

ALLIANCE FINANCIAL CORP /NY/

Form 425

October 09, 2012

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Securities Act of 1933, as amended, and

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Exchange Act of 1934, as amended

Filer: NBT Bancorp Inc.

Subject Company: Alliance Financial Corporation

Exchange Act File Number of

Subject Company: 000-15366

The following are an investor presentation of NBT Bancorp Inc. (NBT Bancorp) in connection with the proposed merger of Alliance Financial Corporation (Alliance) with and into NBT Bancorp and related communications to employees of NBT Bancorp.

Acquisition of
Alliance Financial Corporation
Acquisition of
Alliance Financial Corporation
October 8, 2012

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Forward-Looking Statements

This presentation may contain forward-looking statements regarding NBT Bancorp Inc. These statements constitute forward-looking information within the definition of the Private Securities Litigation Reform Act of 1995.

Actual results may differ materially from any forward-looking statements expressed in this presentation, since forward-looking information involves significant known and unknown risks, uncertainties and other

factors.

Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following: (1) failure to satisfy the conditions to closing for the

proposed

merger

in

a

timely

manner

or

at

all;

(2)

failure

of

the

Alliance

or

NBT

stockholders

to

approve

the proposed merger; (3) failure to obtain the necessary governmental approvals for the proposed merger or

adverse

regulatory

conditions

in

connection

with

such

approvals;

(4)

disruption

to

the

parties

businesses

as

a result of the announcement and pendency of the transaction; (5) difficulties related to the integration of the businesses following the merger; (6) competitive pressures among depository and other financial institutions; (7) changes in the interest rate environment; and (8) changes in general economic conditions, either nationally or regionally.

For a discussion of additional factors that might cause such differences, please refer to NBT Bancorp's public filings with the Securities and Exchange Commission. These are available online at

<http://www.sec.gov>.

NBT

Bancorp

does

not

undertake
to
update
any
forward-looking
statements
made
in
this presentation to reflect new information, future events or otherwise.

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Important Information for Investors

NBT will be filing a registration statement on Form S-4 containing a joint proxy statement/prospectus and other documents regarding the proposed transaction with the SEC.

NBT and Alliance stockholders and investors are urged to read the joint proxy statement/prospectus when it becomes available, because it will

contain important information about NBT and Alliance and the proposed transaction.

When available, copies of this joint proxy statement/prospectus will be mailed to stockholders.

Copies of the joint proxy statement/prospectus also may be obtained free of charge at the SEC's web site at <http://www.sec.gov>, or by directing a request to NBT Bancorp Inc., Attention Shareholder Relations Department, 20 Mohawk Street, Canajoharie, New York 13317 or on its website at www.nbtbancorp.com, or to Alliance Financial Corporation, Attention

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Daniel Mohr, 120 Madison Street, 18th Floor, Syracuse, New York 13202 or on its website at www.alliancefinancialcorporation.com. Copies of other documents filed by NBT or Alliance with the SEC may also be obtained free of charge at the SEC's website or by directing a request to NBT or Alliance at the address provided above.

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Participants in the Solicitation

NBT Bancorp Inc. and Alliance Financial Corporation and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of NBT and Alliance in connection with the proposed merger.

Information about the directors and executive officers of NBT is

set

forth in the proxy statement, dated March 30, 2012, for NBT's 2012 annual meeting of stockholders, as filed with the SEC on Schedule 14A. Information about the directors and executive officers of Alliance is set forth in the proxy statement, dated April 6, 2012, for Alliance's 2012 annual meeting of stockholders, as filed with the SEC on Schedule 14A.

Additional information regarding the interests of such participants and other persons who may be deemed participants in the

transaction may be obtained by reading the joint proxy statement/prospectus included in the Form S-4 when it becomes available.

This document does not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities.

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Continued market expansion with acquisition
of central New York's premier bank
Strong
Strategic
Rationale
Replication of our Upstate NY success

Alliance's central New York market: NBT understands it and has had success in similar markets!

