Berkshire Hills Bancorp Investor Day
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Corporate Speakers

Michael Daly	Berkshire Hills Bancorp	President, CEO
Lawrence Bossidy	Berkshire Hills Bancorp	Non-Executive Chairman
Linda Johnston	Berkshire Hills Bancorp	EVP - Human Resources
Richard Marotta	Berkshire Hills Bancorp	Chief Risk Officer
Sean Gray	Berkshire Hills Bancorp	EVP - Retail Banking
Patrick Sullivan	Berkshire Hills Bancorp	EVP - Commercial Banking & Wealth Management
Kevin Riley	Berkshire Hills Bancorp	CFO

Participants

Mark Fitzgibbon	Sandler O'Neill & Partners	Analyst
Damon Delmonte	Keefe, Bruyette & Woods	Analyst

PRESENTATION

Michael Daly: (audio begins in progress) and get right at it.

I'll start with the forward-looking statement, covers what we say, covers what we wrote.

Next slide. This is the line up and all good looking friends and teammates of mine. This group is going to give you a look today at who we are. They're going to tell you a little about where we've been and most importantly, they're going to tell you where we're going. And at the end, they're going to tell how we're going to put value in the hands and the pockets of our shareholders.

Next slide. Quick overview of the speakers -- this is what we will cover and this is who will cover it. Now, I got to say we've had some luck over the last several years as a company. We have overcome some obstacles over the last several years. But if I had to point to one thing, that's really truly been an advantage for our company. I say it's our board. Our board and our governance and many of them are here today, and I hope you get an opportunity to say hello to them.

I was very fortunate several years ago. I met a guy who shared his wisdom and his experience. He made people around him better. He taught them confidence. He showed them how to live fuller lives. And the only thing he ever asked in return was pass it forward. He's the former Vice Chair of General Electric. He's the former Chairman and CEO of Honeywell. Past two-time business leader of the year, most importantly, he is a father of nine, a grandfather of 31 and counting. He is married to the same wonderful, patient, calm, tolerant woman on earth. He has been a mentor to many of us. He has been an advisor to many of us. He is one of the dearest friends I've ever had. Ladies and gentlemen, Larry Bossidy.

Lawrence Bossidy: Thank you, Mike. The pun did say that if anyone in the world deserves to go to the promise land, it's my wife. And I've never taken issue with that.

I'm going to start today by talking a little bit about some of my thoughts on the economy and on which this plan is based. And to start with, I'm going to take on Southern Europe as you know under great duress this year, and I'm talking specifically about Spain and Italy and Portugal and Greece. I don't expect that they're going to withdraw from the Euro but I do think that they're going to be -- continue to be in for difficult economic times, and I don't see much growth in that part of the world.

If we go to Northern Europe, Germany and France have done okay. As you know, I don't see good -- great growth coming out of there either but maybe over the next three years in the range of a 2% GDP expansion. Eastern Europe is volatile. Russia has been the strongest and will be as long as it has oil. Brazil has had a soft first half but much better in the second half and promises to be a good place to be in the three years ahead of us. Japan is economically stagnant again as you know, and so we'll probably see growth in the range of 1% in that part of the world over the next three years and China is back now with recoveries probably in the 6% to 7%, starting next year and continuing through the forecast period.

So, for the rest of the world, it won't be a great export market. I don't see a disaster in front of us but to look at it as a high growth opportunity would be unrealistic. To come to the United States, it's more complicated. We have -- we had I think a great automotive recovery. We're going to do something in the range of 14.6 million units this year. Consumer spending has surprised the experts and has been resilient and quite strong. The housing recovery is underway. It looks robust, will be a beneficiary of that I think in the three years ahead.

Corporate profits have been surprisingly good, although some of you saw some revenue softness in the third quarter. That will probably continue for at least the next two quarters. Unemployment continues to be in the range of 8% with claims being almost 400,000 a week. So, we have a long way to go. Employment as you know last month 184,000 which is weak. We think there's a chance to improve upon that in the months ahead. And as I mentioned, the unemployment around 8% I think will be with us for a while.

Of concern, capital spending has been very weak, unusually so and as we recover from a recession. I think that's because of the uncertainties you read about every day, and the fact that we're going to run another $1 trillion deficit in 2013 also was troublesome. So within that, amalgam of different prospects will probably grow with something in the range of 2% to 3% over the next three years in the United States.

There's three elephants in the room as you all know. The first is what's going to happen in Europe, whether that -- the European Union disbands. I don't think that will happen. I think you see the Central Bank come to the aid, never happens in a way that it fixes it but it makes patches, and it seems to me that they're going to take and help Greece through a difficult time, and next year we'll be talking more about Spain and its troubles than we have, so far. Spain as you know with 25% unemployment and 40% to the youth. So that will be an issue.

But nonetheless, I think the Euro will stay together and the Central Bank ultimately will come to the rescue. The Middle East is a tinder box as you all know, that can blow up at any moment. That's not going to change in the next three years. Hopefully, it will be tempered and controlled but not obvious. And the third, of course, is our fiscal cliff here in this country. As some of you know, the fiscal cliff is the imposition of $1.2 trillion of cost reductions, heavily weighted to our defense called sequestration. There's also the expiration of the Bush tax cuts and then a restoration of the payroll tax which is -- had been reduced in 10% to 8%, goes back to 10% at the 1st of the year.

I'm optimistic that we'll avert the cliff, in other words I think we'll do something and the question is what will we do? And in my mind, we will probably have a framework agreement, it might even say how much tax reduction there'll be. How much expense reduction will be. I think that will postponed until say September until we work out the details and I say that because both parties seem committed to tax code overhaul. And to raise tax rates now and then doing overhaul in 2013 would make chaotic what the tax bill might be for various parties.

I do think that the down payment, if you will, will be in the range of $1 trillion. I think they'll close some loopholes. It might even increase the rate for millionaires and over. It just is a way to give the President some solace in terms of his position, and I think they'll use some of the sequestration savings to get the balance of the $1 trillion that I've referred to. Again, these $1 trillion is over 10 years. So, I don't think they'll do enough to kill the economy. I do think that both parties are committed despite what you read in the paper to get something done, and it won't be perfect but nonetheless it'll be -- it'll signify some response to the growing debt issue which faces this nation.

Finally, as I conclude the economic weather map, I want to talk a little bit about our board, and I'd like to just say at the outset, having been a CEO as have others on the board, we know the difference between how you act as a board and how you do not act. In other words, we observe, we comment, we analyze, we have no interest in running the bank.

And with that as an aside, I want to ask you to look at the right-hand chart in the corner -- right-hand corner, we have a board composition of 12 people. We have three former community bank CEOs, two former insurance executives, one sitting hospital CEO, two area CEO businessman, a college basketball coach, Geno Auriemma at Yukon, a commercial real estate executive, one CPA, and me, since they all have better credentials than I do, I didn't decide to put my name on that list.

I want to now take you to the top of the chart because we take seriously the governance which we provide for the bank. There's a governance committee which not only staffs the other committees but proposes or amends policies that are nonfunctional in nature and oversees the governance of the institution as the need arises. We have an audit committee which maintains a good relationship with our external auditor and internal auditor. They look at all the completed audits and see that correction is made in a timely manner, and it's an effective relationship that occurs.

We have a comp committee with two objectives. We want to pay people competitively, and we want to pay people for performance. We tweak our plans over the years, get closer to both of those objectives, and we're very transparent in terms of what we do. In other words, if we can't explain why we're paying a certain executive the amount we're paying, shame on us, because we are of the mind that we can and we should and we will. There's a risk committee which we ask to be proactive, not only about our portfolio but about our compliance, about our systems risk that might exist. And the more proactive we can be, the more we can head off any issues that might otherwise arise. This has been a nice contribution to the bank it seems to me in terms of the governance of this particular area.

And finally, we have a capital committee, not what our capital looks like today but what it's going to have to look like going forward if we continue to move in the way we would all like. We've done two public offerings as you know and a significant subordinated placement this year, and we think we have a good idea, if you will, in terms of what's ahead of us.

If you'll move to the operating plan, we look at the budget in the board once a year. There's sufficient P&Ls to get the accountability which we think is crucial, and we follow-up on the performance against that plan every time we meet, and the bank comes to us and makes mid-course corrections as the need arises and as the market dictates.

We have a strategic plan where we look at the environment, particularly this time. It's important as we see the results or the likely results from Basel III, as well as Dodd-Frank. We'd certainly think there can be additional cost that comes in in that regard but no show stoppers. And then we just focus on growth and productivity. Growth in terms of geography and growth in terms of product, and also what can we do to make the place more efficient? I think you'll hear today about a conversion to it a more sophisticated information system this year that gives us dramatically more capability and we'll produce some of the analytics that can be crucial to improving our performance.

And then on the -- on your left, the personnel reviews, at the outset of each year, Mike sets performance goals for each of the executives, and at this time during the performance rules -- performance period, evaluates these executives against their performance objectives. We do the same thing for Mike. So everybody in the bank in terms of the upper echelon, at least gets a thorough appraisal in terms of their abilities at the end of each and every year. We also plan a lot of time on debt as we grow to the extent we would like to. We want to make sure we have people in place they can grow, and frankly, we'd like to hire people that can go one more step at least in take on the obligations of a larger bank as opposed to the size that we have now.

And finally, we believe in training. A lot of training so we can develop our own people and you'll hear as we go on this morning that we've come a long way in that respect. So, the board as it -- is responsible for providing the oversight and guidance. We also like to think we can make some value creation ideas. So, although we're separate from the operation, it's been a pleasure to work with these people, and I think that we're on the road to continue to march in a way that you'll all feel comfortable.

So, now it's my task to turn it over to our CEO, a talented, energized, high-spirited fellow who is not only capable in terms of his operation but is a visionary and more importantly he's a person with good judgment. Mike, welcome back.

Michael Daly: Thanks, Larry. You know, one last comment about our board then we'll get off to board for a minute. One thing I got to say about this board, they're tough, they're fair and they're engaged in everything we do. So, they are real AMEB leaders and we appreciate them. Now, Larry, we will get the work done.

Let me jump to the key takeaway slide if I might. Here's what I'd like you to walk away with today. I want you to be able to say when you leave here, this is a company that has strong growth prospects. Not just for growth and growth sake, I want you to say, these guys know how to make money on that growth, that they understand the importance of financial metrics.

Now, management is a big piece of -- I'm sure everybody's investment piece is here and our goal -- and I'm confident we can accept that goal is you're going to say, I'd like to bet on that team. Not just because of what they say and not just because of what they'll say today, because they provided a reasonable and meaningful roadmap on how to get there. I want you to leave here today thinking this group knows how to execute. They're hungry and they use real data to make their decisions.

I want you to walk out here saying today, their shareholders and their management team, they're aligned. They're shooting for the exact same things. And I want you to walk out here today saying, wow, they gave a lot of detailed, clear guidance, and we're comfortable they'll get the job done. Now, we'll do our presentation and I suspect I ought to let you be the judge of whether that occurs or not.

Next slide. A little bit about the landscape. Now, you heard Larry's comments that's about as optimistic as he gets normally, and I've been saying that we are in the 8th innings of the low interest rate environment. I've been saying up for 8th innings, I've been saying it for the 8th innings of the first game of a doubleheader. It'll happen at some point, rates will go up. It may be in my lifetime, it may not be.

