

2 0 0 2 A N N U A L R E P O R T
A N D F O R M 1 0 - K

*Berkshire Hills Bancorp, Inc.*TM

2002 ANNUAL REPORT AND FORM 10-K



24 North Street
P.O. Box 1308
Pittsfield, MA 01202-1308
www.berkshirebank.com

*Berkshire Hills Bancorp, Inc.*TM

Table of Contents

Overview..... Inside Front Cover

Executive Officers, Senior Team, and Board of Directors1

Report to the Shareholders2

Selected Financial Highlights 4

Berkshire Bank5

Banking and ATM Locations12

Form 10-K.....13

Financial Statements and Supplementary Data.....

Shareholder Information..... Inside Back Cover

BERKSHIRE HILLS BANCORP, INC.™

Berkshire Hills Bancorp, Inc., publicly traded on the American Stock Exchange (AMEX) under the symbol “BHL,” is the holding company for Berkshire Bank, a Massachusetts community financial institution. Established in 1846, Berkshire Bank is one of Massachusetts’ oldest and largest independent banks and is the largest independent banking institution based in western Massachusetts. Through its subsidiaries, Gold Leaf Insurance Agency, Inc. and Gold Leaf Investment Services, Inc., Berkshire Bank offers access to a full range of insurance and investment products, in addition to operating 11 full-service banking offices. The Bank is committed to continue operating as an independent bank, delivering exceptional customer service and a broad array of competitively priced retail and commercial products to customers.

Shareholder Information

CORPORATE OFFICES
Berkshire Hills Bancorp, Inc.
P.O. Box 1308
Pittsfield, MA 01202-1308

STOCK LISTING
Berkshire Hills Bancorp, Inc. is traded on the American Stock Exchange (“AMEX”) under the symbol “BHL”.

ANNUAL MEETING
The annual meeting of shareholders will be held on May 1, 2003 at 10:00 a.m. Eastern Time, at the Crowne Plaza, One West Street, Pittsfield, Massachusetts.

AUDITORS
Wolf & Company, P.C.
1500 Main Street
Springfield, MA 01115

OUTSIDE COUNSEL
Muldoon Murphy & Faucette LLP
5101 Wisconsin Avenue, NW
Washington, D.C. 20016

TRANSFER AGENT AND REGISTRAR
Shareholders who wish to change the name, address, or ownership of stock, report lost stock certificates, inquire about the Dividend Reinvestment Plan, or consolidate stock accounts should contact:

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
800-866-1340

INVESTOR INFORMATION
Copies of the annual report, SEC filings, press releases, and other investor information are available on our Web site at www.berkshirebank.com or by contacting:

Investor Relations
Berkshire Hills Bancorp, Inc.
P.O. Box 1308
Pittsfield, MA 01202-1308
Email: rborotto@berkshirebank.com

FORWARD-LOOKING STATEMENTS
Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of the Company, are generally identified by use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” or other similar expressions. Any statements contained herein regarding future performance or events are based on management’s best estimates at this time and current information. The Company’s ability to predict results or the actual effects of its plans and strategies are inherently uncertain. Accordingly, actual results may differ materially from anticipated results. Factors that could have a material adverse effect on the operations of the Company and its subsidiaries include, but are not limited to, changes in market interest rates, general regional and national economic conditions, legislation, and regulation; changes in the monetary and fiscal policies of the U.S. Government; changes in the quality or composition of the loan and investment portfolios; changes in regulations and regulatory policy; changes in deposit flows, competition, and demand for financial services and loan, deposit, and investment products in the Company’s local markets; changes in local real estate values; changes in accounting principles and guidelines; war or terrorist activities; and other economic, competitive, governmental, regulatory, geopolitical, and technological factors affecting the Company’s operations, pricing, and services. Specific factors that could cause future results to vary from current management expectations are detailed from time to time in the Company’s SEC filings.

Berkshire Hills Bancorp, Inc.

