



**BERKSHIRE HILLS BANCORP**

## KBW Community Bank Conference

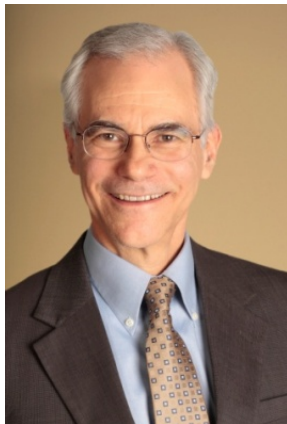
July 30-31, 2013

America's Most Exciting Bank®

# Contacts



**Michael P. Daly**  
Chairman, President & CEO  
mdaly@berkshirebank.com  
413-236-3194



**David H. Gonci**  
Capital Markets Director  
dgonci@berkshirebank.com  
413-281-1973

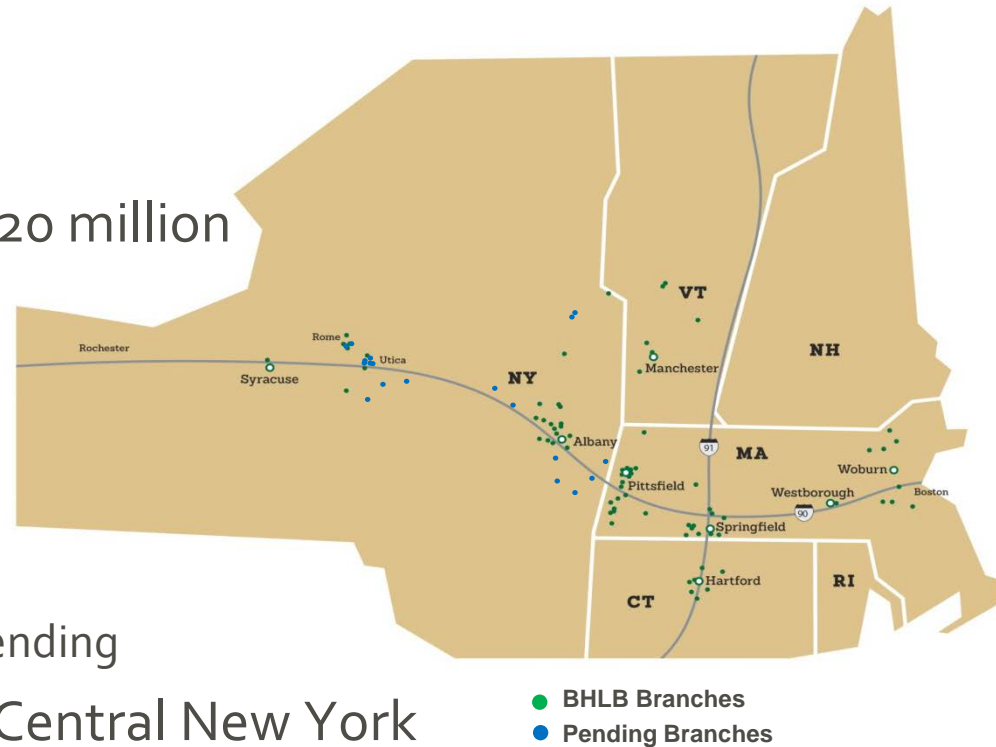


**Allison P. O'Rourke**  
VP, Investor Relations Officer  
aorourke@berkshirebank.com  
413-236-3149

# Who We Are

Full Service Regional Bank with a distinctive brand and culture, strong middle market opportunities and a solid foundation

- Assets: \$5.2 billion
- Loans: \$3.8 billion
- Annualized Core Revenue: \$220 million
- Deposits: \$3.8 billion
- AUM: \$1.2 billion
- Branches: 74 plus 10 lending offices
  - Additional 20 branch purchase pending
- Footprint: New England and Central New York
- Market Capitalization: \$660 million
- NYSE: BHLB