The economic outlook as you heard from Larry, it's not robust. Regulators I think are a little bit more emboldened than even they were in the past, and on the political front, it's like kids at recess. So, I'm not even go there. This we can't change. What we can do is we can create opportunity in a market like this. But we have to be quick. We got to be nimble. We got to be smart. We got to be flexible. I mean I've heard too many CEOs say, you know, I had one of them regulators come in and he was telling me how to run my -- nobody will tell me how to run my bank. Yes, they are. You know, they carry some weight. We have constituents, all of us. We have to be flexible. Most of all we need a diversified group of income drivers. We got to fill one bucket when it gets a little low with another. That's what's going to take the volatility out of our earnings.

Next slide. Here's our profile most of you know, and I'm not going to spend a lot of time on it. For a lot of reasons, I like where we're at, $5.5 billion in assets, $500 million to $600 million of market cap. I think we're growing in the right areas. We're not doing anything exotic. We're just getting better and better at delivering at what we do until we come -- become best of breed at it. We're recruiting hunters, thoroughbred. I'm not talking about the kind of hunters that like Riley takes Anton and Jarred out puts a fence around a bunch of deer, walks them out on a leach and they pop them.

I'm talking about real hunters and we sprinkle a little AMEB holy water on them and bang, you got our brand and our culture. That brand and culture is evolving here. It's important and it's critical.

Slide 12. Now let's look at the last couple of years. These are pretty good result. We've doubled the size of the bank. We've doubled loans. We've doubled deposits. We've got shares outstanding up over 25 million, branch offices around 75 and we did it with a judicious use of our capital and you can see that in the results on the next slide in our revenues. Revenue is now over $200 million. After we finish peaking it'll be headed towards $250 million, double digit growth in revenue per share and we did this using multiple earnings drivers. And remember, revenue is one half of the positive operating leverage equation.

Next slide. More importantly, 20% plus annual growth in the bottom line, 85% core EPS growth in the last two years, and while these numbers are good. I'm more focused on the fact that we have invested in the infrastructure and the scalability of the Company, because that's what sets the table for future growth and future value.

Next slide. So coming into the fourth quarter, we're at $2.08 run rate, now it's a little better than we expected. Performance ratios are good. They're better, 1% ROA, 57% efficiency ratio, 8% ROE, I would characterize them as good, but I'd also characterize them as a baseline. We're not looking for good numbers here. We're looking for high performance numbers, and that's what you're going to get.

Next slide. So, how we do it? I think we have to take advantage of the heavy lifting that's already been done, people, teams, systems, bank, fee businesses. This company is looking to squeeze the orange and create more out of what we already have in markets that we like. Let me talk about those markets.

Next slide, and I want to simplify these. You know, there are two schools of thought. There's the school of thought where you can receive some criticism rightly so and we've had it. You've got a bank or a company. You have the majority of the market, and you're contained in that market and the criticism is well where do you go from there, and you get into well you could De Novo across the border or you could do something over there, that's going to cost a lot of money. You could buy a bank, tangible book but --.

It's a conundrum, right? Or you could be in a situation where you're getting some criticism because you decided to open up a mortgage production office in Florida, and you've got a leasing company in Ohio and you're located in Springfield. Very hard to keep quality control, very hard to have consistency. And I like the markets we're in. They're all contiguous. I can get to any branch in this system in two to three hours and not by the way the crow flies, by the way I drive. And I will because I'm going to hit all 73 of them over in the next two weeks when I bring them all AMEB cookies for Christmas. So, I know I can do it.

Next slide. I want to break this down a little. Four regions is the way we want you to start looking at this. Western New England is what we'll call our Berkshire in Southern Vermont markets, it's home-base stable markets. We got a huge market share both loan and deposit. We own those markets. They generate good, stable, steady income for us. Sticky deposits, customers have been with us for 25 years.

And then we've got New York. Now, here's New York. I can remember going over there two years back talking to the business community saying, you think that this community is vulnerable for a good regional bank? Yes, we do, we do. We got 14 branches there now. We built a $500-million to $600-million bank in that region, and it's delivering over $0.20 in core EPS. From there to Syracuse, those are good markets for us, and you know how big we are? We're this big. They think we're this big.

You know, Bob Curley, he's our guy over there. He's former Chair of Citizens. He joined us -- they think we're huge. We got this much of the market. So, there's big opportunity in New York for us. Now you take that and you go to the third market, Hartford/Springfield. It's a bigger MSA than Albany. Vulnerabilities are huge and here's the difference, we're not looking at starting from scratch, like we did in Albany, we've got eight branches in Harford and 12 branches in Springfield.

Lastly, Eastern Massachusetts, haven't heard us talk a lot about Eastern Massachusetts because we've been quietly building momentum there. We now have 12 offices operating in and around the Boston area, middle market ABL, mortgage banking. We'll have two full service offices there mid next year and probably first -- end of first quarter, start of the second quarter. We know how big the Eastern Mass market is. So, great opportunities in three markets and stability in our home markets.

Go to the next slide please, slide 19. Final comments on the market. We all know, New England and New York are stable markets. They didn't experience the giant bubbles that occurred in other areas of the country. But they also didn't deflate quite so much. So, they're markets that you can bet on a little bit for less volatility. And I also add, if you look at the corners of our markets that New York area and that Eastern Mass area, biotechnology on the right and nanotechnology on the left, there's some potential growth here. This is what I know. These markets will come back, and when they come back, we will be the dominant bank of record in those markets.

I mean, if you look at the bottom of this slide, it's probably the most important thing I'm going to tell you today. This is the New England deposit market share, it's probably very similar if you looked at the New England loan share and it's very similar to what you would see in New York. Nine national banks own 56% of the market share, 266 banks under $4 billion in size own the other 31%. So, half a dozen banks that have the capabilities to do what the big guys do and still have the intimacy of a community bank. That's enormous opportunity, the middle market space.

The big guys don't want to be there. We fit these markets. These markets fit us. You know, remember Johnnie Cochran if it doesn't fit, you must acquit. The big banks are acquitting in our markets. The mid-level guys, that half a dozen, they want it more and they're going to get it.

Next slide. Truth is it's just not that easy, if was that easy everybody would be putting the numbers out. We believe you have to have multiple earnings levers. You have to drive organic and retail commercial growth. You have to have fee income, insurance, wealth management, mortgage banking to offset that margin compression because if you don't you'll stretch for credit, you'll stretch for price. You have to be able to consolidate efficiently. We do this well and you must use analytics, technology, process reengineering because that's what create scalability and create -- and scalability creates positive operating leverage. That's where this company is focused.

Next slide. So, why would you believe it? We got a little history on our side now. The numbers here are pretty good, 5%, 10% organic growth exclusive of M&A over the last several years both loans, both deposits. Not the real story. The real story is that beneath these numbers that you'll hear today on the commercial side, we've run off a lot of transactional type CRE accounts. So, the growth in the C&I portfolio is 30%, 40%, 50%. Same thing on the deposit side. Sean will tell you, yes, that's good, 4%, 5%, 6%, 7% growth overall but my DDAs are growing at 15%, 16%, better profitability. I'm convinced that the right teams, the right people, in the right markets doing the right thing will continue to produce long-term organic results for us. And we know we've got to perform in order to garner confidence, credibility. We have, we will.

Slide 22. Now this is a particularly interesting slide. This is my [Jonah] slide. Remember Moneyball? Billie Beane story, he hires this wizard, the wizard comes in. He goes through all the data and what does he say? He said, you know what, there's a difference between intuition and fact. And all you guys make decisions based on what you think is right and wrong, like algorithms on Wall Street, right?

The big guys have a big advantage here because they have the big systems. They have all the data. Now, this industry is behind overall. I mean, you search Google. In five seconds, you'll get five e-mails telling you, we know who you are and we know what you like. You're going to Price Chopper you buy something, you get four coupons. You must be a milk guy. They know. Banking industry isn't there yet. This is a future advantage for us. We've converted to new systems that $100-billion banks are on and we have the Six Sigma Group our project Six Sigma guys are here.

They will slice and dice this data like a sharp Ginsu knife, right? They're going to get the most out of it. We're going to get the most out of it, and you're going to hear more about that from everybody today.

Next slide. Now, much of the heavy lifting has been done. We're in markets we want. We've recruited the people we want. We're using the systems we want. We've closed or integrated all the banks we bought in the last two years. And these partners are ready to grow, they're ready to play ball, and I know I don't get off here until I talk about M&A. So, why don't I just do that? Couple of comments on consolidation, timing, geography, discipline, now we drew this map several years ago.

We shared it with everybody and we stuck to it. We managed our tangible book value dilution using a good mix of stock and cash. We always use a 15% ROE to benchmark, five years or under on our payback from deal accretion, less than a year in most cases on total accretion, and we've added EPS on every single deal. Why? It's driven by upfront analytics. It's another one of the earnings levers.

Next slide. Graphical illustration, last four deals. Go all the way to the right on this slide, either in totality or on average. These are good deals. I mean you do this deal anytime. This is our template and it's worked. Now, will there be other opportunities? I suspect there will. Will we pass on more than we do as we have, I suspect we will. We must and we will because our performance metrics insist on it.

Next slide. This line, the ROE's line. This line moves north when we're discipline and we use all of our income levers and balance. We're committed to a double digit ROE. At the end of the day, the performance metrics will drive shareholder value. Trust me. We get that.

Next slide. Here's what we know. We know we can't control the direction of the entire market or maybe Jamie Dimon can, we can't. But we are going to be poised when the market strengthens, and we'll take advantage of it significantly when it does. If we continue to drive our efficiency ratio down, we keep losses contained, we use a 15% ROE as a benchmark, our price to tangible book improves. Simple math, we continue to grow EPS, we manage our capital appropriately, our price to earnings will improve, simple math. We know that. And here's what I'm certain of, I'm certain that our GPS is locked in on these measurements and why am I so certain about that?

Next slide. Because our board ties our comp to it, that's why I'm so certain. Now, these next two last slides for me are pretty important. They're out there, they're in our proxies, our shareholders know about this. It's generally the exact same thing as our guidance. For example, look at 2012, 51% increase in core earnings as a target, 60% or less in efficiency ratio and solid asset quality, 50% of our comp by the way is tied up here, and if we don't hit the threshold, we get zero.

Next slide. Same thing on the long-term, core EPS targets, double-digit growth rates. Core return on equity, the targets above peer comparisons, both on a level and trend basis. So, all I want to say is we are all in. Our people know it. Shareholders know it. Our people love the pressure. That's their diet.

Now, speaking of people, I'm going to take a quick break. I'm going to introduce Linda Johnston. Linda has been with me -- come on up Linda -- been with me a long time. She is professional, a descent kind, very passionate woman who keeps us all in line don't you. Linda Johnston.

Linda Johnston: Good afternoon. What a really exciting day for us, and I'm so thrilled to be here -- to be part of it. I -- as Mike said, I have been working with him for a long time, basically forever. My job is to deliver the best human capital possible to a very demanding executive group. Since Mike became CEO, he's been very, very clear: it'sthe right people and the right culture that would be critical to our success, and he's made me a believer. Wait a minute.

Let me say, that Mike Daly style -- I am a believer. So, obviously one major focus for my job is talent, finding it, engaging it, rewarding it, and keeping it. And another major focus is ensuring that we integrate our core values to support our culture. So, talent is a very big priority for our company. We have a highly seasoned, big egoed executive and senior management group. For some reason, Mike expects me to help him keep those egos in check. I don't know why, it is not a task for the faint of heart.