EXECUTIVE OFFICERS



Michael P. Daly
President & Chief Executive Officer

"We have conducted an unprecedented review of various aspects of the Company and the Bank. With this difficult work behind us, we will focus our time and energy on customer service initiatives and increasing shareholder value."



Robert A. Wells
Chairman

"Our redefined management style will provide our organization with renewed enthusiasm and offers the vision and leadership that will carry the Company and the Bank to greater success."



Lawrence A. Bossidy
Non-Executive Chairman

"With the actions we have taken, we will emerge ready to deliver improved results in 2003 and be well positioned for sustained and consistent growth and performance in the years ahead."



(L to R bottom)
Michael J. Ferry, Wayne F. Patenaude,
Charles A. Bercury, Gerald A. Denmark.

(L to R top) Linda A. Johnston, Gayle P. Fawcett, Terry W. Smith, Thomas W. Barney

SENIOR TEAM

Thomas W. Barney – *Senior Vice President/Asset Management/Trust*

Charles A. Bercury – *Senior Vice President, Retail Lending*

Gerald A. Denmark – *Senior Vice President & General Counsel*

Gayle P. Fawcett – *Senior Vice President, Retail Banking & Operations*

Michael J. Ferry – *Senior Vice President, Commercial Lending*

Linda A. Johnston – *Senior Vice President, Human Resources*

Wayne F. Patenaude – *Senior Vice President, Chief Financial Officer & Treasurer*

Terry W. Smith – *Vice President & Controller*



BOARD OF DIRECTORS

Thomas O. Andrews – *President & Chief Executive Officer of H. S. Andrews Insurance Agency, Inc.*

Lawrence A. Bossidy – *Non-Executive Chairman of the Board of the Company and Bank and the Retired Chairman & CEO of Honeywell International and AlliedSignal*

Michael P. Daly – *President & Chief Executive Officer of the Company and the Bank*

Thomas R. Dawson – *Self-employed Certified Public Accountant*

A. Allen Gray – *Former Vice President & General Counsel of General Dynamics Defense Systems, Inc.*

John Kittredge – *Retired Vice President of Crane and Company, Inc.*

Peter J. Lafayette – *President of Berkshire Housing Development Corporation*

Edward G. McCormick – *Managing Partner of the law firm of McCormick, Murtagh, Marcus & Smith*

Catherine B. Miller – *Former Partner and Vice President of Wheeler & Taylor, Inc.*

Corydon L. Thurston – *President & Chief Executive Officer of Berkshire Broadcasting Co., Inc.*

Ann H. Trabulsi – *Community volunteer serving on various not-for-profit boards*

Robert A. Wells – *Chairman of the Board of the Company and Bank*

(L to R bottom)
Thomas O. Andrews, Robert A. Wells, Catherine B. Miller,
John Kittredge, Thomas R. Dawson

(L to R top)
Peter J. Lafayette, Lawrence A. Bossidy,
Corydon L. Thurston, Edward G. McCormick,
Michael P. Daly, Ann H. Trabulsi

Missing from photo: A. Allen Gray



Berkshire Hills Bancorp, Inc.

REPORT TO SHAREHOLDERS

To our Shareholders:

The past year will be remembered as a time of change, challenges, and increased opportunity for the Company. Although we were disappointed with our performance last year, we believe that we have taken the steps necessary to ensure our long-term profitability and build a more valuable franchise. More importantly, these decisive steps have created a positive cohesiveness among our directors, senior management, and employees that will result in a clearer vision. That vision is essential to move the corporation toward high-performance.

Our management reorganization, conducted in the last quarter of 2002, was a significant step toward the fresh perspective and enthusiasm that are essential to the daily business of Berkshire Bank. That change has resulted in a leaner organization with a realignment of work processes for greater efficiency, accelerating action, and combining positions where possible. The result, as expected, was a company-wide resurgence marked by reduced costs and improved performance.

