



BERKSHIRE HILLS BANCORP, INC.™  
2006 SUMMARY ANNUAL REPORT

*the excitement is growing*



# Berkshire Hills Bancorp, Inc.

## Selected Financial Highlights

At and for the years ended December 31,	2006	2005	2004
<i>Performance Ratios</i>			
Core return on tangible assets	0.94%	0.98%	0.87%
Return on total assets	0.53	0.47	0.89
Core return on tangible equity	12.40	12.30	9.36
Return on total equity	4.40	4.19	9.06
Net interest margin	3.24	3.33	3.37
Efficiency ratio	58.46	57.03	60.66
<i>Year-to-Year Growth</i>			
Total core revenue	20%	35%	9%
Total net revenue	9	38	9
Total loans	20	71	5
Total deposits	11	62	2
<i>Financial Data (in Millions)</i>			
Total core income	\$17.6	\$15.8	\$11.0
Total net income	11.3	8.2	11.5
Total assets	2,149.6	2,035.6	1,310.1
Total stockholders' equity	258.2	246.1	131.7
<i>Asset Quality Ratios</i>			
Net charge-offs/average loans	0.07%	0.08%	0.15%
Non-performing assets/total assets	0.35	0.06	0.09
Loan loss allowance/total loans	1.14	0.92	1.13
Loan loss allowance/non-performing loans	2.55x	10.96x	8.11x
<i>Per Share Data</i>			
Core earnings, diluted	\$2.00	\$2.11	\$1.92
Net earnings, diluted	1.29	1.10	2.01
Tangible book value	15.70	17.15	21.19
Total book value	29.63	28.81	22.43

Reconciliation of Non-GAAP Financial Measures appears on page 12.

All performance ratios are based on average balance sheet amounts where applicable.

# ***Berkshire Hills Bancorp, Inc.***

## ***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 listed on The NASDAQ Global Select Market® under the symbol “**BHLB.**”

## ***Annual Meeting***

The annual meeting of shareholders will be held on May 3, 2007 at 10:00 a.m. EST, at the Crowne Plaza, One West Street, Pittsfield, Massachusetts.

## ***Principal Operating Subsidiaries***

Berkshire Bank  
Berkshire Insurance Group, Inc.

## ***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](http://www.RTCO.com)

## ***Investor Information***

Copies of the summary 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)  
Telephone: 413-236-3239  
Fax: 413-499-8467

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

Statements contained in this summary 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 Summary Annual Report***

The 2006 Summary 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 contained in the Form 10-K for the year ended December 31, 2006 as filed with the Securities and Exchange Commission.

## Corporate Profile

- \$2.1 billion in total assets
- \$70 million in annual insurance premium volume (including recent agency acquisitions)
- \$500 million in assets under management
- \$300 million average market capitalization
- 31 branches in Western MA and Eastern NY (including 4 opened in 2007)
- Only locally headquartered regional bank in primary market
- Largest bank headquartered in Western MA
- Four state targeted footprint (MA, NY, CT, VT)
- Strong growth based on organic, de novo and acquisition strategies
- Diversified revenue sources with strong commercial components
- Added expertise to board and management team

*"We are well positioned  
to continue  
our strong, brand  
based growth."*



## How We Differentiate Ourselves

**Brand** – Create an exciting and memorable customer experience.

**Relationships** – Grow the “pool” of customers, products and cross sales.

**Processes** – Utilize Six Sigma methodology, service excellence standards, business sense, productivity, and profitability.

**Culture** – Encourage enthusiastic and focused teamwork.



## *A Message To Our Shareholders*

*"I'm So Excited!"*

*"This theme of excitement is born from the many positive developments that we have announced in recent quarters:  
Exceptional Business Growth...Expanded Executive Team...  
New Financial Services Associates...  
Growing Office Network...New Specialist Teams."*



**Michael P. Daly**  
President & Chief Executive Officer



### *Dear Shareholders,*

Berkshire Hills Bancorp, Inc. produced another strong year of growth in 2006, setting the foundation for continued growth and higher earnings in 2007 and beyond. I'm pleased to be able to share some of our highlights in this letter.

