

BERKSHIRE HILLS BANCORP, INC.™



*Positive  
Momentum*

BERKSHIRE HILLS BANCORP, INC.™

2005 Annual Report and Form 10-K

**BERKSHIRE HILLS BANCORP™**

24 North Street  
P.O. Box 1308  
Pittsfield, MA 01202-1308  
[www.berkshirebank.com](http://www.berkshirebank.com)

2005 ANNUAL REPORT AND FORM 10-K

Selected Financial Highlights			
At and for the years ended December 31,			
	2005	2004	2003
Performance Ratios			
Core return on tangible assets	0.98%	0.87%	0.81%
Return on total assets	0.47%	0.89%	0.80%
Core return on tangible equity	12.30%	9.36%	7.97%
Return on total equity	4.19%	9.06%	7.28%
Net interest margin	3.33%	3.37%	3.61%
Efficiency ratio	57.03%	60.66%	63.64%
Core tangible non-interest expense/average assets	2.19%	2.25%	2.50%
Year-to-Year Growth			
Total assets	55%	8%	17%
Total loans	71%	5%	10%
Total deposits	62%	2%	6%
Asset Quality Ratios			
Net charge-offs/average loans	0.08%	0.15%	0.35%
Nonperforming loans/total loans	0.08%	0.14%	0.40%
Loan loss allowance/total loans	0.92%	1.13%	1.13%
Loan loss allowance/nonperforming loans	10.96x	8.11x	2.80x
Per Share Data			
Core earnings, diluted	\$2.11	\$1.92	\$1.55
Net earnings, diluted	\$1.10	\$2.01	\$1.57
Tangible book value	\$17.15	\$21.19	\$19.13
Total book value	\$28.81	\$22.43	\$20.87
Financial Data (in Millions)			
Total assets	\$2,035.6	\$1,310.1	\$1,218.5
Total stockholders' equity	\$246.1	\$131.7	\$123.2
Total core income	\$15.8	\$11.0	\$8.9
Total net income	\$8.2	\$11.5	\$9.0
Reconciliation of Non-GAAP Financial Measures appears on page XII. All performance ratios are based on average balance sheet amounts where applicable.			

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Corporate Profile	
Berkshire Hills Bancorp, Inc., publicly traded on the NASDAQ National Market® under the symbol “BHLB,” is the holding company for Berkshire Bank.	
Established in 1846, Berkshire Bank has \$2.0 billion in assets.	
One of Massachusetts’ oldest and largest independent banks. The largest independent banking institution based in Western Massachusetts.	
24 full-service banking offices and 33 ATMs, serving communities throughout Western Massachusetts and Northeastern New York.	
Through its BerkshireBanc Investment Services division and its affiliate, Commonwealth Financial Network, Berkshire Bank offers access to a complete array of investment products.	
Berkshire Insurance Group, Inc., a subsidiary of Berkshire Bank, is a full-service insurance agency, with offices in Westfield and Longmeadow, Massachusetts, providing property and casualty, life, disability, and other forms of insurance coverage.	
Berkshire Municipal Bank, headquartered in Albany, New York, was organized in 2005 to accept deposits from New York municipalities and other governmental entities, and to build on Berkshire Bank’s well-established and successful government banking operation in Western Massachusetts.	
I.	

A MESSAGE TO OUR SHAREHOLDERS

STRATEGIC ACCOMPLISHMENTS:

- ✓ EXPANDED OUR PRESENCE IN NEW MARKETS
  - OPENED TWO NEW YORK BRANCHES – ACQUIRED TWO INSURANCE AGENCIES IN THE PIONEER VALLEY
- ✓ ACQUIRED AND INTEGRATED WORONOCO BANCORP, INC. AS A MEANS OF ENTRANCE TO PIONEER VALLEY
- ✓ IMPLEMENTED NEW REGIONAL LEADERSHIP STRUCTURES
  - NEW YORK – PIONEER VALLEY
- ✓ APPLIED THE SIX SIGMA PROCESS IMPROVEMENT DISCIPLINE TO ALL OPERATIONAL AREAS
- ✓ CONVERTED BANKING SYSTEM TO STATE-OF-THE-ART TECHNOLOGY

3-YEAR STRATEGIC OBJECTIVES:

- ✓ TRANSITIONING INTO A REGIONAL BANK
- ✓ DOUBLING BRANCH NETWORK SIZE
- ✓ EXPANDING COMMERCIAL BANKING ACTIVITIES

Dear Shareholders:

The year 2005 can best be described as one of positive momentum for our Company as we began our transition from a community bank to a regional financial institution. Our notable and unprecedented results over the past three years created opportunities for us to penetrate markets outside of Berkshire County and effectively double in size. We have grown by focusing on organic growth and through strategic acquisitions in markets that lack the presence of a mid-sized regional bank. We accelerated this growth by providing flexible product offerings with the same personalized service we offer in Berkshire County.