Many of these people have come to us at big banking experience and the capacity to take on much bigger role and grow the Company and they have. They also bring top talent to a variety of other roles in the organization. This is a fast paced performance-driven group that's committed to working together as a team. There are no silos in this company. They are strictly forbidden.

Mike has talked about depth. I think Larry talked about depth. We've built significant depth in our middle management and specialized skilled areas, virtually every area of the Company has upgraded and expanded talent, commercial, IT, retail, finance, human resources, wealth management. Every area has greater breadth and depth with capacity to deliver results and grow the business.

We've also successfully recruited some teams in our business lines, private banking, several commercial lending teams, ABL, I saw them out there. Paul where are you? ABL and recently a mortgage company in Eastern Massachusetts. This is what we do. This is part of who we are. We built a strong performance culture incorporating our values and our behaviors and rewards are tied to results. Mike mentioned we have rigorous performance metrics for our short-term and long-term plans and the rewards for those plans are going to be tied to whether or not we make those metrics.

It's tied to our corporate performance and our individual performance result. The steam is driven to succeed, and we are passionate about the right values -- our behaviors -- sorry -- our right values and the behaviors that support them -- our right values, our respect, integrity, guts, having fun in team. Unlike a lot of other companies, we live and breathe these. We incorporate them in everything we do. We've branded them. We believe they help create an environment that attracts and retains top talent.

This isn't lip service folks. We are so passionate about the behaviors that support our values, we've incorporated them in our performance management, and our nine block talent assessment tool. We use the nine block it helps us rank people based on not just their performance results but their demonstrated behaviors. We do this collectively. The executive team does this collectively. So that we all know who the stars are and we make sure that they're recognized and rewarded consistently, and I'm happy to say we have a lot of those stars in our audience with us today.

We have an environment of learning and development. I've heard Mike say to me many times, to all of us: We want to hire people smarter than us. If there's someone who thinks they already know everything, they just don't belong here. We want to get people -- we want people who want to learn and get better with every experience. So, we stretch our people. We like to stretch them to help them become more capable.

We have a robust succession planning process. While we have been building an amazing talent pool, we know we're not going to be all here forever. So, we use this as an opportunity to help us identify talent gaps, as well as high potentials, who we can give those stretch assignments to and the development opportunities for people who can take on greater roles like Mike's Jonah example, we use data to confirm our intuitions.

We use tools like predictive index in 360 to help us better understand our people, make sure we have them in the right role so that they can succeed. Predictive index is a behavioral assessment tool that we use at various stages of employment life cycle. We use it a great deal in the hiring process. We use it for team building, for coaching, and self-development.

Now, you heard, Mike mentioned AMEB U. What the heck is AMEB U? That's our university -- America's Most Exciting Bank University. This offers a variety of learning opportunities to our employees. AMEB U delivers foundational leadership training that every manager in the Company attends. This is the series that we've been building on and this year we'll be launching our third year which is we call our junior year in early 2013.

One of the best parts and the most exciting parts of the university is an annual day -- an annual engagement day where employees attend a day-long program that combines learning, corporate values and having fun. This year our theme was Work Hard, Rest Hard and Play Hard, was a huge success. I'm still waiting to find out what that rest hard part means but someday I think. There's a tremendous amount of work and effort and coordination that goes into planning in this event, but I will tell you it is so well received by our employees, it pays us back in spades.

We're also about the launch a new training program. We're going to be targeting college grads who'll be on the designated career path. We're going to launch this in our commercial area and once we perfected it, we're going to roll it out to other areas of the Company. We are a company committed to clear and frequent employee communication. Our corporate goals are communicated and cascaded down to individual performance goals. We ensure that everyone understands the importance of earnings and profitability and how the bottom line drives success in future investment in our company.

Everyone has a clear understanding of what it takes individually and collectively for us to drive shareholder value. We all believe in Mike's passion that people and culture are critical to our success, and we help built a foundation of talent that does have the capacity for growth. But understand this, finding and keeping top talent is not easy. It takes commitment and a lot of hard work, and we're committed to that. We've recruited some of the best talent in the industry, and we have developed some of the best people we have internally.

In conclusion, we recognize that we have to maintain a strong focus on human capital, all aspects of human capital. So, we're going to -- so that we can continue to deliver on shareholder value, and I promise you that we will not take our eyes off that important strategic initiative.

So, with that, I'd like to turn it over to Richard -- where are you Richard, this is our tough guy. This is the guy that protects us, keeps us honest, our godfather, Chief Risk Officer, Richard Marotta.

Richard Marotta: Thank you, thank you, thank you.

A couple of things before I start. Number one, that whole thing about hiring smarter people they made an exception for me which is why I'm here. Second -- two things is when I think of analytics, I think of Nate Silver not Johan Hill as I've repeatedly try to tell Michael, Nate Silver is real, Jonah Hill is an actor who played a composite character in a movie.

Second thing is that I brought my good watch today and there's a watch and there's a clock right there which is already ticking because we've actually rehearsed this over the last three or four weeks and Michael has been adamant that we do not exceed our allotted time or he is going to have us removed from this podium, the room, and I think he said the building and since my train doesn't leave until 7.15 tonight and it's cold out I got no place to go.

So, my name is Richard Marotta, and I'm the Executive Vice President, Chief Risk Officer of Berkshire, give you a two-minute tour of my background. I was an Executive Vice President and Chief Restructuring Officer at Key Corp, and what that means is that I basically went in and kind of fix just about anything over the last four or five years when I was at Key that broke the workouts, be it in normal lending, leverage lending, you name it, I got involved in it.

The other couple of things I did is I was instrumental in putting together the stress test for the OCC and doing the TARP, and I also worked with the OCC as their liaison as we at Key Corp had to restructure the entire risk group at Key through '08 and '09. And I decided at one point to leave Key for no other reason. It's a very good company, treated very well. I met my wife there, raised my son through their salary that they paid me.

But I decided to leave for a couple of reasons. Number one is I was tired of traveling. I was traveling all over the country. And then number two and probably more importantly just a bureaucracy of a company that big. So, I decided to leave and I was actually going to work for hedge fund when I got a phone call. I went to Berkshire, met Mike Daly for the first time, and he and I spent probably two, 2.5 hours together talking, and we immediately hit it off and we kind of bonded over two things which I'll get into one of them.

I saw the passion in his eyes. I saw the excitement that he brings to the table, and I felt -- and I recognized the vision of the Company and I felt the culture. I felt the AMEB culture which is kind of a weird thing because it's not really there. It's just kind of air, right? It's an idea it's what you believe. You could feel it. You could breathe it. You can see it, and I wanted to go a place so that I could try to build something and that to me was the culture that was going to allow me to build with as a team, a risk culture that does three things because it's got to do three things. It's got to be flexible, it's got to be scalable, and it's got to be sustainable.

Next slide. Again, the AMEB culture creates the platform and is our competitive advantage. The flexibility to our product sets and our ability to believer quickly is just amazing. We're able to -- we have more products in small banks and we can do it faster than large banks. It's allowed us to cherry-pick in our markets because we get clients that are -- have outgrown small banks and are absolutely ignored by large banks.

Flexibility to our -- scalability to work, commitment to our infrastructure. We just put in a core system in September. I'll talk all of that in a couple of seconds. It is going to give us the ability to grow, you know, 30, 40, 50 times larger than we are today. Sustainability is the core -- that's the core the AMEB value. You work hard, you play hard, you rest hard. It's a recipe for long and successful life. Remember, life is exciting, let us help.

Next slide. We're driven by analytics. To borrow a line from George Bernard Shaw -- some see things as they are and ask why. Others dream things that never were and ask why not. Well, we're the guys that asked why not. We use analytics to make our thoughts and our dreams a reality. That's our competitive advantage. That's the essence of AMEB. And we don't confuse data with information, with analytics as some do. We understand the difference. Again, not to pick on small banks and big banks but small banks, they want data because they understate -- they hear about it. Large banks had it, and I came from a large bank.

The first thing that happed is once there's earnings pressure and it's not telling them what they want. They don't listen to it. Analytics drives all the decisions we make. And I am lucky because I have my own Nate Silver. He's name is Steve Kelbrick, and he comes from Key Corp. And he has a unique ability to take the difference and understand data to information and information to useable analytics.

Next slide. ERM -- Enterprise Risk Management. It's not risk avoidance. It's risk mitigation. It's risk acceptance. ERM allows us to seize the moment. We could take profits that other banks don't see, or we can just go take profits from competitors aren't good as us. Remember, anyone can cultivate and harvest and live on low-hanging fruit. You could that for a while, but only the strong can learn to cultivate and harvest and live at a higher ground and the end game, right, what we're all in this for is always played on a higher ground. That's where winners are decided and that's where losers are seen. Not in the low, not in valley, it's up in the air. ERM is driven by the AMEB culture, is demanded by our management and is expected by our shareholders.

Next slide. Six Sigma -- we are a Six Sigma Company, and I'm going to say that again, we are a Six Sigma Company. All of our acquisitions, integrations are core conversion we're driving through our corporate initiative group. If Gary Yurkovich was in the room here, formerly of [Savich] was brought in within the past year to basically do this. He's got a 20, 25 years of experience in systems, in process improvement and infrastructure. He's the right guy to run this major initiative for our company. This is one of our -- Six Sigma is one of our competitive advantages. We view it as another lever that we can pull to enhance revenue and drive profitability.

Process improvement and result efficiency help drive stock value. It's real simple, right? You improve your ROE, you improve your ROA, you improve your efficiency and your operating leverage it gets that equal -- that equals -- you're driving your stock price up and it's a better value for shareholders.

Next slide please. Core conversion -- I spoke to a year ago and I was honest I would tell you that our core system at that time was actually competitive disadvantage. We, as a management team, recognized that. We decided to do something about it. A decision was made to upgrade and convert to a system that we talked about that will allow us to grow far, far from the size we are now. It's a large bank system. And so we did that. Our team driven by corporate initiative group completed the conversion on time, on budget with no major issues -- on time, on budget with no major issues.

And did I mention during that time, we did three bank conversion and four De Novo branch opening. So, when we're doing a conversion, we had all these on our plate and we still drove it to completion. That's the power of process improvement, that's the power of AMEB culture. But we don't -- again, you know, you're going to hear from a lot of us -- we don't sit around and we don't rest. We're already making the next step. We're already going to data warehouse and CRM. It's already in our strategic plan. We've already put it in our queue and as we speak today, those next steps, we've already begun.

Next slide, please. Credit administration -- first thing we got to do, right, got to have talent because they're the men and women that are going to make sure that, you know, our assets are good. When I got here with the committee structure, we went to a signature base and I think it took me 18 months to finally found the right Chief Credit Officer. His name is George Bacigalupo. He's also in the audience. I think he's back there. George comes from TD. He's got 30 years of banking experience. I was actually introduced to George by my fellow executive Pat Sullivan who you meet in a second.

George has built, he's ran and he saw numerous banking businesses. He started the ABL group that works for us now today. He has seen, he signed and unfortunately sometimes liquidated every single type of loan you can imagine. He's the right guy for the job. He's top talent, and we're lucky to have him.

Underwriters -- did the same kind of thing. We started to cherry-pick underwriters within our market. We decided to move them into our market and roll them up into credit for a couple of reasons predominantly it gets us close to the client. It improves our ability to deliver our product more efficiently and quicker than our competitors and, again, it's a competitive advantage.