Syracuse Market

NBT has been interested in entering the Syracuse market for a prolonged period of time

Chose not to enter the market by de novo branch expansion

Syracuse marketplace is the largest and most dynamic market in central New York

Market Share: Alliance is #3 in the Syracuse MSA (#1 among community banks)

Competition is similar to Albany market where NBT has had great success

Other market share

Alliance is #1 in Cortland county

Presence in other desirable markets (Oswego)

Culture

Similarities

Cultures and philosophies of two organizations are remarkably similar, NBT will continue to build on Alliance's vision

Familiarity with and mutual respect for senior management

Local bank images and strong community ties

Opportunities

Improved financial profile, footprint and market penetration position the pro forma Company to take advantage of:

Economies of scale

Greater products/services capabilities

Enhanced lending capacity

Excellent market momentum

Strategic extension of our footprint
NBT Bank and its Divisions (137)
Alliance Bank (28)

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Alliance Financial Corporation
Financial Information
As of June 30, 2012, \$ in thousands
Assets
\$1,422,838
Loans

\$889,560

Deposits

\$1,106,572

Equity

\$146,844

TBV/share

\$22.73

LTM Net Income

\$12,069

LTM EPS

\$2.52

YTD ROA

0.78%

YTD ROE

7.57%

Market Information

As of October 5, 2012

Stock Price

\$39.41

Market Cap.

\$188.54 million

52 Week Hi-Low

\$27.55 -

\$41.85

Exchange

NASDAQ

Avg. Daily Volume

8,009

Other Information

As of June 30, 2012, \$ in thousands

Branches

28

Assets under Mgmt

\$862,000

FTE employees

340

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Price &
Structure
Structure
100%
common
stock,

fixed
exchange
ratio

2.1779

for
1.000

Shares Issued

Appx. 10.5 million shares issued, pro forma Alliance ownership ~23%

Transaction Value

Aggregate value of \$233.4 million, per share value of \$48.00

Multiples

Price / 2013 Est. EPS

20.6x (does not include projected synergies)

Price / Tangible Book

2.11x

Assumptions

Synergies

Estimated to be 35% of non-interest expense

Merger-Related Expenses

\$15.2 million (6.5% deal value)

Credit Mark

1% of gross loans (Alliance ALLL/loans 0.99%)

CDI

1% of core deposits (SYD, 10 years)

Other

Due Diligence

Comprehensive process complete covering legal, credit quality, social issues, etc.

Approvals

Subject to regulatory, NBT and Alliance shareholder approvals

Expected Closing

Second Quarter 2013

Summary of Key Terms

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Earnings

Accretion

Accretion

Approximately 3% in second half of 2013 and 6% in 2014

Capital

Impact

Tangible Book Dilution

5.65%

Tangible Book Earnback

5.47 years

Pro Forma Total Capital

12.38% (NBT 12.03% as of June 30, 2012)

NBT

Shareholder

Benefits

Internal Rate of Return

15-16%

Return on Invested Capital

10-11%

Greater Liquidity

Market capitalization will increase by approximately 31%

Financially Attractive

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Pro Forma Company

Nearly 25% Growth; Remains Well-Capitalized

Balance Sheet and Capital

As of June 30, 2012, \$ in thousands

Assets

\$7,474,424

Loans
\$5,065,313
Deposits
\$6,691,492
Equity
\$782,931
Tangible Equity
6.81%
Tier 1 Leverage
8.62%
Tier 1 Capital
11.12%
Total Capital
12.38%
Alliance s Ownership
24%
Alliance % Contribution
(before cost saves and purchase accounting)
19%
Alliance % Contribution
(after cost saves and purchase accounting)
28%

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Loan and Deposit Portfolios
No Significant Shift in NBT Mix
\$
%
\$
%

\$
%
Loans
Residential Mortgages
631
15%
321
36%
952
19%
Indirect
924
22%
189
21%
1,113
22%
Commercial and Industrial
691
17%
154
17%
845
17%
Commercial Real Estate
1,165
28%
130
14%
1,295
26%
Agriculture
107
3%
-
0%
107
2%
Other Consumer*
640
15%
89
10%
729
14%
Leases
3
0%
15
2%