Executing the Transition

Our successful transition to a regional bank will be a product of steadfast adherence to our business plan and commitment to our core values. This commitment will also serve as a foundation for future growth. The acquisition of Woronoco Bancorp, Inc. was a means of entering and attaining sizeable market share in the Pioneer Valley region. We shaped our organization to deliver extensive product lines and expertise to a rapidly expanded geographic area.

In 2005, we also opened two new branches and created an outstanding commercial banking team in New York. The confluence of these strategies and the tactics we deployed continue to strengthen our position in our contiguous marketplace.

Continual self-assessment and review are prerequisites to remaining competitive. However, to continue on a high performance track requires an execution strategy that is both

A MESSAGE TO OUR SHAREHOLDERS (CONT.)

swift and on target. We are achieving this transition by focusing on our customer service values and by hiring and retaining banking professionals who can deliver results. We recruited highly motivated and experienced leadership for our New York and Pioneer Valley regions. We have also positioned the franchise strategically to target quality market demographic opportunities within these regions. To further our transition, in 2005 we completed the acquisition of two insurance agencies, improving our position as one of the leading insurance providers in our market area.

Consistent with this approach, we have instilled a culture of enthusiastic teamwork to produce customer satisfaction, which drives revenue and growth throughout the Company. Our institution continues to attract and retain committed and ambitious people who welcome accountability and the opportunity to be paid for performance. As a result, we have shown significant growth in every division: retail banking, commercial banking, and wealth management. Our main drivers of non-interest income continue to be derived from deposit customer, wealth management, and loan fees, while insurance revenue contributed meaningfully this year.

Our focus on quality and the use of a Six Sigma management philosophy and methodology have empowered our employees to improve processes, streamline efficiencies, and enhance performance to make us a stronger company. Performance and efficiencies have been significantly improved with the help of Six Sigma.

Financial Performance Summary

Berkshire Hills Bancorp produces consistent, attractive core earnings growth and profitability for our shareholders. Our strong performance in 2005 resulted from organic growth and strategic acquisitions. We produced double-digit organic growth in nearly all of our lines of business. In addition, we have a loan portfolio that is well protected and positioned for growth with limited credit risk. Our assets and liabilities have been effectively managed to avoid



Michael P. Daly  
President & Chief  
Executive Officer

“...WE HAVE PROVEN  
OUR ABILITY TO CREATE  
POSITIVE MOMENTUM –  
DRIVING GROWTH AND  
SHAREHOLDER VALUE.”

A MESSAGE TO OUR SHAREHOLDERS (CONT.)

excessive exposure to interest rate risk, which has been a particular challenge given rising rates and a flattening yield curve. The Company’s improved profitability also reflects our increased efficiency and continuing strong asset quality. In accordance with our disciplined merger criteria, we acquired Woronoco Bancorp, Inc. and its primary subsidiaries, Woronoco Savings Bank and Woronoco Insurance Group, Inc., to enhance our franchise. We take particular pride in achieving a 37% post-merger cost savings in the Woronoco acquisition.

With respect to financial performance, we exceeded our forecasted core diluted earnings per share for 2005, with \$2.11 representing a 10% increase over 2004 core earnings per share of \$1.92. This was accomplished despite significant investment in new markets, infrastructure, systems, and people. We successfully converted our data processing system to a state-of-the-art banking platform in April. We then completed our acquisition of Woronoco on June 1st, 2005, seamlessly converting the two operating systems in August. When we planned to have Woronoco Savings Bank merge with Berkshire Bank, our goals were to retain customers, increase deposits and loans, and achieve significant cost savings. I am pleased to report we have achieved those goals.

We believe that our expanding footprint gives us an opportunity to create additional value for our shareholders, customers, employees, and communities. As we remain focused on growth and maintaining our unwavering value system, we believe that we can continue to provide a meaningful return for you, our shareholders.

We thank you for your continued support.

