

BERKSHIRE HILLS BANCORP INC

Form 425

May 16, 2007

acquisition of
Growing *America's Most Exciting Bank*
sm

May 16, 2007

BHLB www.berkshirebank.com

Edgar Filing: BERKSHIRE HILLS BANCORP INC - Form 425

Filed by Berkshire Hills Bancorp, Inc.
pursuant to Rule 425
under the Securities Act of 1933
Subject Company
Factory Point Bancorp, Inc.
Commission File Number 0-51584

2

BHLB www.berkshirebank.com

A Beneficial Partnership

Strong geographic, business and cultural fit

Achieves longstanding strategic objective to enter attractive Southern Vermont market with residential, recreational and commercial ties to existing Berkshire and New York regions

Factory Point is a quality franchise with strong asset quality and performance metrics

Acquisition deal value is approximately \$82 million funded with 80/20 mix of stock and cash

P/E metrics are favorable with 17.9x price to earnings and 13.4x price to earnings after 25% targeted cost saves

Transaction is expected to be accretive to EPS in 2008, with anticipated double digit medium term cash return on equity from planned revenue enhancements

Acquired earnings will provide surplus capital available for potential stock repurchases or other capital uses

3
BHLB www.berkshirebank.com
Total 1-4 Family
Loans
38.8%
Commercial R/E
Loans

41.1%
Commercial
Loans
12.7%
Consumer Loans
3.1%
Other
4.3%
Demand deposits
5.2%
Borrowings
10.7%
NOW & Oth Trans
Accts
5.2%
CD's > \$100k
19.2%
CD's < \$100k
8.4%
MMDA & Savings
51.3%

Factory Point Bancorp

A Solid Franchise

Financial Profile

Loan Composition

Funding Mix

Notes:

Data

Source:

Company

filings

and

SNL

Financial

Dollars in millions except per share data

Loan and funding data as of March 31, 2007

LTM

OPERATING PERFORMANCE

2004

2005

2006

3/31/07

Total Assets

\$304

\$319

\$340

\$339

Net Loans

191

207

226

224

Deposits

259

270

270

275

Tangible Equity

22

25

27

27

Tangible Equity / Tangible Assets

7.2%

7.8%

7.9%

8.1%

Net Income

\$3.8

\$4.4

\$4.5

\$4.5

Earnings per Share

\$0.93

\$1.08

\$1.10

\$1.09

ROAA

1.24%

1.41%

1.35%

1.34%

ROAE

16.1%

16.9%

16.3%

16.0%

Net Interest Margin

3.88%

4.46%

4.32%

4.12%

Efficiency Ratio

63.7%

59.9%

60.9%

62.1%

4

BHLB www.berkshirebank.com

Southern Vermont

Attractive Location and Demographics

Notes:

Data Source:

Company filings and SNL Financial

Projected County Per Capita Income Growth

BHLB

FAPB

Factory Point Bancorp, Inc.

2000

2006

2011

Actual

Current

Projected

Population

Aggregate Change (%)

3.24

1.17

National Change (%)

7.87

6.66

Income

Per Capita Income (\$)

20,817

27,251

33,769

National Median Per Capita (\$)

21,587

27,084

32,982

Aggregate Change (%)

30.91

23.92

National Change (%)

25.46

21.78

Median Household Income (\$)

39,296

49,336

59,380

National Median Household (\$)

42,164

51,546

60,704

Aggregate Change (%)

25.55

20.36

National Change (%)

22.25

17.77

Percent of total (%)

Less than \$25K

31.0

23.4

18.3

\$25K to \$50K

32.4

27.4

24.3

\$50K than \$100K

27.9

33.8

34.2

Greater than \$100K

8.6

15.4

23.1

Berkshire Hills Bancorp, Inc.

