cost of deposits.



# Outlook for 2009

Priority:

BUILD "CORE" FEE INCOME:

Key Tactics:

- Increase depositor service charge income;
- Accelerate loan servicing income from sale of fixed rate residential loans;
- Expand Wealth Management fee revenues.



# Outlook for 2009

## Priority:

AGGRESSIVELY MANAGE CREDIT QUALITY:

## Key Tactics:

- Continue heightened account monitoring;
- Routinely update FICO scores and LTV ratios;
- Conduct routine drill-downs on high risk segments of portfolio;
- Ensure adequate collections staffing.

# Outlook for 2009

## Priority:

MAINTAIN FLAT EXPENSES:

## Key Tactics:

- Offset higher regulatory costs (e.g. FDIC);
- Implement process improvements;
- Execute on bank-wide sourcing project.



# Outlook for 2009

## Priority:

SEIZE OPPORTUNITIES TO GROW THE FRANCHISE:

## Key Tactics:

- Leverage consumers' "flight to safety" to capture market share;
- Acquire banks that provide EPS accretion;
- Seize opportunities to purchase regional branch divestitures.

# Organizational Strengths

- **Management depth**
- **Strong sales culture**
- **Risk management; Strong asset quality**
- **Regulatory compliance**
- **Disciplined acquirer and integrator**
- **Capital management**

# Disclaimer & Forward-Looking Statements

Statements in this document and presented orally at the conference, if any, concerning future results, performance, expectations or intentions are forward-looking statements. Actual results, performance or developments may differ materially from forward-looking statements as a result of known or unknown risks, uncertainties and other factors, including those identified from time to time in the Company's filings with the Securities and Exchange Commission, press releases and other communications. Actual results also may differ based on the Company's ability to successfully maintain and integrate customers from acquisitions.

The Company intends any forward-looking statements to be covered by the Litigation Reform Act of 1995 and is including this statement for purposes of said safe harbor provisions. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this news release. Except as required by applicable law or regulation, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances that occur after the date as of which such statements are made.

The Company's capital strategy includes deployment of excess capital through acquisitions. The Company's results reported above reflect the impact of acquisitions completed within the periods reported. Past and future acquisitions are expected to continue to impact the Company's results in future periods.



**NewAlliance Bancshares**