Sincerely,

Michael P. Daly  
President and Chief Executive Officer

BERKSHIRE BANK

Deposit Growth

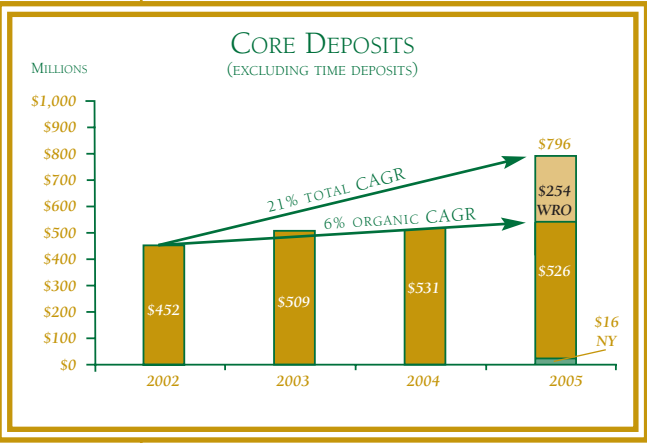
Aggressive pursuit of deposits, particularly transaction and core relationship accounts, is another cornerstone of our regional plans. Deposits totaled \$1.37 billion at year-end, increasing by \$525 million (62%) from year-end 2004. Deposit growth included \$443 million in the Pioneer Valley region related to the Woronoco acquisition. Excluding the impact of the acquired Woronoco deposits, total deposits increased by \$82 million for the year, growing at a 10% rate.

Deposit growth in the New York region totaled \$32 million for the year, or about 40% of the total organic deposit growth. We exceeded our goal for deposits in New York, ending the year at just over \$40 million, of which 40% were core deposits. This increase included \$2.1 million in municipal deposits gathered through Berkshire Municipal Bank, which opened in the fourth quarter of 2005.

IN DECEMBER 2005, WE ANNOUNCED OUR PLAN TO DOUBLE OUR BRANCH NETWORK WITH 25 ADDITIONAL DE NOVO OFFICES, WHICH ARE EXPECTED TO HELP GENERATE TOTAL DEPOSITS OF \$2 BILLION BY THE END OF 2008.

Loan Growth

Our commercial loan commitments for new loans remained strong at \$51 million at year-end 2005. We also had a record month in December, booking \$25 million in new loans, which resulted in growth of \$11 million. Strong growth trends continue in the New York region, with additional opportunities developing as new branches are opened.



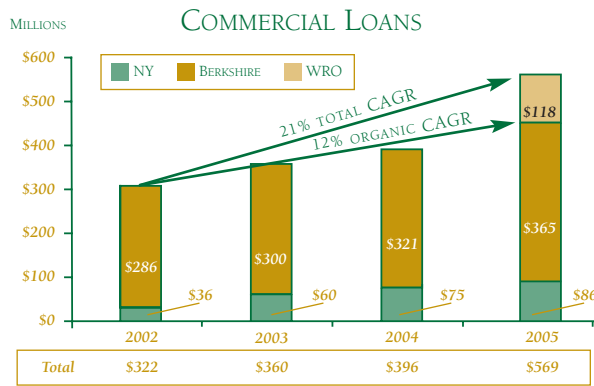
- Core deposits compound growth rate excluding Woronoco = 6%
- Core deposits compound growth = 21%
- Core deposits in NY represent 40% of total deposits of \$41 million

DELIVERING PERSONALIZED ATTENTION AND TRUSTED SOLUTIONS<sup>SM</sup> WITH SUPERIOR SERVICE IS THE ESSENCE OF WHAT HAS MADE US SUCCESSFUL.

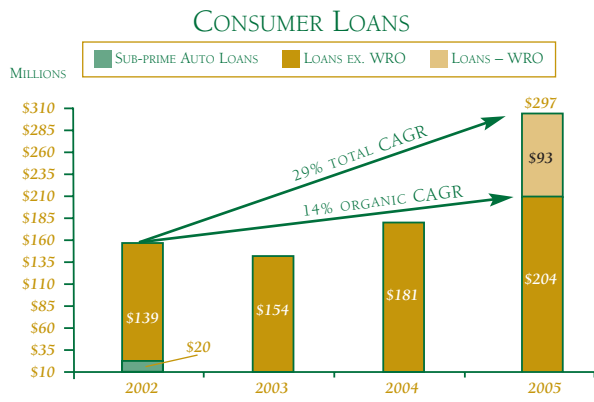




THROUGHOUT OUR COMMERCIAL LENDING MARKETS, OUR LOCAL DECISION-MAKING GIVES US A COMPETITIVE ADVANTAGE.



- ✓ Compound growth rate since 2002 exclusive of Woronoco = 12%
- ✓ Compound growth rate since 2002 = 21%
- ✓ Strong growth trends in NY despite lack of meaningful branch network



- ✓ Compound growth rate since 2002 exclusive of Woronoco and sub-prime auto loans = 14%
- ✓ Compound growth rate since 2002 exclusive of sub-prime auto loans = 29%
- ✓ Auto loan portfolios' average FICO at 716 at 12/31/05

A major component of our success is the strength of our lending team. Our senior lenders are instrumental in guiding our credit decisions, and their many years of experience and leadership affords our customers consistency, responsiveness, and accessibility.