With a focus on strengthening the balance sheet, we recognized that sub-prime lending was a highly specialized business that did not fit into our strategic plan; therefore, we exited the sub-prime indirect automobile business with the sale of \$69.7 million of these loans, representing approximately 90 percent of that loan portfolio. While the rates on these loans made the loan sale a difficult choice, we believe it was the right decision for the long-term profitability and stability of the Company. In a related decision, due in part to the national trend of oversupply of used vehicles, the Bank has begun to liquidate its inventory of repossessed automobiles more aggressively by selling direct at wholesale. Finally, while we had no immediate concerns, we felt that the Bank was over-concentrated in equities and began the process of restructuring the investment portfolio. Excluding Federal Home Loan Bank and Savings Bank Life Insurance stock, equities now comprise nine percent of the investment portfolio.

We believe that these actions will enhance long-term shareholder value by improving and stabilizing the Company's performance, reducing volatility, and strengthening our asset-liability management. We believe that these strategic actions, a measured approach to quality growth, and attention to costs will accelerate our program to enhance long-term shareholder value. In our judgment, it makes good business sense to take these measures now so that we can concentrate our efforts and move quickly to design our business strategies and execute our annual operating plans.

I am pleased to report that in May 2002, the Boston Globe honored Berkshire Hills Bancorp, Inc., as one of the 100 top-performing Massachusetts-based public companies. The Company ranked 47th on a composite score of annual growth, annual profit-margin growth, and return on equity, based on its performance during the calendar year 2001. Although Berkshire Hills Bancorp, Inc., was one of six companies selected from western Massachusetts, we were the only Berkshire County company to appear in the ranking.



I believe that I speak for all our shareholders and employees in thanking my predecessor, James A. Cunningham, Jr., for his achievements and vision spearheading our stock conversion. We wish him happiness in his retirement after his 29 years in banking. Our grateful appreciation is also extended to seven individuals who retired during 2002 and one individual who will retire in 2003 from the Berkshire Hills Bancorp, Inc.'s Board of Directors. We extend our heartfelt gratitude for many years of service to (in order of length of service): Anne Everest Wojtkowski (31 years), Henry D. Granger (31 years), John Kittredge (30 years), William E. Williams (18 years), Raymond B. Murray, III (16 years), Michael G. Miller (16 years), Robert S. Raser (10 years), and Louis J. Oggiani (9 years).

In 2002, Lawrence A. Bossidy was elected as the non-executive chairman of the Board of Directors of the Company and the Bank. He will act as valuable advisor and counsel to the Company. Mr. Bossidy brings extensive experience, oversight, and management strength to our Board. Mr. Bossidy, a native of Pittsfield, Massachusetts, is the retired Chairman of the Board and Chief Executive Officer of Honeywell International, Inc. and AlliedSignal. He is one of the world's most acclaimed business leaders with a track record for delivering results.

Our most significant competitive advantages are the talent, energy, and expertise of our employees and our sincere commitment to the communities we serve. Nothing we do is more important than having *the right people in the right positions, doing the right things for the right reasons*. We have developed a highly motivated and capable management team with the vision, skills, and leadership, in charge of every business unit. This leadership includes the hiring of a new chief financial officer to serve the best interests of our constituencies. We are prepared to face new challenges, including anticipated continuing margin compression as a result of the Federal Reserve Bank's actions. We are also ready to take advantage of any opportunity that matches the Company's business strategies and goals. Our disciplined approach to business has never been more important than it is now in this uncertain economic environment.

Our brand of community banking is on target. We have the privilege of wearing the mantle, "oldest and largest independent community banking institution based in western Massachusetts". This privilege comes with a significant measure of corporate responsibility. Our brand of community banking has served the people of Berkshire County for 156 years. Our size and longevity will also help us enter new markets. The Company is committed to making our neighborhoods, cities, and towns better places in which to live and work. The Company's longevity and success can be attributed to our close identification with the communities we serve and the quality of service we provide to our customers. The Bank has earned the loyalty of its customers and a strong shareholder group by responding to the economic and social needs of the area.