2000

2006

2011

Actual

Current

Projected

Population

Aggregate Change (%)

0.65

0.61

National Change (%)

7.87

6.66

Income

Per Capita Income (\$)

21,213

26,815

32,769

National Median Per Capita (\$)

21,587

27,084

32,982

Aggregate Change (%)

26.41

22.20

National Change (%)

25.46

21.78

Median Household Income (\$)

39,681

48,291

56,309

National Median Household (\$)

42,164

51,546

60,704

Aggregate Change (%)

21.70

16.60

National Change (%)

22.25

17.76

Percent of total (%)

Less than \$25K

31.4

25.2

21.2

\$25K to \$50K

29.5

26.2

23.8

\$50K than \$100K

29.5

31.7

31.0

Greater than \$100K

9.6

16.9

24.0

5

BHLB www.berkshirebank.com

Many Strategic Benefits

Expansion of branch network into area of higher per capita income growth than national median; aligns with long term targeted expansion into Southern Vermont

Generate revenue enhancements from acquisition coupled with

product expansion in insurance, trust, and investment services,
organic growth and de novo branching in the area

Gain market share from national and community bank
competitors by taking advantage of position as only locally
headquartered regional bank. *Berkshire has a proven record of
sustained diversified double-digit annual growth in similar
markets.*

Bring higher legal lending limit and larger suite of products and
services to a high performing institution

Accretive to earnings through cost savings realization and
contribution of existing strong banking team in Vermont

6
BHLB www.berkshirebank.com
38
Total
7
Vermont
10

21

Branches

New York

Massachusetts

State

Combined Map

23% increase in total branches

Berkshire Bank (31 branches)

Factory Point (7 branches)

7

BHLB www.berkshirebank.com

Deal Terms

Notes:

1

Based on BHLB's
stock price of \$33.37, the 30-day average as of April 30, 2007

2

Based on 4,096,273 FAPB shares outstanding and 318,909 FAPB options outstanding with a weighted average strike price of \$19.50 and a 5-day average BHLB stock price as 5/11/07.

Pricing:

80% stock; 20% cash

0.5844x fixed exchange ratio¹; \$19.50 in cash

\$81.9 million²

Converted into BHLB s

options

\$3.6 million or 4.4% of deal value

Estimated after tax direct costs \$7 million; indirect costs \$1 million

Form of Consideration:

Indicated Aggregate Deal

Value:

Option Treatment:

Termination Fee:

Direct & Indirect Costs:

8

BHLB www.berkshirebank.com

Attractive Multiples Driven by Strong Earnings

21.9%

20.9%

Tang Book Premium/Core Deposits

1

255%

291%

Price/Tangible Book

23.1x

17.9x

Price/LTM earnings

Median

Nationwide Bank

M&A Multiples

2

1

Does not include CDs > \$100,000 as of March 31, 2007 (approximately 9.4% of total deposits). This definition specific to this ratio only, for comparative purposes.

2

Includes all

nationwide

bank

transactions

since

January

1,

2006

with

deal

value

between

\$15

million

and

\$250

million

Source: SNL

9

BHLB www.berkshirebank.com

Combined Assets Increase by 18%

As of March 31, 2007

\$13.03

\$16.13

Tangible book value per share

\$30.90
 \$29.87
 Book value per share
 10,722
 1,915
 8,807
 Common shares outstanding
 \$ 2,575,580
 \$ 61,629
 \$ 339,378
 \$ 2,174,573
 Total liabilities and equity
 331,270
 38,629
 29,554
 263,087
 Stockholders
 equity
 2,244,310
 23,000
 309,824
 1,911,486
 Total liabilities
 11,476
 -
 2,704
 8,772
 Other liabilities
 38,464
 23,000
 -
 15,464
 Subordinated debentures
 384,191
 -
 32,553
 351,638
 Borrowings
 \$ 1,810,179
 \$ -
 \$ 274,567
 \$ 1,535,612
 Deposits
 Liabilities and equity
 \$ 2,575,580
 \$ 61,629
 \$ 339,378
 \$ 2,174,573
 Total assets
 98,771

(1,300)

14,144

85,927

Other assets

24,542

8,400

-

16,142

Other intangibles

167,051

59,829

2,299

104,923

Goodwill

1,929,009

(5,300)

223,901

1,710,408

Net loans

\$ 356,207

\$ -

\$ 99,034

\$ 257,173

Cash and securities

Assets

Pro forma

Combined

Pro forma

Adjustments

Factory Point

Berkshire

(in thousands except per share data)

Note: Adjustments subject to change based on future information.