Our Retail Lending area originates residential mortgages and consumer loans, including home equity loans and lines of credit. Residential one- to four-family mortgage originations were at a record high. We achieved 12% organic growth in our adjustable rate mortgage portfolio, increasing these loans by \$25 million. Additionally, this was accomplished despite heavy refinancing activity and customers' preference for fixed rate products that we sell immediately. We accomplished 16% organic growth in our automobile loan portfolio, producing \$20 million in net new growth. We added 14 dealers to our indirect automobile program (eight in the Pioneer Valley and six in New York and Vermont), and we are optimistic about this program, despite national declines in automobile purchases.

Growth of Fee-Based Business

As we continue to diversify our sources of revenue, the ratio of non-interest income, exclusive of security gains, to total revenue grew to 18% during 2005, up from 14% for 2004. One of the attractive elements of the Woronoco Bancorp acquisition was that it provided an entry into the insurance agency business. We added to that operation with the acquisition of two additional agencies in the fourth quarter of 2005. We plan to expand this business line through agency acquisitions and cross-selling

OPENING DOORS FOR CONSUMER FINANCING HAS MEANT FINDING FASTER, SMARTER, AND MORE EFFICIENT WAYS TO DO BUSINESS.

programs in our branch network and other parts of the Bank.

The Asset Management/Trust Group had a strong year, as assets under management grew to \$418 million at year-end 2005, a 17% increase from the end of 2004.

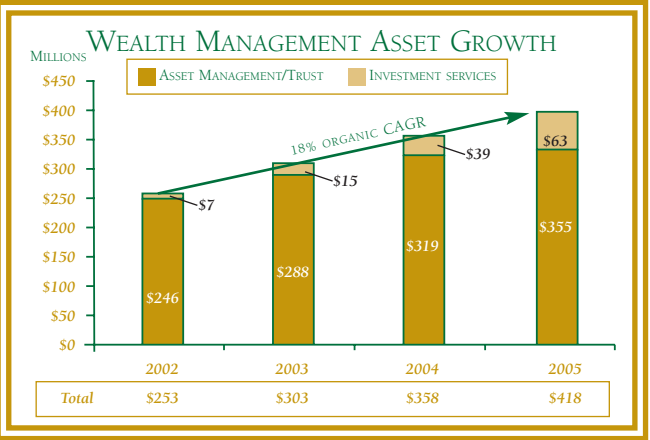
Strong Credit Quality

Our strong credit quality continued this year and has been a key factor in earnings growth. Our continued strong asset quality is consistent with the conservative nature and steady growth in the markets we serve. At year-end 2005, commercial delinquencies were 27 basis points of total commercial loans, and net charge-offs for the year as a percentage of average commercial loans were 8 basis points.

OUR STRONG CREDIT PERFORMANCE IS A PROFOUND TESTAMENT TO MANAGEMENT EXPERTISE AND CREDIT DISCIPLINE.

We maintained the same diligent approach to managing credit risk in our retail loan portfolio. This portfolio consists of residential, one- to four-family mortgage loans and consumer loans, which include home equity lines of credit and automobile loans. The delinquency rate for residential mortgage loans was 36 basis points of year-end loans, while no charge-offs were incurred in 2005. The delinquency rate on consumer loans was 69 basis points, while net charge-offs for the year were 23 basis points. Our portfolio of mortgage and home equity lines has no uninsured loans exceeding 80% loan-to-value.

BERKSHIRE INSURANCE GROUP COMPETES EFFECTIVELY BY LEVERAGING ITS SCOPE AND EXPERTISE. IT OFFERS COMMERCIAL LINES FOR BUSINESSES, AS WELL AS HOMEOWNERS AND LIFE INSURANCE FOR FAMILIES AND INDIVIDUALS.



- ✓ Assets under management compound growth rate = 18%

AMONG OUR CURRENT RETAIL AND COMMERCIAL CUSTOMERS, THERE ARE LARGE NUMBERS OF INDIVIDUALS, INSTITUTIONS, AND NOT-FOR-PROFIT ORGANIZATIONS WITH SIGNIFICANT INVESTABLE ASSETS.

*The Power of Six Sigma*

SOLUTIONS™

(B6σ)

WITH SIX SIGMA...

Define – Customer needs  
Measure – How well we are doing now  
Analyze – Errors and defects  
Improve – Our processes  
Control – Maintain the improvements

YOU CAN...

Build relationships  
Provide trusted solutions  
Deliver superior service from the inside out

IT'S THE BERKSHIRE BANK DIFFERENCE!