18
0%
Total
4,161
898
5,059
% of Portfolio Marked
* Other consumer includes home equity and direct
\$
%
\$
%
\$
%
Deposits
Checking
1,153
25%
204
19%
1,357
23%
Interest Checking
692
15%
159
14%
851
15%
Money Market
1,092
23%
358
32%
1,450
25%
Savings
700
15%
117
11%
817
14%
CD's
1,052
22%
269
24%
1,321
23%

Total

4,689

1,107

5,796

Deposit Portfolio Breakdown (\$ millions)

NBT Bank (6/30/12)

Alliance Bank (6/30/12)

Pro Forma (6/30/12)

Loan Portfolio Breakdown (\$ millions)

NBT Bank (6/30/12)

Alliance Bank (6/30/12)

Pro Forma (6/30/12)

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High Quality Partner
Elevated Tangible Book Value Multiple
Price / Tangible Book Value
211%
0
50

100
150
200
250
300
350
400
2007
2008
2009
2010
2011
YTD 2012
Regional Bank Median
NBT
ALNC
CBU
TMP
Price TBV Deal

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2.11x tangible book value (TBV)

Bank trading multiples in our market

Both our currencies trade at a premium to TBV

Alliance is a high quality institution and desirable partner

Why 5.5 years earn back on TBV is not a concern

Long-term view

Growth opportunities created by Alliance's marketplace

Risk profiles of both banks, no additional capital needed

Alliance represents NBT's greatest strategic opportunity as a business partner

Strategic premium

Financially attractive: immediate accretion to EPS

High Quality Partner

Elevated Tangible Book Value Multiple

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Low Integration Risk

Three successful acquisitions in the last 12 months

Demonstrated successful customer transition

Experienced NBT conversion team

NBT's operations in contiguous markets have established a presence in Alliance's markets

Leadership retention

Regional President position to be filled by Alliance management

Strategic executive role for Alliance Chairman and CEO, Jack Webb

Board representation: 3 seats on NBT Bancorp's pro forma Board of 14 directors, including Alliance Chairman and CEO, Jack Webb

Alliance's core processor same as NBT

Minimizes integration complexities

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A strategic community
banking partnership in
central New York.

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Questions?
Please Contact Us!
Questions?
Please Contact Us!
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Senior Executive Vice President and

Chief Financial Officer

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EXECUTIVE DIVISION

To: All Employees

From: Marty Dietrich, President and CEO

Date: October 8, 2012

Re: Acquisition Announcement

Early this morning, we announced an agreement to merge Alliance Bank into NBT Bank. The merger is expected to close early in the second quarter of 2013 subject to customary closing conditions, including receipt of regulatory approvals and approval by NBT and Alliance stockholders.

Alliance is headquartered in Syracuse, N.Y., and its 28 branches are located in the greater Syracuse area, including Cortland, Madison, Oneida, Onondaga and Oswego counties. We're very excited by this opportunity to bring Alliance into the NBT family. Finding the right opportunity to enter the Syracuse market has been part of our long-term growth strategy. The Alliance branch network is contiguous to ours and will give us a well-rounded footprint that expands our service area strategically in central New York.

In addition to being a great match in terms of geography, Alliance and NBT also fit well together culturally. We're both community banks with long histories of serving similar markets. Other shared values include delivering great customer service and maintaining a strong commitment to sound loan underwriting practices. More information about Alliance can be found on the internet at www.alliancebankna.com.

Following the completion of the merger, Alliance Bank branches will become NBT Bank offices. Our Conversion Team is sure to be up for the challenge, having completed three conversion projects since this time last year. In addition, the team has a wealth of prior conversion experience, including the acquisition of our Whitney Point Office from Alliance Bank in 2003.

On behalf of the Executive Management Team, I look forward to working with the NBT team and our new partners to successfully integrate Alliance into NBT!