### *The Excitement Grows*

"I'm So Excited!" with those simple words and the accompanying music of the Pointer Sisters, Berkshire Bank recently introduced its new image and culture statement. We aspire to be "**America's Most Exciting Bank<sup>SM</sup>**". Our vision is to establish ourselves as a world class financial services company with an engaging and exciting environment where customers want to do business and employees want to work. We believe that this vision will build our franchise value and earnings stream. This theme of excitement is born from the many positive developments that we have announced in recent quarters:

- **Exceptional Business Growth.** A very good year for growth in our business volumes, including 20% loan growth, 11% deposit growth, and a very strong 44% increase in fee income.
- **Expanded Executive Team.** We've expanded our dedicated and the stalwart senior management team to include executives with experience at national banks and insurance including: John J. Howard, Executive Vice President of Retail Banking (formerly Bank of America Consumer Market Executive); Michael J. Oleksak, Executive Vice President of Commercial Banking (formerly TD Banknorth Regional Co-Executive); Kevin P. Riley, Executive Vice President and Chief Financial Officer (formerly Keybank N.A. Chief Financial Officer who will start effective August 1, 2007); Ross D. Gorman, President of Berkshire Insurance Group, Inc. (formerly President of MassOne Insurance Agency) will provide us a significant competitive advantage. In addition, we also announced several other key hires and internal promotions to our existing committed management group, expanding its scope and expertise.
- **New Financial Services Associates.** The majority of our current employees joined us over the last two years, including those who we welcomed in the Woronoco Bancorp, Inc. acquisition, recent insurance agency acquisitions, and our growing staff in our de novo New York region. Nearly half of our employees now work outside of our traditional Berkshire County market and more than 1 in 6 of our full-time equivalent employees is an insurance professional.



- **Growing Office Network.** By the time of our annual meeting, we will have 31 branches, compared to 12 just two years ago. This includes 10 branches in our New York region, 10 branches in our Pioneer Valley region acquired in June 2005, and 11 branches in Berkshire County. Additionally, we now operate full-service insurance offices in 10 Western Massachusetts locations.
- **New Specialist Teams.** In addition to our insurance teams, we have added a cadre of high performance bankers in commercial lending, commercial cash management and municipal banking. We have recently brought in strong new leadership in consumer lending. Of course, these supplement our existing service provider teams, including our successful wealth management group, which had another strong year, with 16% revenue growth.

### ***The Transformation Continues***

Our Company is now a diversified regional financial services company operating in three attractive markets, which are the core of a wider multi-state service area that we expect to penetrate. As of year-end, our fee-based income sources now provide about 30% of our total revenues, with insurance being our single largest fee-based income source. We are competing with new focus and energy in our existing retail and commercial markets, as we gain market share through organic growth, de novo expansion, and product development. We continue to seek out acquisition opportunities that will compliment our growth strategy and accelerate earnings growth.

Our leadership team has been reorganized to bring new sales and service disciplines to our associates throughout our regions. Our team is bringing a consistent focus on products, training, and real time metrics to improve the customer experience. We are also incorporating Six Sigma methodology to engineer smoother and more efficient interactions across our business lines. We are creating a pool of customers and products that we expect to deepen with further cross-sales, to enrich with new products and customer segment strategies, and to broaden as we roll out our expanded offerings throughout our regions and bordering markets.

We established the position of Chief Risk Officer, and recruited Senior Vice President Shepard D. Rainie from Bank of America to manage this important function. We intend to maintain a low risk credit portfolio and stay ahead of any credit performance developments that may arise when we encounter the next cycle of economic slowing. We have maintained a very high quality focus on our consumer lending activities and have not offered any subprime credit products. We also continue to focus on minimizing operating risk through continuous risk assessment and mitigation and operating a culture of compliance with all regulations.