We are committed to emerging as a stronger company by delivering wealth-building results for our shareholders, employees, and their families. I will spare no effort in creating a high performance public company focused on shareholder value and a community bank with a great sense of community pride.

Sincerely,



Michael P. Daly
President and Chief Executive Officer



Berkshire Hills Bancorp, Inc.

SELECTED FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share data)

At or for the years ended December 31

	2002	2001	2000	1999
Selected Operating Data				
Net interest income	\$40,700	\$42,236	\$37,550	\$31,546
Provision for loan losses	6,180	7,175	3,170	3,030
Total noninterest income	13,418	10,548	4,746	4,298
Total noninterest expense	45,807	32,349	32,184	25,196
Net income	1,769	8,911	4,582	5,623
Selected Financial Data				
Total assets	\$1,045,618	\$1,030,701	\$1,011,340	\$841,651
Loans, net	712,714	791,920	783,405	665,554
Deposits	782,360	742,729	729,594	680,767
Federal Home Loan Bank advances	133,002	133,964	101,386	58,928
Total stockholders' equity	120,240	139,323	161,322	88,352
Performance Ratios for the Year Ended				
Return on average assets	0.17%	0.86%	0.49%	0.69%
Return on average equity	1.30%	5.74%	3.72%	6.51%
Interest rate spread	3.64%	3.55%	3.40%	3.50%
Net interest margin	4.12%	4.35%	4.25%	4.13%
Efficiency ratio	77.27%	61.60%	76.86%	71.27%
Asset Quality Ratios				
Nonperforming loans as a percent of total loans	0.52%	0.34%	0.36%	0.42%
Nonperforming assets as a percent of total assets	0.50%	0.26%	0.29%	0.36%
Allowance for loan losses as a percent of nonperforming loans	275.54%	408.36%	356.08%	300.39%
Allowance for loan losses as a percent of total loans	1.43%	1.37%	1.29%	1.27%
Per Share Data				
Diluted earnings per share	\$0.30	\$1.35	N/A	N/A
Book value per share	\$19.66	\$21.68	\$21.02	N/A
Market price at period end	\$23.55	\$20.25	\$15.75	N/A



Berkshire Bank

GUIDING PRINCIPLES

The guiding principles of Berkshire Bank are to create a sustainable, profitable, relevant, and independent financial services organization.

We strive to meet and exceed the expectations of our customers, provide financial support and leadership in our communities, and foster a well-trained and motivated staff.

OUR GUIDING PRINCIPLES HAVE STOOD THE TEST OF TIME FOR 156 YEARS.

While competitors have sacrificed customer service for technological solutions, we have consistently balanced the customers' desire for quality service while addressing their demands for technology and convenience. Our model for community banking differentiates us from the large inaccessible banks and the less sophisticated smaller, local banks by concentrating on our customers' expectations. This differentiation has been our winning formula for over 156 years.

WHEN YOU HAVE THE RIGHT PEOPLE IN THE RIGHT POSITIONS, DOING THE RIGHT THINGS FOR THE RIGHT REASONS...SUCCESS IS A NATURAL OUTCOME.

By operating with a flatter organizational chart, realigning work processes, and combining positions where possible, we have reduced costs and improved profits. Never before has this disciplined approach to business been more important to our bottom line than it is during the current uncertain economic environment. We believe it is the key to help us make the right decisions. The future success of the Company depends on our ability to trim our expenses, maximize our resources, and focus on expanding profitable customer relationships.

SUPERIOR SERVICE IS THE SINGLE MOST IMPORTANT BENEFIT WE OFFER OUR CUSTOMERS – WHETHER THEY ARE IN A BRANCH, THEIR PLACE OF BUSINESS, BANKING ON THE TELEPHONE, OR ON THE INTERNET.

Our commitment to exceed the expectations of our customers through superior service is one of our core values. We deliver on our “exceptional customer service” promise by hiring and retaining a strong team of professionals who work independently at every level of the Company. As an independent, financial services organization, we strive to meet and exceed the expectations of our customers, provide financial support and leadership in our communities, and foster a well-trained and motivated staff.