Six Sigma

BERKSHIRE BANK

In 2005, we remained focused on the Six Sigma process improvement discipline and placing the customer at the center of our efforts. Six Sigma is both a management philosophy and methodology that empowers employees to improve processes through the use of statistical and analytical tools. Increasing employee and customer satisfaction is fundamental to the success of Six Sigma. Leadership has made Six Sigma an integral part of the Company's culture and its focus on delivering consistent high-quality service, increased revenue, and improved operating efficiency. Most importantly, the process helps us pursue focused and disciplined growth. The resulting teamwork, crossing traditional organizational boundaries, has enabled Berkshire Bank to deliver a full spectrum of resources to consumers more efficiently.

*Making a Difference in Our Communities*

As a leader in philanthropy and community involvement, Berkshire Bank established two charitable foundations in 1997 and 2000, which provide financial assistance to educational, civic and human service entities, the arts, and other organizations. These foundations play a vital role in improving the economic development and quality of life in

DURING 2005, THE BERKSHIRE BANK FOUNDATION AND THE GREATER BERKSHIRE FOUNDATION MADE DONATIONS TOTALING \$1.7 MILLION.

the communities we serve. The appointment of a foundation Executive Director in late 2005 will help us to ascertain and balance the needs of our communities. During 2005, our

foundations made donations totaling \$1.7 million and, over the past five years, they have contributed a total of \$8.1 million to area organizations. One notable donation in 2005 was to the Berkshire Wireless Initiative, which provided laptop computers to 6th grade students in Berkshire County, ushering in an era of learning technology.

*Outstanding Community Reinvestment Act (CRA) Rating*

As a regional bank, one of our goals is to reinvest in our communities. Our small business lending, flexible consumer loan programs, and the willingness of our officers and directors to lend their expertise to address economic and affordable housing development issues are the foundations of our outstanding CRA rating by both the Federal Deposit Insurance Corporation and the Massachusetts Division of Banks.

*Top-Performing Massachusetts-Based Company*

In 2005, the Company was ranked by the *Boston Globe* as one of the 100 top-performing Massachusetts-based companies for the fourth consecutive year and was one of just four companies selected from Western Massachusetts.

THE COMPANY WAS RANKED BY THE *BOSTON GLOBE* AS ONE OF THE 100 TOP-PERFORMING MASSACHUSETTS-BASED COMPANIES FOR THE FOURTH CONSECUTIVE YEAR.



*OUR PROMISE*

THE PROMISE OF EVERY EMPLOYEE IS TO ENGAGE OUR CUSTOMERS WITH A “CAN-DO” ATTITUDE AND EFFORT, THAT GOES THE EXTRA MILE, AND TO BUILD LONG-TERM RELATIONSHIPS AS WE EXPAND OUR FRANCHISE.



Board of Directors and Senior Management

Board of Directors



(A) **Lawrence A. Bossidy**

Non-Executive Chairman of the Board of the Company and the Bank and the Retired Chairman & CEO of Honeywell International and AlliedSignal

(B) **Michael P. Daly**

President & Chief Executive Officer of the Company and the Bank

**Wallace W. Altes\***

(not pictured)

Executive-in-Residence at the Graduate College of Union University in Schenectady, New York

(C) **John B. Davies**

Retired Executive Vice President of Massachusetts Mutual Life Insurance Company

(D) **David B. Farrell**

President of Bob's Stores, a retail company headquartered in Meriden, Connecticut

(E) **Peter J. Lafayette\*\***

Former President of Berkshire Housing Development Corporation and current Executive Director of Berkshire Bank's charitable foundations

(F) **Edward G. McCormick**

Managing Partner of the law firm of McCormick, Murtagh, Marcus & Almgren

(G) **Cornelius D. Mahoney**

Retired Chairman, President & CEO of Woronoco Bancorp, Inc. and Woronoco Savings Bank

(H) **Catherine B. Miller**

Former Shareholder and Vice President of Wheeler & Taylor, Inc.

(I) **D. Jeffrey Templeton**

Owner and President of The Mosher Company, Inc., located in Chicopee, Massachusetts

(J) **Corydon L. Thurston**

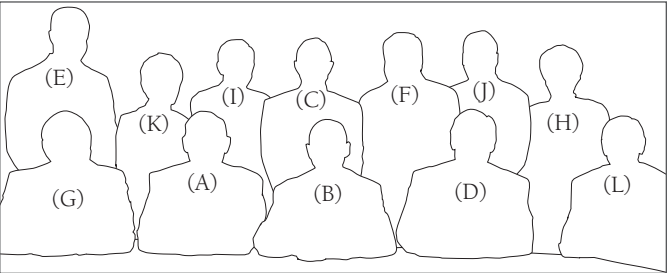
President & CEO of North Adams Tower Company, Inc.