## Q2 Results Summary

- 93 bps ROA
  - 3.63% NIM
- Increase in TBV per share
  - Security mark absorbed in AOCI
  - Asset sensitivity maintained
- 17% annualized commercial business loan growth
  - 3% annualized total commercial loan growth before targeted reductions
- Stable Revenues
- Core EPS of \$0.48

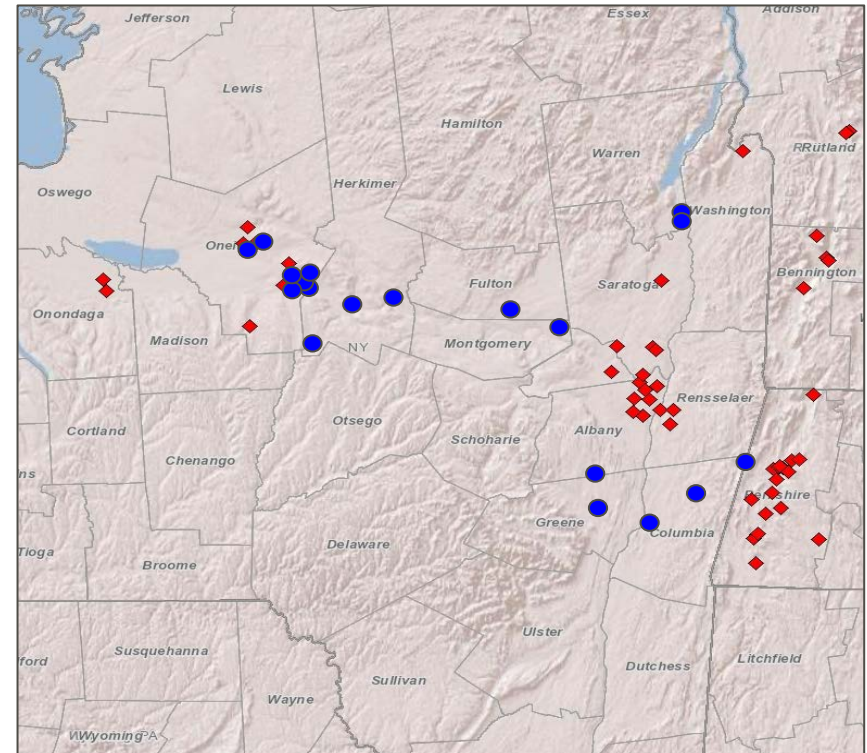
# Current Initiatives

- 20 Branch Acquisition from Bank of America
  - Financially and strategically compelling
- Loan Growth
  - Focus on C&I
  - Recruitment of commercial lending teams
  - Middle-market leasing
- Building for the Future
  - Executive Changes
  - Restructuring Initiative
    - ❖ Expense focus



# Branch Acquisition Highlights

- 20 full service branches in Central NY
- Total deposits: \$640mm
- Deposit premium: 2.25%
- Immediate EPS accretion
- TBV earnback: 4-5 years
- Expected closing: 1Q14\*
- Seller: Bank of America



◆ BHLB Branches  
● Pending Branches

Sources: SNL Financial

\*Transaction subject to regulatory approval

# Branch Acquisition Highlights

## Strategically Compelling

- Strengthens presence in Greater Capital Region
- Fills in footprint along I-90 corridor
- Increases market share in Central NY from 5% to 8%
- Increases deposit funding for total franchise
- Improves access and convenience for existing and new customers
- Utilizes positive operating leverage from prior infrastructure investments

## Financially Attractive

- Immediate EPS accretion
- TBV dilution payback of 4-5 years
- Double digit ROE
- Liquidity and interest rate sensitivity benefits
- No external financing required