IN TIMES OF PROSPERITY OR PERIODS OF DECLINE, WE HOLD FIRMLY TO OUR GUIDING PRINCIPLES:

- SERVICE EXCELLENCE
- BUSINESS SENSE
- PRODUCTIVITY
- PROFITABILITY



AS AN INDEPENDENT FINANCIAL INSTITUTION – WITH A FIRM COMMITMENT TO REMAINING INDEPENDENT – BERKSHIRE BANK PROVIDES AN ARRAY OF INNOVATIVE PRODUCTS AND SERVICES, DELIVERED THROUGH SUPERIOR CUSTOMER SERVICE, TO INCREASE MARKET SHARE AND SHAREHOLDER VALUE.





RETAIL LENDING SERVICES

Berkshire Bank continues to be a leading residential lender in our market area. We offer product lines that include fixed, adjustable, and jumbo mortgages, construction-to-permanent mortgages, as well as government-based FHA, VA loans, and a First Time Home Buyer program for low- and moderate-income families. We will exceed expectations in our mortgage products by using a “common sense approach, hassle-free application, low fixed rates and no fee approval”. This is the basis of our Mortgage PowerSM promise. Mortgage PowerSM takes advantage of our financial strength and resources for consumers and includes a pre-approval promise that, within one business day, applicants will have an answer from us on their loan.

During 2002, extremely low market interest rates helped facilitate the origination of over \$105.3 million or 576 residential real estate loans through our existing delivery channel of mortgage originators and eleven branch network. At December 31, 2002, \$247 million, or 34 percent of the Bank's total loans, consisted of one- to four-family residences located in our primary market area. Of these loans outstanding, approximately 47 percent were fixed-rate mortgage loans and approximately 53 percent were adjustable-rate loans. A consumer can be pre-approved at the time of application when meeting with one of our mortgage staff, and in the future, through our Web site.

In the equity loan area, our portfolio grew to \$40.7 million as our competitive rates and programs continue to attract more customers. As with our real estate loans, we made our application and approval process easier and more convenient. At December 31, 2002, home equity lines of credit totaled 5.6 percent of the Company's total loans and unadvanced amounts of home equity lines totaled \$41.3 million.



First time homebuyer

In December 2002, the Company exited the sub-prime indirect auto loan business with the sale of \$69.7 million of these loans, representing approximately 90 percent of that loan portfolio. We will continue to stay active in the indirect auto loan business, as we have done successfully for the last 15 years.



Home equity loan customers



Commercial Lending Team

(Seated L to R) William C. Davis, Donna R. Halton, Michael J. Ferry. (Standing L to R) Richard P. Kelly, Bruce J. Marzotto, Arthur M. Haselkorn, Paul F. Negrini, D. Matthew Emprimo

COMMERCIAL BANKING AND LENDING SERVICES

The commercial loan and real estate portfolio grew by \$23.7 million, an increase of 7.9 percent for the period. Total loan volume for 2002 totaled \$111 million, in line with our anticipated goal for the period. Additionally, we introduced the Centers for Business Banking™ to our commercial clients, further enhancing our brand of one-to-one relationship banking. This fresh approach will help support our efforts to increase commercial loans and product usage.

For business customers, we have responded to their e-banking needs by providing Internet banking, an e-statement service, and a CD-ROM Account Reconciliation for banking transactions. Our commercial Internet banking platform is a fully functional, transaction-based system that enables customers to make in-bank account-to-account funds transfers, originate ACH transactions, place stop payments, initiate wire transfers, and create custom reports 24 hours a day, seven days a week. E-statements are delivered to a maximum of three Internet addresses, without the delay of the mail system.

WHEN IT COMES TO YOUR SUCCESS...
WE'RE ALL BUSINESS AT THE

Centers for
BUSINESS BANKING™

The CD-ROM Account Reconciliation service enables customers to simplify their account management by providing a built-in research function and the option to consolidate statements for a month, a quarter, or an entire year on one convenient disk.