(K) **Ann H. Trabulsi**

Community volunteer serving on various not-for-profit boards

(L) **Robert A. Wells**

Retired Chairman of the Board of the Company and the Bank



Senior Team



(M) **Thomas W. Barney, CFP**

Senior Vice President, Asset Management/Trust

(N) **Charles A. Bercury**

Senior Vice President, Retail Lending & Marketing

(O) **Thomas C. Crowley**

Regional President, New York

(P) **Gerald A. Denmark**

Senior Vice President & General Counsel

(Q) **Gayle P. Fawcett**

Senior Vice President, Retail Banking & Operations

(R) **Michael J. Ferry**

Senior Vice President, Commercial Lending

(S) **Linda A. Johnston**

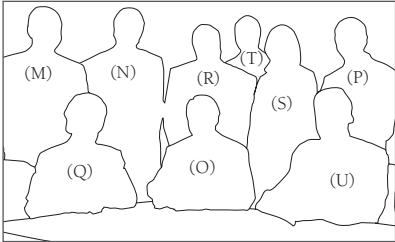
Senior Vice President, Human Resources

(T) **Michael J. Oleksak†**

Regional President, Pioneer Valley

(U) **Wayne F. Patenaude**

Senior Vice President, Chief Financial Officer & Treasurer

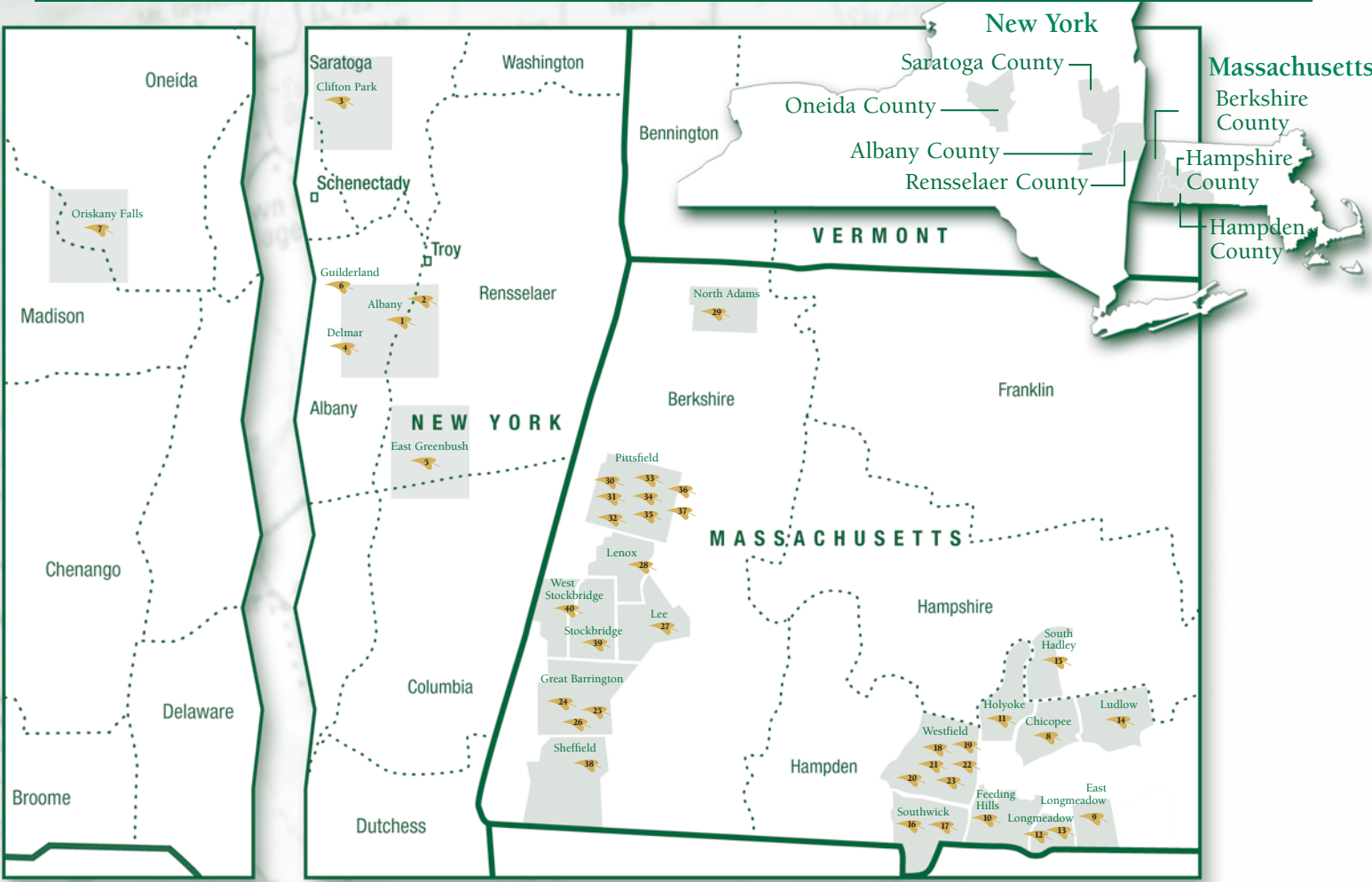


\* Appointed to the Boards of Directors of the Company and the Bank in January 2006.

\*\* Resigned from Boards of Directors of the Company and the Bank to become Executive Director of the Bank's charitable foundations in January 2006.

† Appointed to this position in February 2006.

BANKING, INSURANCE AND ATM LOCATIONS



NEW YORK

- 1 Albany 41 State Street
- 2 Albany ATM Only 194 Washington Avenue
- 3 Clifton Park Shoppers World Plaza Route 146
- 4 Delmar Delaware Plaza 180 Delaware Avenue
- 5 East Greenbush 602 Columbia Turnpike