We stick to those hold limits be they risk based capital or be they geography. We -- and it's not a way to avoid risk. It's a way to accept risk. We need to understand who we are, where we are and what we're -- what game we're playing in. This whole process, we just had a regulatory exam recently completed was circled out as a best practice in the industry. Again, large banks have a lot of hold limits and they talk about it. The reality is once it starts to break down, it just breaks down. Okay.

We are disciplined and we are committed to those hold limits and Sean and Pat and I have an agreement, they'll support the hold limits and I will never ever, ever, ever, ever mention two things. Number one, that my Miami Heat bounced their Boston Celtics out of the playoffs for two years in a row and I can't mention the New York Yankees.

Next slide. Reserves and charge-offs, right? This is where the rubber meets the road. Charge-offs is the-- again, charge-off is the primary driver to stock price. So, again, in any other business, they have someone else the money that I'll pay. Oh, my God, that's bad, right? So, that's a driver. We understand it. These goals are pretty aggressive. I'm here to tell you. Look everybody in the eye, we're going to meet or beat these. And if we don't, it's not going to be for a lack of trying. We're going to drive this process.

We use reserves and net charge-offs and analytics not just like an end game or spilled milk. We actually use them as future predictors. They allow us to recalibrate our strategies in a market as markets change, economies change and the industry conditions change. We rent our balance sheet. We want to make sure we renting it to the right people. But that all sounds good, but spit happens and stuff changes and if all else fails, you need to have a cleaner. Everybody knows of cleaners, right? You've all seen the movie Pulp Fiction. If you haven't, you ought to, it's a good family flick. Okay?

We have our own [Winston Wall], and he's sitting I think back there. He's name is Steve Dunham. He's got 20 years of experience. He comes from Key Corp. He's probably liquidated $2 billion or $3 billion worth of assets and he's got a unique ability to work with the line lenders as he takes their assets and their companies and kind of brings them through the process. Very lucky to have Steve. I guess one of the other things is we don't consider the workout group as a necessary evil or a necessary expense. We view them, and this is unique. We view them as another lever to drive revenue and expenses.

Next slide, please. Loan pricing model -- when I grew up, my mother told me there were two truths in life -- you pay taxes and you die. Sometimes you die and you're still paying taxes. That's a whole other story. Well my mother -- my mother lied to me, and if your mother told you the same things, she lied to you guys. There's actually a third truth in life. You cannot live solely on the [NIM], okay. As a banker -- say it again, you cannot live solely on the NIM. You need ancillary revenue. You need to drive -- in our case, insurance, wealth management, cash management. You need to drive ancillary revenues so we can play at that higher ground and we're not just picking up low-hanging fruit.

This model helps us. It's a guide. It's not perfect, but it's our guide. It's our analytic. It's relationship driven and we're looking for the largest percentage of that client's wallet. We want every penny that company is going to pay to a bank. The reason why? It's always cheaper and faster and easier to cultivate your existing client base than it is to go on board or go running around being competitive with a new client. Small banks have it, big banks certainly have it. But what happens is when earnings pressure happens, it goes by the wayside. We are disciplined and committed to this process.

Next slide. This slide here and I got about a minute and a half. This slide here is one of the ones we've talked about as we've kind of practice. Gee, Richard it's a slide, it's compliance. It's at the end of your presentation. It's kind of in the middle of -- we're fourth of the way through or third of the way through. Gee, say something funny, couple of people asleep. We'll actually last night, I'm sitting here and I'm looking and I'm trying to come up with something funny or witty and I'm kind of a funny and witty guy. I came up with absolutely, zip, nothing. Okay.

And then I realized why I couldn't come up with nothing because this is absolutely serious business that sometimes bankers kind of overlook. This isn't about getting to the higher ground, this is -- if you don't do this well as a bank, you do not survive. Forget about fighting over low fruit, high fruit, you're done, but two years ago, we brought in Al Costello who's back there. He's got a lot of experience. His last gig was he worked for Accume Partners, well thought of in the industry, came in, and we basically revamped a lot of the things we've done through AML/BSA audit and compliance.

As matter of fact, give him some credit, AML/BSA was also held out in the last regulatory which has just recently ended as a best practice for us. The regulatory environment is ever changing. Dodd-Frank is still not fully clear on everything, okay? What's been clear and what's been -- we've been able to kind of quantify, we've already done and I told you some of the things we've done. We put them in our strategy. We put them in their cost, they're already in our numbers. It's the pieces that we have to put in in the future that we don't quite know yet, but we're going do what we always do, right? We're going to drive that through our Six Sigma quality process. We're going to do it faster, less expensive and more transparent than our competition. We view this as a competitive advantage. We're just going to do it better as we always do.

Final slide. We all, executive management, senior management and a lot of them are here. People that aren't here -- we're all here -- we don't come here and stay here for one big reason, right? It's the culture, the AMEB culture. It's that powerful. It drives their performance and helps create the value proposition that our shareholders demand.

And I'll leave you with this, always remember, right? You work hard, you play hard, you rest hard and that my friend is the recipe for successful and fruitful long life. Life is exciting, let us help.

And with that, I wanted to turn -- actually before that, come up Sean. I got to take a shot out to two more people that are in the room now worked for me, Rosemarie Vignette, and Gordon Prescott. These people were here when I got here. They're premier and they're all part of this process.

And so I'm going to introduce this guy quickly. He's the only true Bostonian -- is that what you say -- Bostonian on our staff yet he speaks like a New Yorker. There's another gentleman and I'll let you guys figure who that is who tells me he's from Boston but I hear he's a Rhode Island guy.

Sean Gray: Thank you.

So, good afternoon. Good afternoon. Sean Gray, Executive Vice President of Retail Banking, and thank you, Richard, but Richard, how dare you talk about any other basketball team besides the New York Knicks in the Mecca of basketball, here -- right here in New York City and someone told me once along time ago, know your audience when presenting. So, even if you are a Boston fan and a Celtics fan, do know where you're at and I'll stay quick and true to time.

So, as we get into the presentation first slide, and before I get into the details, I really want to press upon you three high level core objectives of my talk today. One, the Berkshire Bank Retail Foundation has been built, built upon improving growth, focused execution, and very bottom line driven. We understand what our shareholders are looking for and we drive that down to our workers. And it's also been built on a scalable model. So, what I mean by that, as we've invested in technology, talent and distribution that we believe is best in class. Today, I'm going to share with you why.

Number two, this foundation coupled with the strong and diverse markets we operate gives us an incredible opportunity, a very unique opportunity that we're poised to take advantage of. Now, our markets, we study them, we understand them, we apply those high level analytics, too. Now, I'm happy to report we're winning in those markets today, market diversity very important. We have markets that offer incredible stability. Some afford us greater deposit or loan generation. All of which we're deepening wallet share in, but we are not limited by the economic or even the geographic limitations of a singular market because of that spread that Mike talked about with that slide.

Lastly, number three, we are a forward-thinking retail franchise. We have been -- we will continue to be. I hope you're feeling that we're all little bit different. I know Richard is very different, but we love him and live with him, but we're looking for a differentiated experience with our customers, and we do that by delivering a very distinct AMEB brand which you'll hear about. I talk more deeply about but a very distinct branch and a very distinct refill delivery system.

So, all of these we're doing is helping us win loyalty and preference and ultimately capture market share which I'm sure you're happy to hear about today, and the results are in as you see here and we're very proud of them. This is some incredible growth and this is retail growth only. And probably more importantly if you look at the bottom is our organic growth within these numbers. Retail deposit growth in less than three years has been 27%, retail loan growth both organic 17% and retail organic fee income growth excluding acquisitions 25%, so some incredible proven results.

Next slide, please. So, as we look at this year -- the years to come, no bank invested more in its future than we did this year. Now, we talked about core conversions -- our FIS IBS solution does support banks $100 billion and greater. We've incurred some of that cost already and do understand this we're just beginning to take advantage of those economies of scale that a solution like that can offer us. And the customer service upgrades and enhancements are great and we're now layering them in for our customers to give us an additional customer advantage.

We talked about acquisitions, talked about four new De Novo branches in Albany. We did all of this. This incredible investment, 90% of the systems in this organization are changed today -- are different than they -- when they were a year ago. Did all this while we reduced both the retail bank, Kevin is very happy about that, and the overall bank's efficiency ratio. So, the investment goes beyond just technology and processes and Linda touched upon this, but most important to me is our recruitment of best in class retail talent. I have some of them here today.

Tami Gunsch comes to us -- our head of Retail Banking, large box, national experience, overseeing 300 branches in her tenure in the past. Our head of Retail Lending, a gentleman by the name of Kevin Inkley, I see in the back, 25 plus years of senior level management experience of both large box and regional peers we respect tremendously. And if you think of our operations and IT teams of which I am responsible for as well, no one has done more acquisitions than the last five years or as -- maybe as many someone could correct me and as many as we have done and we've done them on time and accurately. So, that gives us tremendous confidence and really talent that can lead us forward. So, the talents here the foundation is built.

Next slide, please. So, let's look -- let's look out forth. Now, we anticipate deposit growth to be above 4% to 6% annually. You know, despite some of the headwinds that Larry and Mike talked about. We believe these goals going to be reasonable and realistic, and we believe our past results give us confidence that we'll be able to achieve the numbers that you see on the page here today. Quite frankly, when Mike sees these numbers, he's first impression is -- I'm sandbagging some of my goals. I have to remind him of Larry's economic forecast and that I'm working with Richard.

But how do we achieve this? We use a very comprehensive needs-based selling approach, very fancy for saying, hey, we're bundling all our products together and making it very easy for our customers. Not very different than what a lot of banks should be doing. They're bundling their deposit products, but we take it far deeper and we believe we execute better. And we take it deeper into those fee businesses, wealth management, insurance, the mortgage business, and I'll give you a great example, just by having a Berkshire Bank checking account with us, you can receive very deep discounts in all of your personal line insurance.

It's something we worked very hard with in the State of Massachusetts, but those are the little things that give us that competitive edge day in, day out. And we're focused on that DDA relationship because we know cost of funds is going to be critical in this marketplace and the only way to drive down cost of funds is to drive up your demand deposits within your institution.

Next slide, please. We also do believe -- Mike would -- we have room to drive down deposit cost. So, I'd like to make that statement for the official record if this is -- this mic is working, correct, all right, great. So, let's look at retail lending, in 2012, Berkshire Bank is on pace to originate over $1 billion in one to four family residential mortgages. This incredible production, it allows us to cherry-pick the best credits.

We can take the products that suit our balance sheet and we can choose the spreads that make sense for us. It gives us incredible flexibility.

The other assets will be sold on the secondary market, a function we have invested tremendously in as well. Now, those incredible originations and very health pipelines today give us confidence that the numbers we're putting before -- in front of you today will be achieved.

Next slide. Looking at revenue, now, we believe retail revenue will mirror balance sheet growth to about 4% to 6% annually. We're going to achieve this by the market opportunity we talked about and leveraging the products that already exist. Like Mike mentioned, we do not need to do anything extravagant. Get better at the fee mortgage business that we've just invested in and get better at things like small business and cash management an execution will be paramount that's something I'm very proud of our retail team and the experience they bring, and speaking of execution, we will be ready for regulatory changes.

They -- this -- those changes will change the landscape of making money as a bank, but to give you a great example, when regulation E went into effect, our bank had best in class process and when other banks saw some of their fee income shrink, we actually saw our overdraft fee income improve during that time period. With the very customer centric model, I'd be happy to share with anyone if anyone wanted a greater detail to that. So, great execution.