A new Direct Access checking account option, tailored to the specific needs of businesses located outside our primary market area, was introduced at the end of 2002. The account provides the Bank with significant fee income while offering customers the flexibility to deposit mostly cash and/or checks and then transfer funds for disbursement.

In addition to offering a range of commercial deposit products, we offer a wide variety of corporate services. The Bank offers sweep accounts, money market accounts for businesses, IOLTA interest checking, and master escrow accounts. The Bank has increased its commercial deposits through the offering of these products, particularly to its commercial borrowers and to the municipalities that participate in our Government Banking program.

In 1998, Berkshire Bank began offering full-service Government Banking for cities, towns, and districts in western Massachusetts and southern Vermont. The Company offers municipalities all aspects of financial advisory services for the sale of notes and bonds. We also actively work with bond counsel, rating agencies, consulting agencies, and bond buyers. While working with 60 municipal entities, 2002 financial advisory fee income increased to \$180,000, a 53.8 percent increase over 2001.

We recognize that a key component of the Company's future is enhancing and building upon those areas where we have demonstrated success. One key area is our strong commercial lending operation. To generate additional loan volume in 2003, we will utilize our expertise to expand outside of our primary lending area to new markets.



Berkshire Bank

CONSUMER BANKING

With more than a 25 percent deposit share in Berkshire County, Berkshire Bank continues to be the dominant financial institution in our market area. We are the largest independent financial institution in western Massachusetts, serving more than 49,000 retail households through our 11 full-service banking offices, 16 ATMs, telephone banking, and Internet Banking. We are also a member of the SUM™ ATM program, which allows us to offer our customers the use of ATM machines, throughout a large geographic area, free of ATM surcharges.



Old Town Hall customer

SETTING THE STANDARD FOR CONVENIENCE AND CUSTOMER SERVICE IN BERKSHIRE COUNTY, REGARDLESS OF THE DELIVERY CHANNEL.

For electronic access to accounts, we offer an automated voice response system and online Internet banking. We have empowered our consumers with the latest technology-based banking solutions available. E-banking solutions offer customers powerful money management reporting with a direct link to features such as viewing and receiving statements online, paying bills, consolidating statements on CD-ROMs, and researching checks.

BUILDING ONE-ON-ONE CUSTOMER RELATIONSHIPS IS OUR BUSINESS.

For both our new and established customers, our goal is to expand the profitability of the relationship, with careful attention to customer service. Our retail core checking account base has increased to approximately 51.4 percent household penetration (excluding indirect auto loan customers). Since the introduction of our MasterMoney® debit card, we have experienced growth of cardholder usage, which validates our customers' acceptance of this new, check-free, convenient alternative which generates interchange fee income to the Company.



The Bank's training investment has paid excellent dividends. Each employee has a renewed sense of responsibility and accountability. The program ensures that our customers' banking needs and expectations are met. This training has also positioned our employees to offer consumers a wide variety of traditional and alternative financial solutions that will deepen and broaden profitable relationships over time. As our people listen to customers, we will grow and improve. Customer appreciation is one of the cornerstones of our success.

We completed interior renovations to our West Stockbridge branch, providing added convenience, comfort, privacy, and security in an effort to improve the delivery of services to our customers. Renovations included the addition of safe deposit boxes, relocating the ATM to a more visible area, building a private customer service area, lobby refurbishing, and new vault storage. Berkshire Bank has created a branch network where people in our community can conveniently bank with people they know and trust.

OUTSTANDING CRA RATING

Berkshire Bank is committed to meeting the financial needs of all our constituents, including individuals and businesses in low- and moderate-income areas. By providing a broad range of economically sound products and services, we meet the banking needs of a diverse customer base throughout all of our markets. These efforts have led to an “outstanding” Community Reinvestment Act (CRA) rating by both the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks. We feel strongly that our role as a community bank is to reinvest in our communities. The Company continues to display a strong responsiveness to community credit needs. Our small business lending, flexible consumer loan programs, and the willingness of our officers and directors to lend their technical expertise to address economic and affordable housing development issues are the foundation of our consistent “outstanding” rating.