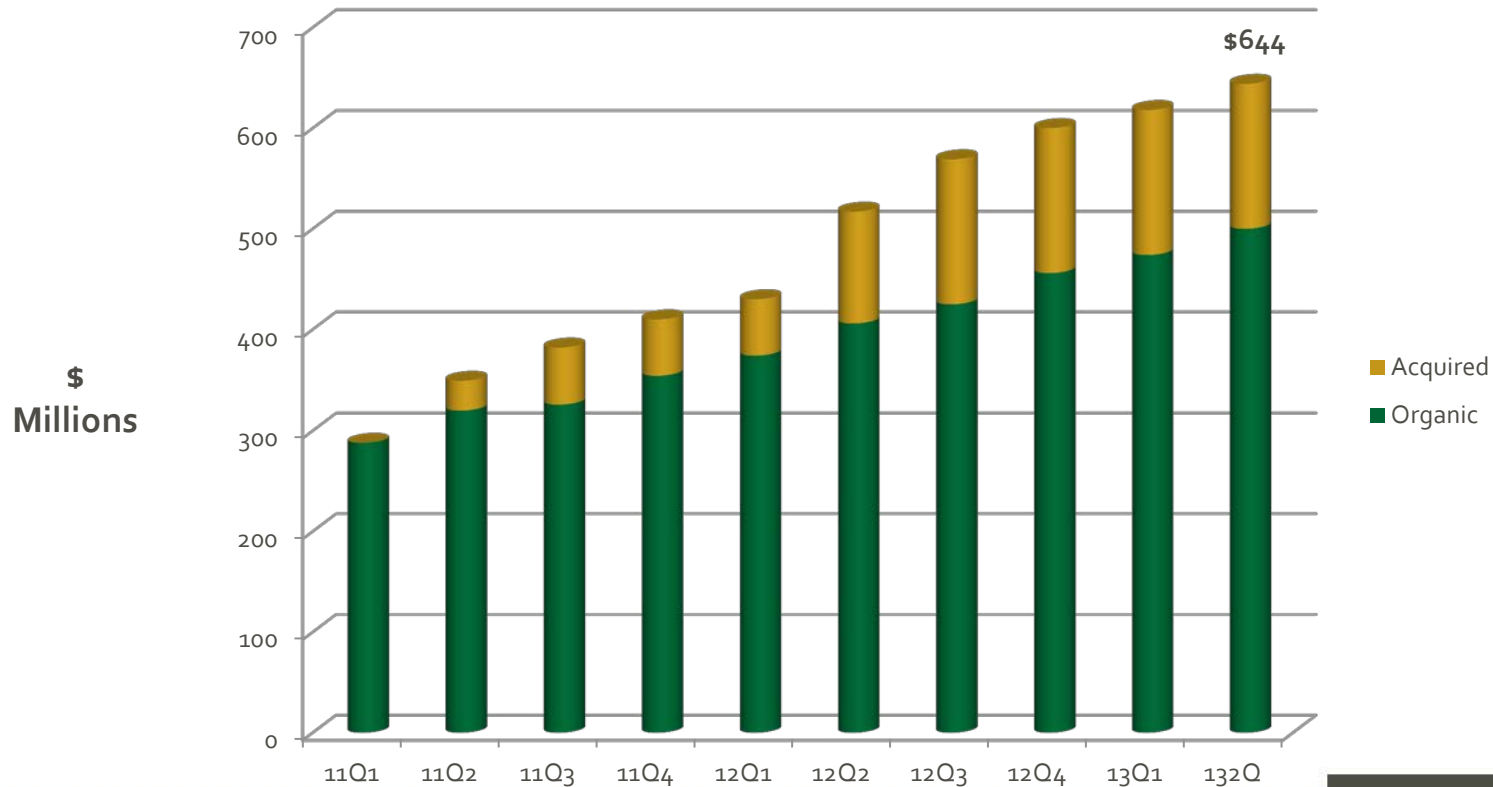
## Low Risk

- Ready uses available for new funds
- Successful integration track record
- Comprehensive due diligence process
- Established, low cost deposit base
- Bank of America is fully exiting the counties in which we are buying branches

# Focus on Loan Growth

## Driving commercial business loan growth

74% Organic Growth





# Focus on Loan Growth

Disciplined recruitment of commercial lending teams in middle-market space drives profitability