Looking at our market to the next slide, we have the number one market share in Western New England and Southern Vermont. Now, as you move to New York, we are the fastest growing bank in Albany over the course of the last five years couple that Albany franchise with our Rome franchise and our Syracuse franchise via the Beacon acquisition. We're now at fourth in Upstate New York very quickly approaching $2 billion in deposits today. Now, I spoke of the advantage of market diversity and a great example of that is when you're looking at deposit acquisition.

Low cost deposits are derivative, a higher DDA balances. We know this. DDA balances are a derivative of your market penetration and your market density. So, when you're entering into a new market with the goal of driving through revenue, you do have to be cognizant of capturing volume and market share first. We uniquely can do this because of that market diversity I talked about. We can leverage low cost deposit markets such as Western New England and Southern Vermont and give us the time to build the franchise and drive the appropriate revenues and volumes that we need.

So, next slide. Everybody is talking about analytics as you know and I hope you don't hold it against me, I'm from Boston, so I'll use Bill James as my reference. Well, we had an external group, our Bill James Group do a deep dive into the deposits across the country. And when they look at MSAs with populations over 500,000 and they stack-rank them in three critical deposit categories. Our existing MSAs and our franchise did extremely well. In fact and the most important overall deposit change, eight of those MSAs were right here within our existing franchise. So, incredibly strong and healthy markets.

Next slide, please. Now, let's look at Albany. We've frequently been asked how do you measure the positive impact of you AMEB brand and culture. How does it translate to results? This slide depicts one of those measurements. Now, we started our Albany franchise from scratch as Mike mentioned. And when we compared our De Novo results versus our competitions' De Novo results over that same time period, we outperformed those peers at every point in our branch life cycle.

Now, these were peers in banks who already had a presence and advantage in Albany already had customers, already had brand awareness. Some were large box with far more resources to marketing and other pieces. So, we believe our unique retail delivery, execution brand is what it gave us this competitive advantage and I'm going to talk a little bit more about why.

Next slide. As you can see, there is a trend, it's well over talked, we are growth story, and if you're going to expand, there's no more important expansion analytic piece than you can do than S-curve analysis. Now, banks can afford to have networks whose costs are too far excessive in this market. We understand that. So, S-curve analysis gives you the optimal branch count per region maximizing economies scale. You want to stay on this S-curve. Too few branches, you will not be successful in that region. It will be sunk investment cost. Too many, and you will not have the appropriate efficiency ratio you should have as an organization as a bank that obviously is tied to our compensation.

So, we see this mistake far too often. De Novo strategies tend to be in current state reactionary, a one off basis here, a branch here. You need a very defined regional plan based on great analytics and you need a team that commits and executes to that plan. Looking a little deeper into Albany and the reason being, you know, past performance is the greatest indication of future results. So, we've done this in Albany and we're translating that to Hartford and Syracuse and in three years we're going to be approaching from scratch a billion dollar franchise in Albany alone. So, let's think of what the power, what we can do in established markets. Market that offer even greater opportunity in some instances such as Hartford and Syracuse, known brand and known customer base.

One last point on De Novo, the Wal-Mart and Kmart conundrum, one of the advantages Wal-Mart had entering into new markets that Kmart existed in is the urbanized changes in those markets. Streets changed, traffic patterns changed, population changed, the hubs of those cities changed. So, Wal-Mart was able to take a fresh look and out position Kmart in some of those markets, very similar to what we can do when we enter into new markets. It gives us a competitive advantage.

Next slide, please. So, where to do we stand today? Big banks have had an advantage in technology, and I mean, have had an advantage because we're closing that gap. Small banks compete on price, a gap which we will never close. Personalized services paramount -- in our value proposition, simple as it may sound, that being able to do everything that large bank can do with very personalized service does matter to our customers and big banks right at that perfect most opportune time for us are reducing their commitments in the tertiary markets. So, we're seeing a reduction in staff and branch count in other investments, community investments in markets like Hartford and Albany.

So, we've got our just do it, our rallying cry, Richard? I'm appreciative that my risk compadres are selling that brand [cut]. Life is exciting, let us help and that's what we look to do within all of those exciting moments of our customers' lives, and our people are trained to make a difference.

Next slide. There he is, speaking of excitement, Gino is living, breathing excitement for some of you which may have met him. We're very pleased. We've got a three-year deal with him as a spokesperson, pleased to have him on this board. He is maybe the or one of the most recognizable people in the State of Connecticut, and now he had many choices and despite other offers. You know, he believed in the value proposition of this company and the energy and direction n which we were taking it forward. And one of the first places we took Gino was one of our new branches.

Next slide. And Mike, I believe I'm on time. I'm running good. So, this branch is not your grandfather's branch although your grandfather would love it, too. Now, every detail of the customer experience is built into the design. I'm going to talk to you a little bit about the design because it is important.

Next slide. You know, our branches are this, and I can say this with confidence, they're faster, safer, and more accurate. It's a fact. It's based on technology. We use Diebold recycle technology. We tie it directly into the integration of our core system, into our teller system. It removes all of the mundane task that if you've ever been in a branch and been upset with your teller going back to the vault getting cash, selling cash, doing all that, it removes all of those mundane tasks.

So, another positive benefit because of this our branch staff is different. We hire differently and we can truly hire for sales and service. I know banks have told you they can do it but until they remove some of those tasks, the cash handling with the head down task. It's very difficult to do. Those branches also have more amenities -- an AMEB WiFi Cafe, interactive community rooms and fresh and engaging marketing some of which you have in your packages today. Great sounds, great -- does it move us to the bottom line we're looking for.

So, next slide. The branch economics are strong as well and the proof is in the revenue. You need less FTE to operate these branches because of the layout and the technology because the people are truly cross-trained. Operations management 101, this removes bottlenecks in your branch. Two, we removed all the cash handling noncustomer value added work. I don't know how many bankers we have in the audience today. But when we did our studies, 30% of our people's time was spent not helping customers. Technology removed all that away.

So, we pay our tellers less work hours with no change in hours of operation to our customers. We use the lower square-foot models similar to Europe, Canada in some respects. That allows us to put more amenities in, bigger bang for your buck and our build-out cost is less. Gone are the traditional vaults, Mahogany teller lines, quite frankly cost money and drive very little value to your customer.

Important to know as well, they have community rooms. Now, our staffs proactively managed the community rooms, and we drive an events curriculum that drives traffic to these branches prior to these folks even becoming customers. It allows us to enter into new markets and get our De Novo's jumpstarted or jumpstart a franchise far quicker.

Next slide, please. So, laddering up the brand and I'll be quick here. The ladder on the right is the market segment. The ladder on the left is the folks within the branch that take care of them. Affluent needs segment represents 5%, limited credit needs not the most profitable customer base within a bank. Although gets a tremendous amount of attention from our competition. The premier need segment, the 20% of the bank, quite frankly the 20% of the 80/20 rule gets very little attention. Our my banker services are proprietary my banker services are going to remedy that and put a greater focus on taking care of their needs and driving them into our bank.

Next slide. So, how are they going to do that? Well, they're fully licensed. So, there is no need to pass that relationship on. It's very personalized service, high touch, high feel with technology, and tons of unique features such as concierge services and it's important to note that this why I mentioned private banking and my banker. If the demise of the branch -- the branch network does occur, we will be ready because of unique delivery systems like this. We have far less of a dependency on branches everyday as we move into the future.

Next slide. Small business -- we're all talking about incredible amount of strength we have out there within this organization. Quite frankly small business is an opportunity. I've got shared goals with Patrick Sullivan. We're both excited to have a system for the first time than makes us competitive in this space. So, we have incredible running room when executing in the space to drive additional shareholder value, and I'd be happy to provide more details later.

Next slide, please. So, fee business, another competitive advantage of ours. We've got originations from Syracuse to Boston and they are focused on new home purchase business. Strong secondary market expertise, and we're fighting hard to win incredible contracts in our markets. For example, we have the exclusive endorsed lender to a very large trade union association in the State of Massachusetts. To give you an example of scale, their endorsed bank is BofA, Berkshire Bank is their solely endorsed lender.

Next slide. So, I will leave us in where we started. We've got best in class foundation built -- people, systems, and delivery. We've already absorbed this investment, and we have proven execution both acquisition and organic growth. We're results driven, positive operating leverage. We drive that goal down to even our branch members, and lastly, it's a differentiated model. It's unique and the customers like our value proposition and we're winning in our markets every day and those markets are great.

So, thank you for time today. I'm going to introduce Pat Sullivan, affectionately known to all of us as the 6th Baldwin brother. If anybody has been in his office, I think he has a picture of himself with every president, dignitary, athlete, professional athlete, actor, we built him a curio cabinet for all of his items, love him to death, Pat. Thank you. Thanks.

Patrick Sullivan: Now, who's from Rhode Island here? I'm the only guy from Rhode Island.

Unidentified Company Representative: (Inaudible - microphone inaccessible).

Patrick Sullivan: He hates -- I'm sorry I brought that up. I am from Rhode Island, and someone told me I had a Rhode Island tie on today. So, Richard, I want to thank you for acknowledging that. So, my job today, okay, is to really talk to you about commercial banking and talk to you about wealth management and insurance, and how these kind of fit into really the culture of everything you've heard about from all of our speakers here today.

And before I start, I think I'll introduce myself just briefly. I've been with the bank about two years. I came to the bank through really merging our institution. We build on the BI director with Berkshire Bank, and before that, I was CEO of a community bank in Vermont and before that I was CEO of New England Sovereign Corporate Bank and Commercial Banking. So, I had a little bit experience doing a few things over the years and I look at my job at Berkshire Bank as being a master of my internal and my external environment. Okay. My internal environment today is to stay on time because I got Mike Daly staring at me. So, that's pressure.

And my external environment is all of you because time is precious to you. So, I've to get my message across to you in the time that's allotted to me. So, that's really, really important, but during the course of my everyday job at the bank, my job is to make sure that all my teams are working together. They're collaborating with all the groups you've already heard about, Richard and Linda and Richard, the branches.

Michael Daly: (Inaudible - microphone inaccessible).

Patrick Sullivan: Okay. You can't hear me? Okay.

Michael Daly: (Inaudible - microphone inaccessible).

Patrick Sullivan: Okay. Thanks, Michael. Thank you.

And the other thing is connectivity. I've got drive a sales culture that connects to the market, got to create a culture that creates energy, and we've got to attract customers because we got to win, retain, and grow. So, my job is pretty simple. So, it's kind of get those things done, day in, day out.

So, the key goals of really of commercial banking and really wealth and insurance is really to build a very balanced bank. Nice combination of fee income margin and the type of revenue sources that we can build over time. We're also – we're in the rental business, I think Richard said it well. We rent money to people. They got to pay it back. So we're in the risk management business, you lose money in this business, everything you worked hard goes away. So, we rent it, we try to get it back in one piece. And third, we empower all our leaders well, I'm kind of mention throughout today's presentation to really go out and win and win is about winning customers.

Our next slide. So, how we're doing? This is a wow slide. Okay, because if you look at this growth over the last three years, outstanding. Now, you can say well gee Pat, that came through four acquisitions other things and such and I can't be possibly right. You know, you just faking that out. That's not true. If you look at it, we've had 39% organic growth in our total commercial outstandings over this period of time.