10
BHLB www.berkshirebank.com
Attractive Combined Loan and Deposit Mix
As of March 31, 2007
100%
\$1,810,179
100%

\$274,567
 100%
 \$1,535,612
 Total deposits
 44%
 787,827
 31%
 83,408
 46%
 704,419
 Time deposits
 12%
 215,666
 6%
 17,404
 13%
 198,262
 Savings deposits
 20%
 370,876
 22%
 59,511
 20%
 311,365
 Money market deposits
 12%
 216,273
 25%
 69,594
 10%
 146,679
 NOW deposits
 12%
 219,537
 16%
 44,650
 11%
 174,887
 Demand deposits
 Deposits
 \$1,934,309
 \$223,901
 \$1,710,408
 Net loans
 (23,774)
 (4,122)
 (19,652)
 Loan Loss Allowance
 100%
 1,958,083

100%
228,023
100%
1,730,060
Total loans
19%
372,689
13%
29,251
20%
343,438
Consumer loans
46%
907,070
56%
128,452
45%
778,618
Commercial loans
35%
\$678,324
31%
\$70,320
35%
\$608,004
Residential mortgages
Loans
Percent
Balance \$
Percent
Balance \$
Percent
Balance \$
(\$000s)
Pro forma Combined
Factory Point
Berkshire

11
BHLB www.berkshirebank.com
High Quality Combined Loan Portfolio
As of March 31, 2007
1.21%
1.81%
1.14%

Allowance/ Total loans

0.10%

0.02%

0.11%

Q1 Net charge-offs annualized/

Average loans

0.37%

0.31%

0.39%

Non-performers/ Total assets

0.39%

0.40%

0.38%

Accruing delinquents/ Total loans

Pro forma

Combined

Factory

Point

Berkshire

12

BHLB www.berkshirebank.com

EPS Accretion Target at Four Cents in First Full Year

(in thousands, except per share data)

1.83%

EPS accretion %

\$0.04

EPS accretion
\$2.15
Berkshire's standalone EPS (guidance midpoint)
\$2.19
Pro forma combined EPS
10,878
Pro forma 2007 fully diluted shares outstanding
63
Additional diluted shares from Factory Point options
1,915
New shares issued for Factory Point acquisition
8,900
Berkshire Pro forma 2007 diluted shares
\$23,772
Adjusted net income
(100)
Income tax adjustment
(1,700)
Interest cost of debt to finance cash costs
600
Accretion of purchase accounting adjustments
2,500
Cost savings (25%)
(1,100)
Amortization of core deposit intangible/non-competes
Acquisition adjustments:
23,572
Pro forma net income
4,472
Factory Point net income (LTM 3/31/07)
\$19,100
Berkshire net income (2007 guidance midpoint)

13

BHLB www.berkshirebank.com

Growing Regional Bank

Competitive Advantages

Only locally headquartered regional bank in primary market

Four state targeted footprint (MA, NY, CT, VT). Largest bank in Western MA

Strong growth based on organic, de novo and acquisition strategies

Diversified revenue sources with strong commercial components

Strong board and management team

Community leadership

5.86%

6.92%

Tangible equity/assets (03/31/07)

12.86%

12.10%

Equity/assets (03/31/07)

7.10%

7.24%

First year ROE

0.88%

0.85%

First year ROA

38

31

Branches

\$355 million

\$292 million

Market capitalization

\$732 million

\$500 million

Assets under management

\$23.8 million

\$19.1 million

First year income

\$2.6 billion

\$2.2 billion

Total assets

Combined

Current

Size

14

BHLB www.berkshirebank.com

Goals

Create nationally recognized brand and business style

Expand strong, high quality franchise through motivated teamwork
and

relationship building

Take market share as a regional bank from national and community competitors

Continue to generate strong top line growth from organic, de novo, acquisition and product expansion

Achieve high performance profitability metrics

Produce attractive earnings growth and shareholder return

Vision

To establish

the

institution

as

a

world-class

financial

services

company through

an

engaging

and

exciting

environment

where

customers want do business and employees want to work.

15

BHLB www.berkshirebank.com

Forward Looking Information

This presentation contains certain forward-looking statements about the proposed merger of Berkshire Hills Bancorp and Factory Point. These statements include statements regarding the anticipated closing date of the transaction and anticipated future results. Forward-looking statements can be identified by the fact that they do not relate

strictly
to
historical
or
current
facts.
They
often
include
words
like
believe,
expect,
anticipate,
estimate,
and
intend
or
future
or
conditional
verbs
such
as
will,
would,
should,
could
or
may.