## Key Characteristics

- Established, well respected teams formerly attached to large banks focused outside of our regions
- Solid relationships within community
- Breakeven within first year

# Building for the Future

## Executive Changes

Marotta promoted to Chief  
Administrative Officer

New roles for commercial  
leadership team

Bringing in new CFO

## Restructuring Initiative

Expense focus

Six Sigma projects

Fixed asset assessment

# Building for the Future



## Q3 Core Outlook

- EPS: \$0.42
- ROA: 80 bps
- Revenue reduction: 3-4%
- Cost reduction: 4-5%
- Non-core restructuring charge
- Positioning for \$0.45 core in 4Q13

## Why Invest in Us

- Strong financial condition
- Diversified income drivers
- A leading regional bank in our footprint
- Experienced leadership team
- AMEB culture
- Well positioned for growth
- Demonstrated profitability

## **Forward Looking Statements.**

This document contains certain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements include statements about anticipated financial results. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like "believe," "expect," "anticipate," "estimate," and "intend" or future or conditional verbs such as "will," "would," "should," "could" or "may." There are several factors that could cause actual results to differ significantly from expectations described in the forward-looking statements. For a discussion of such factors, please see Berkshire's most recent reports on Forms 10-K and 10-Q filed with the Securities and Exchange Commission and available on the SEC's website at [www.sec.gov](http://www.sec.gov). Berkshire does not undertake any obligation to update forward-looking statements made in this document.

## **NON-GAAP FINANCIAL MEASURES.**

This presentation references non-GAAP financial measures incorporating tangible equity and related measures, and core earnings excluding merger and other non-recurring costs. These measures are commonly used by investors in evaluating business combinations and financial condition. GAAP earnings are lower than core earnings primarily due to non-recurring merger and systems conversion related expenses. Reconciliations are in earnings releases at [www.berkshirebank.com](http://www.berkshirebank.com).

# Financial Performance & Goals

|                       | 2010    | 2011    | 2012    | 2013 H1 | Financial Goals |
|-----------------------|---------|---------|---------|---------|-----------------|
| Core revenue growth   | 9%      | 31%     | 40%     | 27%     | 7 - 10%+ ann    |
| Net interest margin   | 3.28%   | 3.57%   | 3.62%   | 3.68%   | 3.30 - 3.50%+   |
| Fee income/revenue    | 28%     | 24%     | 26%     | 25%     | 25 - 30%+       |
| Efficiency ratio      | 71%     | 63%     | 59%     | 60%     | 53 - 57%        |
| Core ROA              | 0.51%   | 0.80%   | 0.98%   | 0.97%   | 1.10%+          |
| Core ROE              | 3.6%    | 5.8%    | 7.5%    | 7.6%    | 10.0%+          |
| Core ROTE             | 7.6%    | 11.3%   | 13.8%   | 13.7%   | 15.0%+          |
| Core EPS annualized   | \$1.00  | \$1.54  | \$1.98  | \$2.02  | 10%+ann growth  |
| Dividends/share ann.  | \$0.64  | \$0.65  | \$0.69  | \$0.72  | N/A             |
| Tangible BV per share | \$15.22 | \$15.53 | \$15.63 | \$15.96 | \$18.00+        |

Note: Core results exclude merger, divestiture, and systems conversion net charges after tax totaling \$0.4 million in 2010, \$10.4 million in 2011, \$11.1 million in 2012 and \$2.9 million in H1 2013. GAAP EPS for those periods was \$0.98, \$0.97, \$1.49 and \$0.90 respectively. Core ROTE includes after-tax amortization of intangible assets in core return. Book value per share was \$27.52, \$26.09, \$26.53 and \$26.82 for the above respective periods. Financial goals are targeted run rate at end of 2015 and beyond.