Look at our C&I loans grew from $186 million to $611 million, 67% of that was organic, huge, and only 19% was in commercial real estate loans because as Mike mentioned earlier, we've kind of gradually run accreted. This didn't really meet our risk or our overall revenue or return parameters.

So that is very, very good, number one, number two is if you look at the numbers, which not even on that slide is that we have another $325 million in occupied real estate. That is C&I lending. So when you put the math together, we're at 50% C&I and were 50% commercial real estate. That's a dramatic change in this profile. Further, optionality, this portfolio is 75% variable. So, we don't get trapped as rates to move around. Okay. A lot of flexibility in the pricing parameters of this portfolio.

Next slide, please. If you look at this next slide, just look at the cash management and the loan swap fees this is because we're in the C&I business, okay. And we have 28 product specialist now throughout our bank that cross-sell and -- but -- they're not all employees of our institution. They're good partners. They're good correspondent banks. They're good vendors to let you know like [Elavon] in our Merchant Services. They're driving that number because we're deepening the penetration and as Richard said, it is not all about -- it's more than about the NIM, okay. So, these strong partnerships are driving this number.

Next slide. Our competitive advantage. Okay. We sell intangible. We sell ourselves, okay, that's really what being a good commercial bank is about. Sell yourself. So, it sounds like the same old but what happens, we keep it simple, we follow-up, we follow-through, we're on time as expected, consistent, and we measure, measure, measure. That's the success model. When you come right down to it from our competitive advantage, do that fundamentals over and over again which people a lot of times, forget about those fundamentals. If you do those over and over again, you're going to show the type of numbers and organic growth I talked about a few seconds ago, okay.

And then it's about people, products, process, promotion, and we're a community bank. We touch our communities very nicely with our people but now we have products of a very big institution. So, when we go to sell, we sell right against, big banks, very, very well. With international services, derivatives, merchants, et cetera. Okay. So, also, 73 branches, credibility statement, when you get bricks and mortar, people know you're there for the long run. That's important to commercial customers.

Finally, we have a foundation -- foundation, what you want to do, you take care of the needs of your commercial customer -- the commercial customers on those boards. That's how you build a further gap with that customer.

Next slide, please. Okay, we have variant analytics and you know what I'm not going to use an actor. I'm just going to mention -- I have big guys that work for me. You're going to see in a sec, or should say big people and Dave Idle, Dave stand up because I -- so Dave Idle is my Jonah, okay? And he's helped really our bank and in the commercial side in particular build analytics that helps us go fish successfully, okay.

Now, Richard already talked about, he stole my thunder actually on the pricing model. Actually, I'm really mad at you Richard, but I'll let that go, and I'm not going to spend a lot of time with the pricing model. I'm going to say that we cannot live on the NIM. I'm just going to repeat what Richard said because I said that in a practice round and he picked up on it, okay.

And I'm actually going to add it to the iTunes. I don't know what they call. The AMEB tunes, sorry, still there and I'm going to put to our playlist, okay? But the next two are really important because we ask our relation managers to build a relationship plan for a customer, and when you build this plan, it's the lifeline, and the timeline of a customer, and that's how we're going to be successful on our markets. If you don't understand the need, how can you go out and get the business, okay.

And then we talked a lot about teams. I'll talk about that more in a second. You know, these teams when we hire them, they build their own roadmap. I don't tell them what to do. Mike Daly doesn't tell them what to do. Mike does tell them what to do a little bit. But that being said, what we really ask all our teams that have come aboard is show us how you're going to be successful and then what are things we have to do to make you successful, and that's really what that comes back, and we have one-year payback in all our investments. So, we opened up our Central Mass Operation the last year or so, put $100 million of loans, $500,000 of fees, very, very good numbers, 50 new customers, that's an example of a payback.

Our next slide, please. So, got to sustain all of this, okay, and you got to keep getting good, good people and this is I called -- this is my D slide because it's about our distribution, our diversification, the disciplines we have and the directives which is really the compensation. We give goals, directives, you get compensated for it. Okay. And as Mike said earlier, we hire hunters who go for the kill. We are closers.

Now, there is a famous movie, Glengarry Glen Ross -- Glen Glen Ross and what does Alec Baldwin talk about, big Alec, ABCs -- always be closing. That has got to be the core philosophical approach to how we build our business. We recruited thoroughbreds as Mike talked about, and I would say for a fair price, okay, and we built a type of company we wanted because every one of our senior managers that's really talked or will talk because we don't the two Irishmen are always last -- you know, Kevin Riley and myself but, you know what they've all interviewed -- all our relationship managers come work for us and all leaders. So, there's a buy in right from away, both sides. I mean, that's important.

Then we've got risk management. I call it the net. Richard guards the net, make sure we don't get trouble. Okay, And then we have our goals and our goals are largely driven to our AMEB values of risk -- excuse of respect, integrity, guts which is on entrepreneurship, team work and having fun. We get to have fun at this place, get up every day you get to enjoy yourself. Okay, and then we have financial goals which really you've seen right on loan growth, loan fees, and cross-sell.

Next slide, please. Where are we going? Okay. The biggest drivers of profitability are obviously loans, deposit, and fee income, and we're going to be successful because continue to develop graded solutions with customers. We distinguish ourselves because we're nimble. We keep talking about -- the whole bank keeps talking about how we nimble. We move on the dime. That's what makes banks successful today.

If you're bulky, you can't move. You can't really react to market change and you know what we got to do what the customer wants. Customer sets the market. Prices are set by the market, by the customer. By what the competition is doing. So, you got to be credible to that customer to build these numbers and if you're going to grow 7%, you're going to grow 6%, you're going to grow your fee income 10% consistently out to 2015. You got to be consistent, consistent, consistent.

Next slide, please. So, in our existing markets, what are we going to do?

Next slide, please. There we are, we got it. They know their communities. Mike Ferry -- Mike stand up. Mike has been with the bank longer than Mike Daly ever here I think. So, Mike knows Berkshire County, okay. And Mike Carroll -- Mike Carroll knows Albany and then with him is the man, Bob Curley. Our Director about long, long time, senior citizen, well respected in the community, drive the business. Okay. Bob, I just want to really make sure you were very well rewarded for that, okay.

And Springfield, Sheryl McQuade has come aboard and also Ron Todd, which I'll talk about in a sec. But we're really working hard to build what we already have but to hold on what we already built because if you look at these numbers, 81% of our deposits, 59% of our fee income is already built. So, you got to continue to grow that number. So, existing is very, very important.

Now, let's go to the next slide which is new markets, okay. I just introduced Sheryl. We actually hired someone -- and we hired Chris Papayanakos who's going to join us next week up from KeyBank to run a new our New Syracuse market, our Beacon acquisition. Okay, so we've got new leadership in these markets. We're trying to hit a lot of singles and doubles in these markets. Okay, that's we're about -- singles and doubles -- our homerun not triples, not stolen bases, singles and doubles.

We're building credibility with new market segments in both in Syracuse and Hartford because we're going after the middle market. The banks you bought before were small business and Real Estate Banks. We're trying to continue to do that very, very well, but the same time, we're trying to go after the middle markets successfully like we have in Albany, like we have in Central Massachusetts, and we have advisory boards which are the former directors who have an interest because they own our stock and they're leveraging their relationships to help us build the business.

Next slide. Asset-based lending -- asset-based lending covers our whole market, okay. And Paul Flynn -- I think Paul, you're going to act but it's twice now today. So, you're going to -- should feel pretty good when you drive home tonight in the train, you get acknowledged twice, but Paul's team has done a great job, okay. And he's a little old school. He's grown the business through the relationship model.

You look a lot of big banks like the BDOs and finders and binders -- and they get a lot of acronyms but they got a lot of bulk and they can't move. We source the prospect, we structure the deal, we close the deal, and our relationship manager owns the customer afterwards. So, it's really cradle to grave. We hope they don't go to grave too early because we want to make a lot money on them. But you know what, that's our customer, that's our model. And why we're successful in the areas, we're very thoughtful because we know the customer.

We're respected internally and externally because if Richard doesn't like this business we don't do higher risk, you know, a little more leverage, receivable inventory type business, and we act and react, so we do what they -we say we're going to do. Okay. We act and react in this business. It moves. It's our best cross-sell business. Okay. That's cross-sell business. Not that the other businesses - I'm not trying to diminish in any fashion at all. It's just that customer has to utilize all of our services because we touch their cash, we touch their whole cash flow. That's how they borrow money from us.

Now, you can say -- gee, this is a riskier type of business on the next slide. And the next -- and the thing I'd like you to take away from this is, it's diversified portfolio, it's middle market, its industries that need our risk parameters and we're organized to move fast and deliver, okay. So, that's a nice balance portfolio built over three years and that was the very roadmap that this team built when they came to us back in 2010.

Final slide on commercial. So, our culture is focused on got to drive sales, got to be good in the risk business, accountability starts with me right through to our leadership and we empower our people to deliver to the customer. That means increase the EPS results. So, really that's our commercial business.

Now, let me talk about quickly but still a little bit time here to talk about our specialty businesses. These feed very well into our commercial business, okay. They're businesses that complemented the distribution. Our distribution is branches and relationship managers. And the indirect distribution is what, it's the Internet and the call center because people buy insurance through our call center. They buy it through coming right -- looking at our Internet and our online banking, okay.

So, Jim Herrick and Steve (inaudible) who aren't with me today when they get up in the morning, they said -- they say -- did our customer get the max value for the price? If they can't really answer that question from everyday, they're not going to grow the business, okay. And when Trevor Forbes and Chuck Leach get up in the morning, they have to ask themselves, did I make a difference today to improve or protect our customers' wealth? So it's much about protecting as it is about improving.

So, if you don't have that credibility, you don't sell and our relationship managers won't sell the products through because they care about their customer core, core business. So, we have to make sure that happens, and they do a great job at it. So, the key theme on this business is both businesses are built on superior customer service, trust, and you need a risk mitigation or risk reward. So, what have we done? Our wealth business has grown 7% -- excuse me -- our wealth and insurance business have grown 7%.

Okay, but the nice thing about our wealth business is it has grown 61% during this period of time. And the other thing I'm proud to say is that we've grown consistently about 7% or 8% or about 21%, 22% in new assets under management of wealth business organically.

So again, that's following the relationship managed channel, because most of our customers are owner entrepreneurs, okay, who are our customer base or they own a business or they're like Larry. They ran a business and they keep the wealth with us. Okay?

Next slide, please. Our competitive advantage in insurance is a nice balance, 43% personal, 35% commercial, and then we got this thing called the benefits business because everyone of our relationship managers looks at an income statement, sees what people pay in outrageous employee benefit costs and we go in and we try to help to manage the employee benefit cost. That is a great opportunity for growth. So you got to connect these channels together and that's what we're going to try to continue to move, to move this business to a much higher level especially on the benefit side.

We see the opportunity for the first time that rates have firmed up, we had a soft insurance market for a long period of time on rates. So we're going to get revenue growth this by rates firming up, okay? And then we see synergy with carriers because we do more business with certain carriers to give some more overrides.

Next slide, please.

So where we're going? Personal lines grow about 7%, it's more of a commodity business. Commercial lines is that value-added business, almost will probably grow double digit. And financial services, we see that really growing, really believe that numbers on the light side great opportunity.

Wealth. So the nice thing about the wealth business is we basically went through a re-engineering of the wealth business before I actually officially joined Berkshire Bank and we structured the business to make $0.55 on every dollar we manage, okay? So we went about a real analysis of what's our client segmentation in this business and we were pleasantly surprised to find out that most of our customers are what we call a relationship-oriented delegater. In other words they give us their wealth and say, go manage it for us, okay? As opposed to a self directed knowledgeable investor who says, I'll give you the money, I'll tell you what to do, you make 20 basis points on it.