We implemented a new corporate performance management system in 2006. We have rolled out new sales and referral programs with supporting incentive structures. A key focus is our integration of our new insurance agencies, with emphasis on two-way cross-sales and further penetration of commercial lines of business. We also completed a \$125 million shelf registration with the SEC in 2006 to facilitate capital raising for acquisitions in the coming years, in what we hope will be an opportunistic environment for us to be able to accelerate earnings growth through strategic acquisitions of banks and other financial services providers in our targeted markets.

Our transformation also continues at the Board level. We added three new Board members in 2006 including: David E. Phelps, Wallace W. Altes, and Rodney C. Dimock. With these appointments, we have expanded our representation in all regions and are building our contacts in important markets including health care, technology, and commercial real estate. We also created an Advisory Board to help us identify and participate in the many emerging opportunities in our New York region.



## ***A Message To Our Shareholders*** *continued*

### ***Producing Higher Core Earnings and Building Value***

We produced a record \$17.6 million in core earnings in 2006, which was 11% higher than the previous year result. We accomplished this despite the margin pressures related to the flat yield curve, and this was net of \$1.8 million in costs related to our de novo branch program – which we view as an investment in the future. The key to this result was the 20% increase in our core revenues, which reflected the benefit of our organic growth, acquisitions, and de novo activity. In the third quarter, we reported special charges of \$5.3 million related to the securities portfolio restructuring and \$5.5 million related to the loan loss allowance adjustment. These actions strengthened our financial position for the future. After these charges, which total \$10.8 million, our GAAP net revenues increased by 9% including the securities portfolio restructuring charge.

GAAP net income per share increased by 17% in 2006 to \$1.29 from \$1.10 in the prior year. Our core earnings per share were \$2.00 in 2006, compared to \$2.11 in the prior year. Core results also included charges of \$0.14 per share related to the de novo branch program and were reduced by \$0.11 per share due to the net interest margin compression in 2006 (both stated on an after-tax basis). We are emphasizing commercial loans, transaction deposit accounts, and fee income products to help mitigate margin pressures in 2007.

We are well positioned in strong markets and we anticipate that our brand of service, our vision, and our core values will result in accelerating earnings growth. All of this is built on the strength of our team, as we integrate new leadership and a wider regional presence to deliver exciting results to our customers, communities, associates, and shareholders. We thank all of our constituents for their contribution to the success of our enterprise.

Sincerely,



Michael P. Daly

*President & Chief Executive Officer*



## Strong Revenue and Earnings Growth

Our revenue growth accelerated in 2006, with core revenues increasing by 20%, compared to our 9% five year compound annual growth rate. A key long run driver of our revenues is loan growth, which measured 20% in 2006 which was higher than our 16% five year annual growth rate. Commercial loan originations continued to be our primary focus, and the result was a 33% growth rate in commercial loans for the year. GAAP net revenue, including securities gains and losses, increased by 9% in 2006 and 8% annually over five years.

### ANNUAL GROWTH RATES

	1 YEAR	5 YEARS
Loans	20%	16%
Deposits	11%	15%
Equity	5%	13%
Core Revenues	20%	9%
GAAP Net Revenue	9%	8%

Deposit growth is the primary long term funding source for loan growth, and the deposit relationship is the primary focus for many of our relationship banking and product initiatives. Our deposit growth was 11% in 2006. This was below our 15% five year annual growth rate due to competitive industry conditions. Our New York

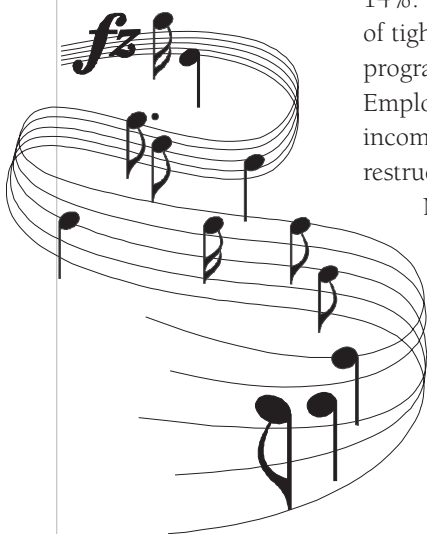
de novo branch program is a key component of our deposit growth plan, which anticipates continued double digit annual growth.