- 6 Guilderland 20 Mall 2080 Western Avenue
- 7 Oriskany Falls 212 Main Street

MASSACHUSETTS

- 8 Chicopee 1339 Memorial Drive
- 9 East Longmeadow 72 Shaker Road
- 10 Feeding Hills 1359 Springfield Street
- 11 Holyoke ATM Only 98 Lower Westfield Road
- 12 Longmeadow 138 Longmeadow Street
- 13 Berkshire Insurance Group 138 Longmeadow Street
- 14 Ludlow 431 Center Street
- 15 South Hadley 74 Lamb Street
- 16 Southwick Gristmill Plaza 608 College Highway
- 17 Big Y Plaza 185 College Highway
- 18 Westfield 31 Court Street
- 19 44 Little River Road
- 20 Berkshire Insurance Group 136 Elm Street
- 21 Westfield ATM Only 127 North Elm Street (inside Dunkin Donuts)
- 22 ATM Only 475 Southamton Road (inside Dunkin Donuts)
- 23 ATM Only 577 Western Avenue (at Westfield State College)
- 24 Great Barrington 244 Main Street
- 25 255 Stockbridge Road
- 26 ATM Only 760 Main Street (inside Guido's Fresh Marketplace)
- 27 Lee 1 Park Street
- 28 Lenox ATM Only 297 West Street (inside Tanglewood)
- 29 North Adams 37 Main Street
- 30 Pittsfield ATM Only Headquarters 24 North Street
- 31 Old Town Hall 43 East Street
- 32 Allendale Shopping Center 39 Cheshire Road
- 33 165 Elm Street
- 34 66 West Street
- 35 ATM Only 1350 West Street (inside Berkshire Community College)
- 36 ATM Only 75 South Church Street (at Berkshire Eagle Building)
- 37 ATM Only 1575 West Housatonic Street (next to Subway)
- 38 Sheffield 103 Main Street
- 39 Stockbridge 32 Main Street
- 40 West Stockbridge 2 Depot Street