Certain factors that could cause actual results to differ materially from expected results include delays in completing the merger, difficulties in achieving cost savings from the merger or in achieving such cost savings within the expected time frame, difficulties in integrating Berkshire Hills Bancorp and Factory Point, increased competitive pressures, changes in the interest rate environment, changes in general economic conditions, legislative and regulatory changes that adversely affect the business in which Berkshire Hills Bancorp and Factory Point are engaged, changes

in
the
securities
markets
and
other
risks
and
uncertainties
disclosed
from
time to time in documents that Berkshire Hills Bancorp files with the Securities and Exchange Commission.

16

BHLB www.berkshirebank.com

Additional Information

And Where to Find It

The proposed transaction will be submitted to Berkshire Hills' and Factory Point's stockholders for their consideration. Berkshire Hills will file with the SEC a registration statement on Form S-4 that will include a joint proxy statement/prospectus and other relevant documents concerning Berkshire Hills Bancorp, Factory Point, the proposed transaction, the persons soliciting proxies

merger and their interests in the merger and related matters. Stockholders of Berkshire Hills and Factory Point are urged to read the registration statement, including the joint proxy statement/prospectus, when it becomes available and any other relevant documents filed with the SEC because they contain important information. You will be able to obtain a free copy of all documents filed with the SEC

by
Berkshire
Hills
on
the
SEC's
Web
site
(<http://www.sec.gov>).

In
addition,
documents
filed
with
the
SEC
by
Berkshire
Hills
will be
available,
without
charge,
by
directing
a
request
to
Ann
Racine,
Investor
Relations,
Berkshire
Hills
Bancorp,
Inc.,
24
North
Street, Pittsfield, MA 01201 (413) 236-3239.

Berkshire Hills and its directors and executive officers may be deemed to be participants in the solicitation of proxies from its stockholders in connection with the merger. Information about the directors and executive officers of Berkshire Hills and their ownership of Berkshire Hills common stock is set forth in the proxy statement, dated April 2, 2007, for Berkshire Hills' 2007 annual meeting of stockholders, which

is
available
on
Berkshire's
website
at
www.berkshirebank.com

and
on
the
SEC's
website.

Berkshire
Hills
Bancorp,
Inc.

is
the
holding
company
for
Berkshire
Bank

-
America's
Most
Exciting
Bank
SM

.
Established
in
1846,

Berkshire Bank is one of Massachusetts' oldest and largest independent banks and the largest banking institution based in Western
Massachusetts. The Bank is headquartered in Pittsfield, Massachusetts with branches serving communities throughout Western
Massachusetts and Northeastern New York. The Bank is transitioning into a regional bank, delivering exceptional customer service
and a broad array of competitively priced deposit, loan, insurance, wealth management and trust services and investment products.

For
more
information

on
Berkshire
Hills
Bancorp,
Inc.

or
Berkshire
Bank,
visit
www.berkshirebank.com

or
call
800-773-5601.

Factory Point Bancorp, Inc. is a publicly held, one-bank holding company whose wholly-owned subsidiary, The Factory Point National Bank of Manchester Center (Factory Point National Bank), maintains its corporate offices in Manchester Center, Vermont. Factory

Point

is
incorporated
in
the
state
of
Delaware.

Factory
Point
National
Bank,
regulated
by
the
Office
of
the

Comptroller of the Currency, operates seven full-service community banking offices in Arlington, Dorset, Ludlow, Manchester, Rutland Vermont. Factory Point's primary lines of business include residential real estate lending (for portfolio and sale on the secondary market),

small
business
loan
and
deposit
services,
as
well
as
a
variety
of
consumer
loan
and
deposit
services.

Factory
Point

National Bank is chartered with trust powers and offers trust and investment services in the markets it serves.

Berkshire Hills Bancorp, Inc.
Acquisition of
Factory Point Bancorp, Inc.
May 16, 2007
For questions, please contact:
David Gonci
Corporate Finance Officer

(413) 281-1973

dgonci@berkshirebank.com