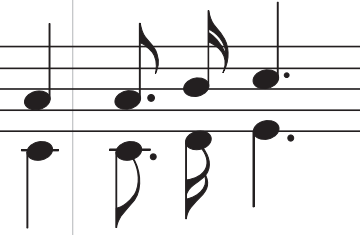
We intend to continue to diversify our revenue mix, reducing our reliance on net interest income and the impact of cyclical and secular trends on interest margins. We had a very strong year of fee income growth, which accelerated to 44% compared to the 26% five year annual average growth rate. Deposit service fees increased 28%, wealth management fees increased by 16%, and insurance commissions and fees increased by 199% in 2006.

Management has maintained a focus on expense management, and the efficiency ratio improved to 55.9% in the third quarter from an average of 57.0% in 2005 (the fourth quarter efficiency ratio of 61.4% was affected by seasonal insurance and incentive costs). Expenses in 2006 included \$1.8 million in costs of the de novo New York branches, which management views as an investment in franchise expansion. The Company also incurred higher compensation and other costs related to its expansion and to build expertise to support growth in 2007 and beyond.

Core income increased by 11% in 2006, and tangible core income increased by 14%. Core results in 2006 represented solid improvement, particularly in light of tighter interest margins and the costs of the investment in the de novo branch program. GAAP net income increased by 37% due to the impact of the non-cash Employee Stock Ownership Plan termination charges incurred in 2005. GAAP income in 2006 included charges of \$5.3 million related to the securities restructuring and \$5.5 million related to a loan loss allowance adjustment.

Net loan charge-offs remained low at 0.07% of average loans in 2006, and the Company was committed to its credit disciplines, including no subprime lending programs.





### *Making a Difference in Our Communities*

As a leader in philanthropy and community involvement, Berkshire Bank has three charitable foundations that provided more than \$2 million in cash contributions in 2006 to educational, civic, human services, arts and other organizations. Over the past six years, they have contributed a total of \$13 million to area organizations.

### *Outstanding Community Reinvestment Act (CRA) Rating*

The result of our reinvestment in our communities, the willingness of our officers and directors to lend their expertise to address economic and affordable housing development issues are the basis of our outstanding CRA rating by both the Federal Deposit Insurance Corporation and the Massachusetts Division of Banks.



### *Insurance Acquisitions*

Expanding on its existing insurance operations and those acquired as part of the Woronoco Bancorp, Inc. acquisition in 2005, Berkshire Insurance Group, Inc. acquired five agencies with eight locations at the end of October 2006. The resulting agency has 94 full-time equivalent employees in ten locations in Berkshire, Franklin and Hampden counties of Massachusetts. Berkshire Insurance Group, Inc. is one of the largest insurance agencies in Western Massachusetts. One of the acquired agencies was a Best Practices and Five Star designee which bolstered the administrative and efficiency expertise and another had a strong sales selection training and oversight process in place. The newly appointed insurance executive team draws on over 175 years of independent agency management and sales experience and manages a combined sales force of fifteen agents. Berkshire Insurance Group, Inc. sells all lines of insurance (personal, commercial, employee benefits, and life insurance) in Western Massachusetts, Southern Vermont, and Northwestern Connecticut. The group has approximately \$70 million in annual premium volume. The group is preparing to enter the

New York market for commercial insurance in the second quarter of 2007, and is also licensed in New Hampshire, Maine, Pennsylvania, Florida, New Jersey, Colorado, and North Carolina. Berkshire Insurance Group, Inc. is instituting an aggressive cross-sell program of insurance and banking products through all offices and branches.

Berkshire Insurance Group, Inc. is now the largest source of non-interest income to the Company, and with the addition of these revenues, total non-interest income sources are approximately 30% of combined revenues, providing strong diversification and opportunity for enhanced relationship cross-sales.