Asset Management/Trust Group
(Clockwise L to R) Thomas W. Barney,
Elizabeth M. Gore, John J. Kelly, L. Alexandra Dest

ASSET MANAGEMENT/ TRUST GROUP

Founded over 15 years ago to provide a local, client-driven investment management and trust capability, the Company's Asset Management/Trust Group ended the year with assets under management of \$244.1 million. Fee income totaled \$1.8 million for 2002, approximately the same as last year, despite a difficult equity market.

The clientele of this group includes individuals, families, and organizations in Berkshire County and beyond. This group provides a full complement of wealth management services that are compatible with money center private banks. Strategies are developed with the client and orchestrated by the professional staff, which includes seasoned accredited Certified Financial Planners (CFP™) and objective in-house managers. Direct management of individual securities is at the core of our investment management process rather than outsourcing investment decisions to other managers. The Private Banking services of Berkshire Bank are available to large depositors, business owners, and investment management clients. These varied services are offered from single-source relationship managers and include advice and planning in the areas of lending, estate planning, retirement, business services, and investments.

INSURANCE

Since 1908,
Berkshire Bank

**GOLD LEAF
INSURANCE SOLUTIONS**

has been an issuer of Savings Bank Life Insurance. We have taken advantage of expanded insurance opportunities, through the establishment of our subsidiary, Gold Leaf Insurance Agency, Inc., to provide a broad range of insurance products. Our offerings include auto, home, business, and life insurance to meet the needs of our customers.

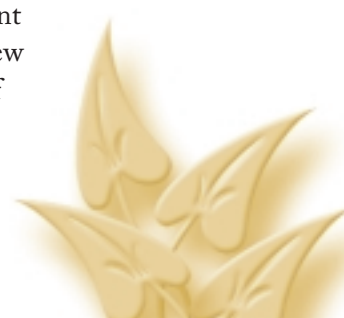
**BERKSHIRE BANK HAS MAINTAINED
AN “OUTSTANDING” CRA RATING
FROM THE FDIC AND THE
MASSACHUSETTS DIVISION
OF BANKS, REFLECTING
OUR ONGOING COMMITMENT
TO THOSE IN ALL THE
COMMUNITIES IT SERVES.**

INVESTMENT SERVICES

In 2001, our subsidiary,
Gold Leaf Investment
Services, Inc., was



formed by an alliance with
UVEST Investment Services, member
NASD/SIPC; a broker/dealer. Gold
Leaf Investment Services, Inc. offers our
customers a complete range of alternative
investment products available at any
office of Berkshire Bank, including
financial planning, professional money
management, stocks, bonds, annuities,
and mutual funds. In 2002, this business
line generated gross commissions of
\$107,312, a 91 percent increase
over 2001. During 2002,
Gold Leaf Investment
Services managed new
relationship assets of
\$3.2 million and, in
addition, assets of
\$4.2 million were
transferred from
other institutions.





2002
Exceptional Performer
Heather Bartini
was recognized for
consistently performing
at a high level of quality
customer service and for
her ongoing willingness to
be a team player.

OUR PEOPLE

Berkshire Bank has earned a reputation for providing outstanding personal service for our customers. We maintain a leadership role within the communities we serve and are viewed as a place where people want to work. We care about our customers, communities, and employees, and this investment in people contributes to our success.

Berkshire Bank's most significant competitive advantage is the talent, energy, and expertise of our employees. We focus our efforts on attracting, retaining, and rewarding the most productive staff. One of our Company's highest priorities is to provide an environment in which the aspirations of excellent people can be satisfied. The Bank constantly seeks to apply the latest technology in support of good, hardworking, well-trained, employees. With *the right people in the right positions for the right reasons*, we can achieve our most important goal – to increase value for our shareholders, employees, and community.