FOR IMMEDIATE RELEASE

| | | |
|-----------|--|---|
| Contacts: | NBT Bancorp Inc. Martin Dietrich President and CEO 607.337.6119 | Alliance Financial Corporation Jack H. Webb President and CEO 315.475.6703 |
| | Michael J. Chewens Chief Financial Officer 607.337.6520 | J. Daniel Mohr Chief Financial Officer 315.475.4478 |

NBT BANCORP INC., ALLIANCE FINANCIAL CORPORATION

ENTER INTO MERGER AGREEMENT

NORWICH, N.Y. AND SYRACUSE, N.Y. (October 8, 2012) NBT Bancorp Inc. (NBT) (NasdaqGS: NBTB) and Alliance Financial Corporation (Alliance) (NasdaqGS: ALNC) announced today that they have entered into a definitive agreement under which Alliance will merge with and into NBT. The merger is valued at approximately \$233.4 million and is expected to close in the second quarter of 2013 subject to customary closing conditions, including receipt of regulatory approvals and approvals by NBT and Alliance stockholders.

NBT is headquartered in Norwich, N.Y. and had assets of \$6.0 billion as of June 30, 2012. Its primary subsidiary, NBT Bank, N.A., is a nationally-chartered community bank with a network of over 135 banking locations in five states, including New York, Pennsylvania, Vermont, Massachusetts and New Hampshire. Alliance is headquartered in Syracuse, N.Y. Its primary subsidiary, Alliance Bank, N.A., is a nationally-chartered community bank with 28 banking locations in central New York.

The merger, approved unanimously by the boards of directors of both companies, further broadens NBT's footprint into demographically attractive and contiguous markets located in the New York counties of Cortland, Madison, Oneida, Onondaga and Oswego. It will also provide NBT with the addition of \$1.4 billion in assets, including \$890 million in net loans held for investment, and \$1.1 billion in deposits.

Under the terms of the merger agreement, each outstanding share of Alliance common stock will be converted into the right to receive 2.1779 shares of NBT common stock upon completion of the merger. The transaction is valued at \$48.00 per Alliance share based on NBT's average closing stock price of \$22.04 for the five-day trading period ending on October 5, 2012.

NBT and Alliance both trace their roots in central New York community banking back over 150 years and remain committed to this approach to providing financial services today. NBT President and CEO Martin Dietrich said, "This agreement represents an exciting opportunity for our banks to come together and leverage our shared commitment to our customers and communities, creating an even stronger locally-focused bank to serve central New York and thereby enhance stockholder value."

"We believe this combination will create significant value for Alliance shareholders, both immediately and longer term," said Jack H. Webb, current Chairman, President and Chief Executive Officer of Alliance. "Furthermore, we're confident that the banking philosophy shared by NBT and Alliance will ensure that our customers will continue to receive high-quality service from a bank that thinks and acts locally."

Dietrich also noted that this extension of NBT Bank's footprint into the greater Syracuse area is a great complement to NBT Bank's existing network of banking locations in upstate New York, which includes 97 branches. "We have an experienced conversion team in place that will work closely with Alliance representatives to minimize the impact to customers and facilitate a smooth conversion to NBT Bank."

Following the completion of the merger, Alliance Bank offices will become NBT Bank locations. Webb will join the NBT Board of Directors and become a member of the NBT Executive Management Team as Executive Vice President, Strategic Support. In addition, the NBT Board will be expanded to include two other current members of the Alliance Board.

Ambassador Financial Group serves as financial advisor to NBT, and Keefe, Bruyette & Woods, Inc. serves as the financial advisor to Alliance. Goodwin Procter LLP serves as outside legal counsel to NBT, while Hogan Lovells US LLP serves as outside legal counsel to Alliance.

Investor Presentation and Media Inquiries

Investors and media representatives are encouraged to visit <http://www.nbtbankcorp.com/bncp/> to view a presentation regarding this transaction. Management contact information is included on this release and in the presentation for any questions.