*"The Company was ranked by the Boston Globe as one of the 100 top-performing Massachusetts-based companies for the sixth consecutive year."*



### ***A New Bank in New York***

Berkshire Bank now has ten branches operating in New York, having opened four branches in 2007. The Bank's branch footprint in New York is roughly equivalent to its footprint in its Berkshire County and Pioneer Valley Massachusetts regions. This has been accomplished through a de novo branch program launched just two years ago. At year-end 2006, the Bank had \$108 million in deposits and \$184 million in commercial loans in the de novo New York region. In 2005, the Company established Berkshire Municipal Bank to solicit New York municipal deposits. The Company is also expanding its commercial cash management products to increase its marketing to New York businesses. The New York Capital Region is the Bank's largest and fastest growing market, and the Bank expects to significantly expand its business there in the next two years as it continues to build its presence and market share.

### ***Creating a Culture of Excitement***

In the fall of 2006, the Company undertook the challenge of building a brand-driven business to drive customer delight, emotional engagement, loyalty, market share and profitability. The solution was to create a compelling value proposition and engineer an exciting memorable customer experience that would translate the brand promise into differentiating behavior. After extensive internal market research, and the formation of a brand ambassador committee, the Company developed its positioning based on the promise that everyone in the company will create a memorable and exciting customer experience.

To sum up our promise to customers, we've adopted the tagline, "**I'm So Excited!**". This tagline, and the use of the Pointer Sisters' music and lyrics, is our stage to tell the world that we are out to change the customer service experience. We are not out to simply satisfy – we aspire to be "**America's Most Exciting Bank<sup>SM</sup>**". The first step in bringing the new brand to life was to rally employees to "live" the brand every day. The tagline "**I'm So Excited!**" was introduced at an all-employee meeting, along with the brand positioning and an upcoming advertising campaign to create external buy-in, excitement and drive traffic to the company.





## **How We Integrate Our Culture of Excitement**

**Products** – Look for new exciting products/services and ways to improve existing ones while listening to the voice of the customer, and the associate.

**Passion** – Infuse all associates with a passion for excitement, building loyalty-based customer relationships, and brand advocacy.

**Processes** – Deliver excitement, and continuously drive efficiency opportunities.

## **Our Vision**

To establish the institution as a **world-class** financial services company through an **engaging and exciting** environment where customers want to do business and employees want to work.

## **The Right Strategy**

The **Right people**, in the **Right places**, doing the **Right things**, for the **Right reasons**. Our goal is to make every touch point with the Company memorable and exciting. To accomplish this, each associate understands that it is everyone's job to do the right thing as outlined in our core values.

## **Brand Management**

Brand management of “**I’m So Excited!**” is the key to financial impact and strategic benefits to increase shareholder value. A strong “**I’m So Excited!**” brand should increase revenue and operating margins by:

- Allowing for premium pricing.
- Improving protection against price wars.
- Becoming a magnet for recruiting and retaining the best employees.
- Increasing customer loyalty.

Translating these benefits into bottom-line impact, as General Electric, Sony, and Starbucks have done, is a compelling example of how the “**I’m So Excited!**” brand can simplify the consumer purchase decision and drive profitability.