# Non-GAAP Reconciliation

| <i>(Dollars in thousands)</i>                             |       | 2010       | 2011       | 2012       | 2013 H1    |
|---|-------|------------|------------|------------|------------|
| Net income  |       | \$ 13,615  | \$ 17,348  | \$ 33,188  | \$ 22,502  |
| Gain on securities and other nonrecurring gains           |       | -          | (2,113)    | (1,485)    | (1,005)    |
| Non-recurring and merger related expense                  |       | 447        | 19,928     | 18,019     | 5,839      |
| Income taxes  |       | (87)       | (6,547)    | (6,114)    | (1,949)    |
| Net (income) loss from discontinued operations            |       | -          | (914)      | 637        | -          |
| Total core income   | (A)   | \$ 13,975  | \$ 27,714  | \$ 44,245  | \$ 25,387  |
| Amortization of intangible assets (after tax)             |       | \$ 1,813   | \$ 2,542   | \$ 3,203   | \$ 1,769   |
| Total core tangible income                                | (B)   | \$ 15,788  | \$ 30,256  | \$ 47,448  | \$ 27,156  |
| Total non-interest income                                 |       | \$ 29,751  | \$ 35,803  | \$ 54,056  | \$ 30,404  |
| Gain on securities and other nonrecurring gains           |       | -          | (2,113)    | (1,485)    | (1,005)    |
| Net interest income                                       |       | 76,947     | 106,520    | 143,388    | 83,041     |
| Total core revenue  |       | \$ 106,698 | \$ 140,210 | \$ 195,959 | \$ 112,440 |
| Total non-interest expense                                |       | \$ 82,137  | \$ 116,442 | \$ 140,806 | \$ 77,418  |
| Less: Non-recurring and merger related expense            |       | (447)      | (19,928)   | (18,019)   | (5,839)    |
| Core non-interest expense                                 |       | 81,690     | 96,514     | 122,787    | 71,579     |
| <i>(Dollars in millions, except per share data)</i>       |       |            |            |            |            |
| Total average assets                                      | (C)   | \$ 2,743   | \$ 3,484   | \$ 4,532   | \$ 5,220   |
| Total average equity                                      | (D)   | \$ 383     | \$ 476     | \$ 586     | \$ 667     |
| Total average intangible assets                           |       | 174        | 207        | 242        | (272)      |
| Total average tangible equity                             | (E)   | \$ 209     | \$ 269     | \$ 344     | \$ 395     |
| Total stockholders' equity, period-end                    |       | \$ 387     | \$ 552     | \$ 667     | \$ 673     |
| Less: Intangible assets, period-end                       |       | (173)      | (223)      | (274)      | (272)      |
| Total tangible stockholders' equity, period-end           | (F)   | \$ 214     | \$ 329     | \$ 393     | \$ 401     |
| Total shares outstanding, period-end ( <i>thousands</i> ) | (G)   | 14,076     | 21,148     | 25,148     | 25,096     |
| Average diluted shares outstanding ( <i>thousands</i> )   | (H)   | 13,896     | 17,952     | 22,329     | 25,049     |
| Core earnings per common share, diluted                   | (A/H) | \$ 1.00    | \$ 1.54    | \$ 1.98    | \$ 1.01    |
| Tangible book value per share, period-end                 | (F/G) | \$ 15.22   | \$ 15.53   | \$ 15.63   | \$ 15.96   |
| Core return on assets                                     | (A/C) | 0.51 %     | 0.80 %     | 0.98 %     | 0.97 %     |
| Core return on equity                                     | (A/D) | 3.65       | 5.76       | 7.52       | 7.61       |
| Core return on tangible equity                            | (B/E) | 7.57       | 11.27      | 13.78      | 13.74      |

If you have any questions, please contact:  
Allison O'Rourke  
99 North Street  
Pittsfield, MA 01202  
Investor Relations Officer  
(413) 236-3149  
aorourke@berkshirebank.com

*Committed to the  
RIGHT core values:*

*Respect*

*Integrity*

*Guts*

*Having Fun*

*Teamwork*