ONE OF OUR COMPANY'S HIGHEST PRIORITIES IS TO PROVIDE AN ENVIRONMENT IN WHICH THE ASPIRATIONS OF EXCELLENT PEOPLE CAN BE SATISFIED

CUSTOMER AND RELATIONSHIP PROFITABILITY ENHANCEMENT

In 2002, we began to utilize a new, sophisticated software database system, Virtual Strategies, to analyze activity at the transaction and account level to identify profitable relationships. This system will help us re-evaluate product design, pricing, and packaging to retain and develop high-value customers.

We dedicate ourselves each day to being a financial institution built on solid operations and good people. We know that customers are the reason we do business, so we strive to offer them a level of service they cannot get anywhere else. Our commitment to personal service differentiates us from our competition. We serve as a "Financial Partner...for Life" for our customers, helping them find the best solutions for their financial needs and providing them with the best service experience possible. In order to maintain this high level of service quality, we introduced the *Superior Service from the Inside Out* program in 2002. In the future, this program will provide our staff with service standards that are clearly defined and measured, and will acknowledge outstanding performance annually with the *Exceptional Performance Awards* and the *Employee of the Year* designation.

Our goal is to continue to hire and retain the best and brightest employees, attract and retain loyal customers, and support the people and organizations that improve the quality of life in our market area. Because of this effort, Berkshire Bank will continue to be a place where employees want to work and customers want to bank.

A LEADERSHIP INVESTMENT IN THE COMMUNITY

With a 156-year-old legacy of commitment and service, Berkshire Bank made a leadership investment in the community when it created the Greater Berkshire Foundation, Inc. and the Berkshire Hills Foundation. Taken together, these two foundations have assets of \$7.1 million as of December 31, 2002, which, on a combined basis, make it one of western Massachusetts' largest independent corporate foundations.

Total donations to community-based organizations exceeded \$755,000 in 2002 and reflected the values of the Company by supporting education, human services, and the arts.

This leadership investment in the community includes funding for *The Berkshire Humane Society* to build a new animal shelter facility and for *The Community Access to the Arts* to bring visual and performing arts to residents in therapeutic settings. The foundations' giving strategy emphasizes programs that improve the quality of life in our communities and make the most productive use of our funding.

Taking a leadership role in the community is more than making donations. Our officers and employees contribute their time and energy by volunteering extensively with local community organizations. This effort provides a link to the corporate culture and business goals of Berkshire Bank. It also enhances our reputation for service and promotes trust and goodwill within the community.



School program
coordinator in classroom



Student saver



MAP OF BANKING AND ATM LOCATIONS

- 1 37 Main Street*
North Adams, MA 01247
- 2 24 North Street*
Pittsfield, MA 01201
- 3 43 East Street
Old Town Hall Office
Pittsfield, MA 01201
- 4 Allendale Shopping Center*
39 Cheshire Road
Pittsfield, MA 01201
- 5 165 Elm Street*
Pittsfield, MA 01201
- 6 66 West Street*
Pittsfield, MA 01201
- 7 Berkshire Community College* (ATM Only)
1350 West Street
Pittsfield, MA 01201
- 8 Guido's Fresh Marketplace* (ATM Only)
1020 South Street
Pittsfield, MA 01201
- 9 Berkshire Eagle Building* (ATM Only)
75 South Church Street
Pittsfield, MA 01201
- 10 Tanglewood* (ATM Only)
297 West Street
Lenox, MA 01240
- 11 2 Depot Street*
West Stockbridge, MA 01266
- 12 32 Main Street*
Stockbridge, MA 01262
- 13 1 Park Street*
Lee, MA 01238
- 14 244 Main Street*
Great Barrington, MA 01230
- 15 Guido's Fresh Marketplace* (ATM Only)
760 Main Street
Great Barrington, MA 01230
- 16 255 Stockbridge Road*
Great Barrington, MA 01230
- 17 103 North Main Street*
Sheffield, MA 01257

* ATM Locations