So the reason why we're driving more profitability on our wealth business is we've got the former not the latter, okay? And we like acquisitions in this business over time because there's a lot of principals who've broken away from -- who broke away from a bank at one point in time. And now [inaudible] to come back and if it fits right into our market strategy of how we cross sell customers. So whether it's in Albany, or Worchester or Hartford, there's a lot of registered investment advisers that are available for us to acquire, we're looking pretty aggressively at those these days.

So finally, on wealth management, where are we going? We really see the path we can grow double digits and new assets under management. This whole slide is about new clients, new clients, new clients, new clients. Because you got so much marker growth and so much attrition, but you only grow this business through new clients

So as I conclude, I started out this whole talk today a little bit about simplicity and I'm going to end with that theme, okay? And these complimentary businesses are simple. They support our relationship [sterling] strategy and you know what, you should all be sold, right? You should all be sold on this strategy, okay?

So now I have the pleasure of introducing another Irishman, Kevin Riley. He is energetic. He is passionate, but the most important thing he is the keeper of the brackets. He is the keeper of the books. So Kevin -- without further adieu, Kevin Riley.

Kevin Riley: Been a long day. Thanks, Pat, and good afternoon, everyone.

Today, you heard from teammates a lot of motivating and optimistic approaches about growing our franchise. My job is to translate these into results and how these results can translate into shareholders' value.

Today, Pat and Sean provided you with strategies on how they are prepared to grow loans, small business, C&I, consumer mortgages, investing and lending teams. We believe these strategies can provide us with sustainable loan growth over the next three years in the range of 5% to 10% as we take market share from the big boy banks.

Pat and Sean also shared with you today strategies on growing deposits, investing in De Novo branching, small business, private banking, commercial cash management. And we believe these initiatives will keep our deposit growth rate in the range of 4% to 6%. We are projecting rates to remain not really move far from where they are today or over the foreseeable future. Well, that's at least what the Federal Reserve is telling us.

So we are forecasting the margin to be in the 3.30% to 3.50% range. We will continue to stay slightly asset sensitive in case rates decide to move higher. And we believe this will protect our earnings strength over the long term. We know there's a cost to this but we feel it's the prudent way in managing a bank.

Since interest rate environment continues to put more and more pressure on the margin, and as Richard said NIM and Pat said NIM and everybody pretty much said NIM, I hope - we are increasing our focus on non-interest income sources of revenue. And I hope you heard today some of those plans of what we're going to do. So we're expecting our non-interest income to be a range of -- in the range of 25% to 30% of our total revenue.

Richard went over our risk management. Now, he believes we can manage risk over asset quality. We believe with his efforts and his team that they can keep net charge offs in the range of 20 basis points to 30 basis points. So we're preparing to have a provision in the range of 25 to 30 basis points. As I have mentioned in the past, our employees are great in managing expenses. We do not anticipate that changing.

We will continue to invest in future growth, as you heard about today. But we will closely monitor the returns that we'll receive on these investments. Investing in future and managing expenses down is always a balancing act. As Richard stated, we also use the Six Sigma process to improve our processes and make it more efficient. And at this time we see the efficiency ratio improving slightly as we improve our operating leverage and we see it in the range of 53% to 57%.

And for our tax rate over this period of time, we see that in the range of 33% to 35%. This is how we see it, we set our targets and we shoot to exceed them.

Next slide. So operating outlook that I just provided, this is how we see the balance sheet metrics will fare out in the year 2015. Total assets is $6.5 billion plus and this does not include acquisitions. Loan and deposits, $5 billion plus. Tangible equity and tangible assets in the range of 7.5% to 8% and for the allowance to loan loss we see that about 85 basis points to total outstanding loans. But to loans that are not acquired and they'll have credit marks, we see that allowance being at about 1% plus.

Next slide.

In 2010, we gave you performance targets that we wanted to achieve that at end of this year. As Mike has already stated, we achieved or exceeded many of those targets.

[inaudible comment off mic]
[inaudible comment from Kevin]

Today, we are providing you with a set of new targets for 2015. What we are presenting to you should be put us in a place in the range of 2015 that's depicted on the slide. Our targets for 2015 are those in the far right-hand column, 7% to 8% revenue growth, a $3 earnings per share run rate at the end of the 2015 year, a 1.10% return assets, a 10% return equity, and $20 tangible book value per share.

People always ask us, why do you put out these targets? We believe that you can only accomplish great feats when you're totally focused on a goal. Winners are winners because they are focused on what it takes to be a winner.

Now lets' turn to guidance for 2013. As we have worked through our planning process, this is how we see 2013 shaking out. I will touch on a couple of key metrics for you. Core earnings per share in the range of $2.25 to $2.35 up over 10% over our current runway we posted in the third quarter. Core ROE of approximately 8.4% and our ROA over 1%. Net interest margin in the range of 3.30% to 3.40% assuming a flat rate environment and an efficiency ratio around 56%.

Next slide.

Stock valuation. So we had this burning question at Berkshire. How does performance translate into stock value? And are we focused on the right metrics?

I know all of you have your own models and you always have provided us over the last few years some valuable insights. But we are curious to what independent analytics group could offer us to the stock value drivers. So we engage the same analytical firm out of Washington DC that Sean spoke about earlier and we wanted some market insights. What are the correlating metrics that drive stock value?

We asked them to look at the relevant drivers that move both price of tangible book and price to earnings. The results were not all that surprising. Earning performance is a key driver. Return equity for price of tangible book and earnings per share for price to earnings. Bottom line results no matter how you get there drive stock value.

However, they did find that there were some quality metrics that did have some correlating impact on stock value. For price of tangible book, they found that the efficiency ratio and net charge offs have impact. And for price to earnings, they felt that capital strength also have an impact.

So let's look at an example of how a correlation of earnings per share growth relates to stock value. Say you project earnings per share growth of 7% for the next two years proceeding 2015. The correlation would suggest you should receive a 13.5 times multiple to earnings per share. The higher the growth rate, the higher the multiple and you always know that could go the other way.

So say in 2015, our core earnings per share is $2.80. This would suggest a stock price of approximately $37.30. Now there are a lot of moving pieces and parts in the analytical insight but in its simplest form this is the result.

So let's look at the valuation of arrived that suggests stock price for tangible book value. The key driver is return on equity. Say in 2015, our return equity is 9.8%. The correlating factor would suggest that we should have a 1.7 times multiple. Again, the higher and the lower on equity returns the higher and lower the multiple would be

So with the tangible book value of approximately $20 per share, this would equate to $34 stock price. We believe analytics plays a big part of how drive value in the Company. And insights that we can derive from data can allow us to make more informed decisions as we move forward

And with that, I would like to turn the podium back over to our leader, Michael Daly.

Michael Daly: Thanks, Kevin. Thanks, team. You were great. Another big round of applause. Let's get everybody awake so I can close this.

Fantastic. All right. I'm going to sum it up.

The right people matter. Motivated and experienced people matter. Driving the metrics that count matters. Doing so in markets that we're comfortable in and we understand it matters. Understanding the environment that we're doing business in it matters.

But more than anything else using multiple earnings drivers is critical to getting the job done.

Next slide.

I got to tell you we have enjoyed putting out detailed guidance to all of you. And we are happy to have all of you hold us accountable. Believe it or not, we're happy to do that. We enjoy it. We said we'd double our Core EPS run rate in 3 years, you held us accountable, we did it.

We met or exceeded our guidance 11 quarters in a row. We've hit the metrics that we put out, every metrics for the bank and we've hit every metrics that we put out for our acquisitions. Now, they were challenging but they are realistic and they were attainable.

Next slide. The next three years will be challenging, but they are realistic and attainable goals, $3, 10% ROE, minimum of 20% increase in tangible book value per share, continued clean balance sheet, operating at a 55% efficiency ratio, managing our capital between 7.5% and 8%. Now, on a comparative basis and I've done my homework on this, those are pretty good numbers. So can we do it?

Well, hell yes, we can do it. We just did it! We did it with bigger numbers. Of course, we can do it.

You know, I listen to our team. And one of the things I wanted to make sure I said when I got up here was don't mistake excitement, energy, enthusiasm for [braggadocios]. I mean we're not bragging. I also looked around and I saw our friends from US bank and JPMorgan here. I said, well, we're making friends out of them today, we have bashed the big banks to death. Welcome, guys, thanks for coming. They're not in our markets by the way. They don't do business in our markets.

We know who they are. So I know there's excitement with all of us and I know that there's momentum there and I just want you all to know we understand the competitive landscape. We're not trying to step on anybody. We just want to get out there and get in the game and win as fast and as hard as we can.

Now, we've delivered over the last three years. We learned a lot over the last several years, we learned a lot from our analysts all of whom by the way have a buy on us, we learned a lot from our shareholders, we've learned a lot from our customers, we've learned a lot from our board.

And what I can tell you to conclude this whole thing is that this team is in, it's all in. We are all in. We're going to give you everything we have. You put us on the field we're going to play hard for you. We're going to tell you what you want us to do, we're going to put the numbers out there, we're going to flight our butts off to get it done.

That's AMEB. That's who we are. That's who these people are. That's the hunters in the room.

We don't want to make it easy. If we wanted to make it easy, we wouldn't even give you the numbers. We just go up with some numbers on the board and send you the quarterly report. We don't want to make it easy. We want to set the bar high enough that when we succeed people go, holy cow!

And that's what we're doing. So here's what I assure you. This AMEB team commits today, just like we did three years ago, we commit today to achieving the results that we put on the board. And that is all of these results were exclusive of M&A or anybody ask me that first question. All of these results were exclusive of M&A.

That's our presentation. We're sticking to it. And I'll open it up for any questions you might have at this point.

QUESTION AND ANSWER SESSION

Michael Daly: Hi, Larry.

Unidentified Audience Member: (inaudible question - microphone inaccessible)

Michael Daly: No, you missed a great closing.

Unidentified Audience Member: Mike, first question I had is that -- over here.

Michael Daly: Here we go.

Mark Fitzgibbon: Sean talked about the new branch design and layout. I wondered if you could share with us your plans for upgrading all 73 branches, over what period of time that might happen, and what the cost implications of that might be?

Michael Daly: Oh, it's a great question, Mark, and there are cost implications because I would love to update them all next year and Sean has insisted that we cannot afford that. We're doing now anything that's new and in a market is being done with the new and we're doing about two or three older branches a year.

Sean Gray: You know, we have been upgraded branches throughout the network. So some of that has already been absorbed the cost. We have these branches in all of our network. We look to do about two or three per year and we've can absorb that easily, but we want to be practical with that.

And some of those markets, Mark, we've got such tremendous branch share that that additional value proposition, the economy of scale to what's left in that market for us to actually capture as well. So we'll balance all that, but are we are changing them all.

Mark Fitzgibbon: Okay. Second question non-related is, Mike, I wonder if you could share with us your perspective on the M&A market, what you're seeing out there today? Is there a greater -- are you seeing more pitch books from institutions that are looking to sell? What geographies do you think are more likely where they may be acquisition opportunities in the quarters ahead? Thank you.

Michael Daly: You know. I think everybody has been waiting for the big year, the year when all the M&A starts and we've all talked about it in the past. We've had conversation about next year is going to be the big year.