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Dollars in thousands, except share data)		At and for the years ended December 31,		
		2005	2004	2003
Net income		\$8,226	\$11,509	\$8,965
Less: Gain on sale of securities, net		(\$3,532)	(\$1,402)	(\$3,077)
Plus: Termination of ESOP		\$8,836	—	—
Plus: Merger and conversion expense		\$2,142	—	—
Plus: Sale of sub-prime auto loans		—	—	\$2,233
Plus: Other, net		—	\$653	\$379
Adjust income taxes		\$133	\$261	\$356
Core income	(A)	\$15,805	\$11,021	\$8,856
Plus: Amortization of intangible assets (net of taxes)		\$741	\$64	\$132
Tangible core income	(B)	\$16,546	\$11,085	\$8,988
Total non-interest income		\$14,923	\$7,764	\$6,448
Less: Gain on sale of securities, net		(\$3,532)	(\$1,402)	(\$3,077)
Plus: Other		—	—	\$2,060
Total core non-interest income	(C)	\$11,391	\$6,362	\$5,431
Total non-interest expense		\$48,998	\$28,977	\$28,243
Less: Termination of ESOP		(\$8,836)	—	—
Less: Merger and conversion expense		(\$2,142)	—	—
Less: Other		—	—	(\$408)
Core non-interest expense	(D1)	\$38,020	\$28,977	\$27,835
Less: Amortization of intangible assets		(\$1,140)	(\$98)	(\$203)
Total core tangible non-interest expense	(D2)	\$36,880	\$28,879	\$27,632
Total average assets	(E)	\$1,745,200	\$1,289,500	\$1,115,800
Less: Average intangible assets		(\$62,000)	(\$8,700)	(\$10,300)
Total average tangible assets	(F)	\$1,683,200	\$1,280,800	\$1,105,500
Total average stockholders' equity	(G)	\$196,500	\$127,100	\$123,100
Less: Average intangible assets		(\$62,000)	(\$8,700)	(\$10,300)
Total average tangible stockholders' equity	(H)	\$134,500	\$118,400	\$112,800
Total assets, period-end		\$2,035,553	\$1,310,115	\$1,218,548
Less: Intangible assets, period-end		(\$99,616)	(\$7,254)	(\$10,233)
Total tangible assets, period-end	(I)	\$1,935,937	\$1,302,861	\$1,208,315
Total stockholders' equity, period-end		\$246,066	\$131,736	\$123,175
Less: Intangible assets, period-end		(\$99,616)	(\$7,254)	(\$10,233)
Total tangible stockholders' equity, period-end	(J)	\$146,450	\$124,482	\$112,942
Total shares outstanding	(K)	8,539,868	5,873,563	5,903,082
Average diluted shares outstanding	(L)	7,503,000	5,731,000	5,703,000
Core return on tangible assets	(B/F)	0.98%	0.87%	0.81%
Core return on tangible equity	(B/H)	12.30%	9.36%	7.97%
Efficiency ratio <sup>(1)</sup>		57.03%	60.66%	63.64%
Core tangible non-interest expense to assets	(D2/F)	2.19%	2.25%	2.50%
Tangible book value per share	(J/K)	\$17.15	\$21.19	\$19.13
Core earnings per share	(A/L)	\$2.11	\$1.92	\$1.55

(1) Efficiency Ratio: is computed by dividing total tangible core non-interest expense by the sum of total net interest income on a fully taxable equivalent basis and total core non-interest income. The Company uses this non-GAAP measure, which is used widely in the banking industry, to provide important information regarding its operational efficiency.



## SHAREHOLDER INFORMATION

### ***Corporate Offices***

Berkshire Hills Bancorp, Inc.  
24 North Street, P.O. Box 1308  
Pittsfield, MA 01202-1308  
800-773-5601

### ***Stock Listing***

Berkshire Hills Bancorp, Inc., is publicly traded on the NASDAQ National Market® under the symbol “BHLB.”

### ***Annual Meeting***

The annual meeting of shareholders will be held on May 4, 2006 at 10:00 a.m. EST, at the Crowne Plaza, One West Street, Pittsfield, Massachusetts.

### ***Auditors***

Wolf & Company, P.C.  
99 High Street  
Boston, MA 02110-2320

### ***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  
www.RTCO.com

### ***Investor Information***

Copies of the annual report, SEC filings, press releases and other investor information are available on our website at [www.berkshirebank.com](http://www.berkshirebank.com) or by contacting:

Investor Relations  
Berkshire Hills Bancorp, Inc.  
24 North Street, P.O. Box 1308  
Pittsfield, MA 01202-1308  
Email: [aracine@berkshirebank.com](mailto:aracine@berkshirebank.com)

### ***Forward-Looking Statements***

Statements contained in this annual report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the beliefs and expectations of management, as well as the assumptions made using information currently available to management. Since these statements reflect the views of management concerning future events, these statements involve risks, uncertainties, and assumptions. These risks and uncertainties include among others: changes in market interest rates and general and regional economic conditions; changes in government regulations; changes in accounting principles; the quality or composition of the loan and investment portfolios; and the achievement of anticipated future earnings benefits from recent acquisitions. Additionally, other risks and uncertainties may be described in the Company's quarterly reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, and in its annual report on Form 10-K, each filed with the Securities and Exchange Commission, which are available at the Securities and Exchange Commission's Internet website ([www.sec.gov](http://www.sec.gov)) and to which reference is hereby made. Therefore, actual future results may differ significantly from results discussed in these forward-looking statements, and undue reliance should not be placed on such statements. The Company assumes no obligation to update any forward-looking statements.

### ***About the Annual Report***

The 2005 Annual Report is intended to provide information that will be meaningful and useful to the widest range of readers. Audited financial statements and detailed analytical schedules are enclosed in the Form 10-K for the year ended December 31, 2005 as filed with the Securities and Exchange Commission.