Additional Information For Stockholders

NBT will be filing a registration statement on Form S-4 containing a joint proxy statement/prospectus and other documents regarding the proposed transaction with the SEC. **NBT and Alliance stockholders and investors are urged to read the joint proxy statement/prospectus when it becomes available, because it will contain important information about NBT and Alliance and the proposed**

transaction. When available, copies of this joint proxy statement/prospectus will be mailed to stockholders. Copies of the joint proxy statement/prospectus also may be obtained free of charge at the SEC's web site at <http://www.sec.gov>, or by directing a request to NBT Bancorp Inc., Attention Shareholder Relations Department, 20 Mohawk Street, Canajoharie, New York 13317 or on its website at www.nbtbancorp.com, or to Alliance Financial Corporation, Attention J. Daniel Mohr, 120 Madison Street, 18th Floor, Syracuse, New York 13202 or on its website at www.alliancefinancialcorporation.com. Copies of other documents filed by NBT or Alliance with the SEC may also be obtained free of charge at the SEC's website or by directing a request to NBT or Alliance at the address provided above.

NBT and Alliance and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of NBT and Alliance in connection with the proposed merger. Information about the directors and executive officers of NBT is set forth in the proxy statement, dated March 30, 2012, for NBT's 2012 annual meeting of stockholders, as filed with the SEC on Schedule 14A. Information about the directors and executive officers of Alliance is set forth in the proxy statement, dated April 6, 2012, for Alliance's 2012 annual meeting of stockholders, as filed with the SEC on Schedule 14A. Additional information regarding the interests of such participants and other persons who may be deemed participants in the transaction may be obtained by reading the joint proxy statement/prospectus included in the Form S-4 when it becomes available.

This press release does not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities.

Corporate Overviews

NBT Bancorp Inc. is a financial holding company headquartered in Norwich, N.Y., with total assets of \$6.0 billion at June 30, 2012. The company primarily operates through NBT Bank, N.A., a full-service community bank with three divisions, and through two financial services companies. NBT Bank, N.A. has 137 locations, including 97 NBT Bank offices in upstate New York, northwestern Vermont and western Massachusetts, 35 Pennstar Bank offices in northeastern Pennsylvania, and 5 Hampshire First Bank offices in southern New Hampshire. EPIC Advisors, Inc., based in Rochester, N.Y., is a full-service 401(k) plan recordkeeping firm. Mang Insurance Agency, LLC, based in Norwich, N.Y., is a full-service insurance agency.

Alliance Financial Corporation is a financial holding company with Alliance Bank, N.A. as its principal subsidiary that provides retail, commercial and municipal banking, and trust and investment services through 28 offices in Cortland, Madison, Oneida, Onondaga and Oswego counties. Alliance also operates an investment management administration center in Buffalo, N.Y. and an equipment lease financing company, Alliance Leasing, Inc.

Forward-Looking Statements

This news release contains forward-looking statements. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of the management of NBT and Alliance and their subsidiaries and on the information available to their management at the time that these statements were made. There are a number of factors, many of which are beyond the control of NBT and Alliance, that could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (1) the parties may fail to satisfy the conditions to closing for the proposed merger in a timely manner or at all; (2) the Alliance or NBT stockholders may fail to approve the proposed merger; (3) the parties may fail to obtain the necessary governmental approvals or adverse regulatory conditions may be imposed in connection with such approvals; (4) the announcement and pendency of the transaction may result in disruption to the parties' businesses; (5) NBT may encounter difficulties related to the integration of the businesses following the merger; (6) competitive pressures among depository and other financial institutions may increase significantly; (7) revenues may be lower than expected; (8) changes in the interest rate environment may reduce interest margins; (9) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit; (10) legislative or regulatory changes, including changes in accounting standards and tax laws, may adversely affect the businesses in which NBT and Alliance are engaged; (11) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than NBT and Alliance; (12) adverse changes that may occur in the securities markets or with respect to inflation; (13) political instability; (14) acts of war or terrorism; (15) natural disasters and (16) other risks and uncertainties disclosed from time to time in documents that NBT and Alliance file with the SEC. Forward-looking statements speak only as of the date they are made. Except as required by law, NBT and Alliance do not undertake to update forward-looking statements to reflect subsequent circumstances or events.

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