The problem with the big year is that at least in the northeast, New England, New York. Banks aren't compelled to sell their banks. The other areas of the country, the regulators just put their foot down and said you got to sell it. That's not the case in the northeast.

And in the northeast, I think, we're still seeing a lot of banks who feel as though those multiples that they heard about back five years ago still exist and I think buyers are being a little more selective in how much they'll pay.

I do think that's starting to increase some and here's why I do think it's starting to increase some. Because some people are doing deals not grabbing the one-day premium and both sets of shareholders are going, hey, I made a lot of money on this deal. And we've talked about this, Mark.

How many times do you see somebody go out hold an auction, get the best buck they can, don't take cash but take the other person's currency have that person pay too much and have their currency get stuck in the dirt for two years. It happens all the time. I think people are smartening up to that and they're looking at deals that have been done between two partners where both sets of shareholders have made a lot of money and they've done it in a more reasonable price not at the level that you and I would love to see, but I think that's coming.

So from a geography standpoint, for us, I think its pretty well balanced. You know, the Western Mass, Eastern Mass, Northern Connecticut, New York market. I think there's a scattering of potential banks that could or might sell their banks over the next couple of years.

But I think it's going to continue to come down to price. For us that has been the big deal. You saw the chart I put up. Our average price was $1.15 and all those shareholders are making money today, theirs' and ours. So I don't know, the answer is I don't know.

Last year I thought it was going to be a huge year. May be next year it will be a huge year. It comes down to when people are willing to get realistic with their prices.

Any other questions?

Unidentified Audience Member: (inaudible question - microphone inaccessible)

Michael Daly: We actually took mortgage -- the fee income from our mortgage refinancings down about 30% next year over this year. Now we'll probably see some fee revenues in the same range as we did in the third and fourth quarter of this year in the first and maybe halfway to the second next year and then we take it down about 30%. Because I mean the refinancing has got to slow down at some point we guess that that's when it's going to slow down.

Unidentified Audience Member: And the second question, what is pricing power like amongst the regions that you now operate on the loan side? How is it different?

Michael Daly: Pricing power in western New England, which is Berkshire County and Southern Vermont, is pretty good for us because we have a big market share there. And when somebody needs something they go to us.

The most competitive market of course is as you get down closer to Boston it's very competitive and pricing is difficult. I think we hold some benefit in the New York market especially in Central New York, so it's not quite as competitive and I'd say Springfield, Hartford same as New York. So the more east you go on Massachusetts the more competitive it gets. And from a pricing standpoint, it's getting pretty competitive.

Is that what you're asking, the pricing?

Unidentified Audience Member: Yes.

Michael Daly: That’s tough.

Damon?

Damon Delmonte: Thanks, Mike. Quick question on the efficiency ratio. As you're looking the 2013, where do you expect to get the most leverage, the revenue side or the expense side?

Michael Daly: Balanced. And you know that’s the earnings levers, that’s the pieces that I've been talking about. If you have four opportunities on the revenue side to drive that ratio and you’ve got 4 opportunities on the expense side to drive that ratio, whatever bucket the fullest is the one we're going to use, Damon. And I would say unless my guys want to correct me, there isn’t strong muscle cutting that has been baked into here to get to that 55%.

Damon Delmonte: Thank you.

Michael Daly: Yes?

Unidentified Audience Member: I have a couple questions on analytics. By the way, the Jonah Hill character was based on a guy named Paul DePodesta who is a real person.

Michael Daly: I knew that. Richard has been wrong all day, hasn’t he?

Unidentified Company Representative: Anyway. How many people do you actually have dedicated to that? And how much does that cost? And then third, can you give me one concrete example of a decision that you made differently based purely on analytics versus what conventional wisdom or intuition?

Michael Daly: Those are great questions. The answer is probably half a dozen direct and another half a dozen indirect if you looked at our IT Department and other areas that get involved in Gary's department. The contribution or the investment is probably in the, I'm going to say $0.5 million range all in.

Probably insurance was the biggest aha. We did a big Six Sigma project in our insurance business a couple of years ago when the market was pretty tough. And we weren’t certain whether or not the agents that we had operating in certain markets had a better handle on their ability to drive business and do it efficiently then to centralize the whole thing.

And when we finished the -- when we finished the Six Sigma project, it wasn’t really a contest, it was very clear. We need to centralize it and we did it. So I think that’s one example, there's probably others. It's the one I can think of at the moment.

Did that answer the question? Colin?

Unidentified Audience Member: (inaudible question - microphone inaccessible)

Michael Daly: He did.

Unidentified Audience Member: (inaudible question - microphone inaccessible)

Michael Daly: Yes.

Unidentified Audience Member: (inaudible question - microphone inaccessible)

Michael Daly: Here we all are. We all are Colin. We thought the same thing when we saw those numbers. Boy, those are precise numbers. Richard, would you like to explain to everyone what goes into those numbers?

Richard Marotta: What we do is we basically look at what the portfolio looks likes now. We look at what our history has been in each one of those buckets and then we just trend it out and so then you just look at what it's going to be and then you just break off into a nice margin around it.

Unidentified Audience Member: (inaudible question - microphone inaccessible)

Richard Marotta: Well, yes. I mean you overlay what we're getting from our economic data, some of the stuff that Larry spoke about today and we get some, you know, information from the bureau. And we look at that in our markets and see that our buckets are in those markets, those types of products and so we just kind of forecast it out.

Michael Daly: I think too we're forecasting. Richard, correct me if I'm wrong. Nothing a lot worse and nothing a lot better from an economic standpoint.

Unidentified Audience Member: Mike, do you have a minimum size for potential acquisition minimum asset size?

Michael Daly: No. No, I mean a good solid acquisition at $200 million is a good solid acquisition. At $2 billion, obviously you get more for a $2 billion bank. But you don't preclude doing an acquisition somewhere if it makes sense financially and geographically and tactically you do it.

Unidentified Audience Member: Even under $200 million?

Michael Daly: Well, at some point you don't want to push. I don't know how much earnings accretion we should get out of $100 million bank, so there is a point where using the resources of the Company to go after something for something that doesn't have a big upside plays a role.

Unidentified Audience Member: Okay, thank you.

Michael Daly: You're welcome.

Unidentified Audience Member: Hey, Mike. I thought I saw a branch network you wanted to go 80, is that a gross or a net number?

Michael Daly: Net number, isn't it Sean, the 80?

Sean Gray: Yes.

Unidentified Audience Member: And so where might you need to reduce the number of branches? What geographies?

Michael Daly: We reduced a couple this year. We had a couple in New York that we went ahead and combined. Berkshire County is probably an area we looked at. We do pretty well there. We still got some branches that are close together.

So markets where we're more dominant and then in markets where we've done an acquisition and we feel as though, as Sean said, they are operating out of a branch that was built on analytics that aren't really the best analytics for us today. So I think that's where you would get.

Any change in that answer?

Unidentified Company Representative: (inaudible question - microphone inaccessible)

Mark Fitzgibbon: Mike, you talked about for the past several years over investing in infrastructure and people. Do you feel like you've done enough investing at this point where the go forward spend will be consistent with normal growth? I guess what I'm asking is have you put in place all the systems and people and products that you need to become a successful regional bank?

Michael Daly: I don't think you ever do would be the answer to that. I think our goal should be to beat our numbers on both sides of the ledger as often as we can and take whatever money that we make when we're doing that invest it back in the Company. We're never going to invest in enough smart people. There are too many young that are smarter and wiser and bigger every time we get a little bigger.

Systems change so often. So being -- I think being forward thinking Mark, this organization will always have to invest heavily. Otherwise we're going to have one of these meetings at some point we're going to talk about what we've done and you guys are going to say, thank you very much, you guys have done a nice job for the last six years and you'll ask us to move on and do something different. So we're going to continue to invest as heavily as we can and as much as we can afford.

Mark Fitzgibbon: And the last question Mike, someone had mentioned that there's a new retail system. I'm curious what that system is and what it allows the customer service representatives to do that they couldn't do with your old system?

Michael Daly: Secret, Mark. It's the Diebold system, right? The cash counters?

Unidentified Company Representative: (inaudible - microphone inaccessible) the Diebold product and essentially takes a lot of the technology of an ATM and then interfaces it with your teller. And we also talked about our FIS/IBS platform that really just bring some incredible transaction speed, swipe cards to our teller lines and things of that nature that speed up and make for a better experience.

So as Richard, I think put it well, we're now at a point where we have a competitive advantage versus competing with a competitive disadvantage.

Michael Daly: Was that [Jimmy] done calling you Mark asking if we were done yet?

Unidentified Audience Member: On slide 28, you have the 2012 to 2014 target $6.30 for incentive compensation. This seems like a little bit lower than the EPS guidance you gave on slide 88. Why there is a discrepancy?

Michael Daly: I'm having hard time following you. The total that we gave is $6.30?

Unidentified Audience Member: Yes. So you gave $6.30 on slide 28 for incentive compensation. On slide 88, so in 2012 you're going to make $1.90-something. Next year's guidance $2.30 and then 2014 I assumed 10% gross will be growth will be higher than $2.30. So combined EPS guidance is higher than $6.30 of the incentive compensation goal.

So I was just wondering why the internal goal is lower than the EPS guidance.

Michael Daly: Looks like Dave is ready to jump. You or Kevin? Go ahead Kevin.

Kevin Riley: The thing is, is that -- is this thing on? When we set this last year, beginning in the year, one we didn't have the Beacon acquisition that gave us accretion and two, we exceeded our plan for this year and plan next season but we thought we're going to do of next year. So when you set a three-year goal, you can kind of level out if you beat each year in that three-year goal you're going to come up ahead I think and we're way ahead of what we planned we would be…

Michael Daly: Oh, the simple answer is that the three-year goal started a year ago.

Kevin Riley: Exactly. Got it.

Dave Gonci: And the funny thing that three-year goal has gone up every year as a result of our growth and improvement.

Mike, we've got a question from our webcast audience and I'd like to thank our many investors who've listened in. Sorry, you couldn't be in the room for the energy and the hospitality here. But the question I just like to post to you Mike is what keeps you up -- it's actually two-part question. What keeps you up at night these days and what do you think institutional investors most misunderstand or don't give you enough credit for about Berkshire Hill Bancorp?

Michael Daly: They give us a lot of credit. So I'm never going to whine or complain about how much credit we get. Our analysts are good to us and I think the investor community has been good to us.

Are we misunderstood a little bit? Look, we did four acquisitions in two years - who isn't going to misunderstand that? You do four acquisitions in two years and people think you're a serial acquirer and so you get slapped around a little bit with that kind of pressure.

We get it, we understand it. I would encourage people to look at the parameters around those acquisitions. Because if you went back and you looked at all four of those acquisitions and you looked at the metrics behind them you do 4 more just like it next year, because they provide sound financial progress in the metrics for us.

Dave, what was the other half of that question? What keeps me up at night?

Not being fast enough. Missing something. Having somebody get there ahead of us. That's what keeps me up at night.

I feel like the hunters in the room that are out there, Paul Flynn and [Jimmy] and Sheryl, they get up in the morning they worried somebody else, they're going to wake up and somebody going to say I got a commitment letter from your competitor today and they got the deal. I worry about that for the whole bank. So speed, speed, that's it that's what keeps me up.

Is that it for questions?

Unidentified Company Representative: Let's have a drink.

Michael Daly: Let's have a drink. Thank you very much.