## **Our Core Values**

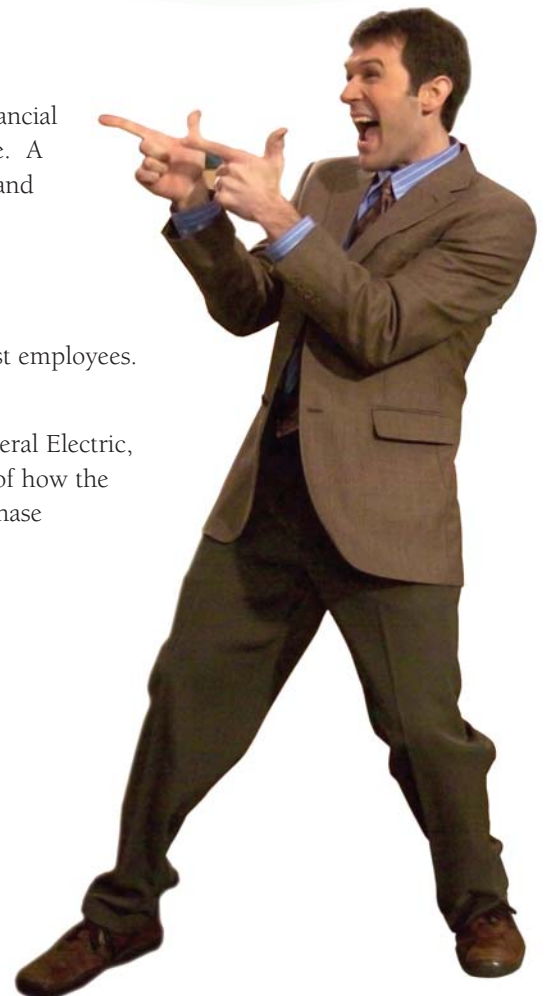
**Respect**

**Integrity**

**Guts**

**Have Fun**

**Team**



# Berkshire Hills Bancorp, Inc., Consolidated

## Summary Balance Sheets

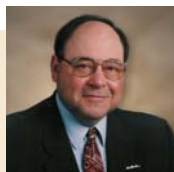
(In thousands, except share data)	December 31, 2006	2005
<b>Assets</b>		
Total cash and cash equivalents	\$30,985	\$31,087
Securities available for sale, at fair value	194,206	390,412
Securities held to maturity (fair values of \$39,686 and \$29,763)	39,968	29,908
Residential mortgages	599,273	549,791
Commercial mortgages	567,074	410,720
Commercial business loans	189,758	158,746
Consumer loans	342,882	300,973
Total loans	1,698,987	1,420,230
Less: Allowance for loan losses	(19,370)	(13,001)
Net loans	1,679,617	1,407,229
Premises and equipment, net	29,130	26,236
Goodwill	104,531	88,092
Other intangible assets	16,810	11,524
Cash surrender value of life insurance policies	30,338	30,505
Other assets	24,057	20,560
Total assets	\$2,149,642	\$2,035,553
<b>Liabilities and stockholders' equity</b>		
<b>Liabilities</b>		
Demand deposits	\$178,109	\$180,136
NOW deposits	153,087	148,644
Money market deposits	297,155	244,784
Savings deposits	202,213	222,387
Total non-maturity deposits	830,564	795,951
Brokered time deposits	41,741	56,933
Other time deposits	649,633	518,334
Total time deposits	691,374	575,267
Total deposits	1,521,938	1,371,218
Borrowings	345,005	397,453
Junior subordinated debentures	15,464	15,464
Other liabilities	9,074	5,352
Total liabilities	1,891,481	1,789,487
<b>Stockholders' equity</b>		
Common stock (\$.01 par value; 26,000,000 shares authorized; 10,600,472 shares issued)	106	106
Additional paid-in capital	200,975	198,667
Unearned compensation	(1,896)	(1,435)
Retained earnings	105,731	99,429
Accumulated other comprehensive income (loss)	92	(2,239)
Treasury stock, at cost (1,887,068 and 2,060,604 shares)	(46,847)	(48,462)
Total stockholders' equity	258,161	246,066
Total liabilities and stockholders' equity	\$2,149,642	\$2,035,553

## Summary Statements of Income

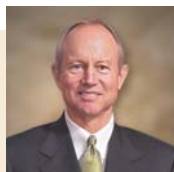
(In thousands, except per share data)	Years Ended December 31, 2006	2005	2004
Loan income	\$100,836	\$70,103	\$43,766
Securities income	16,957	17,517	17,276
Short-term investments income	258	112	39
Total interest and dividend income	118,051	87,732	61,081
Deposit expense	41,044	21,048	12,393
Borrowings and junior subordinated debentures expense	16,767	15,067	8,331
Total interest expense	57,811	36,115	20,724
<b>Net interest income</b>	<b>60,240</b>	<b>51,617</b>	<b>40,357</b>
Deposit service fees	5,803	4,539	2,347
Wealth management fees	3,287	2,828	2,670
Insurance commissions and fees	3,757	1,257	102
Loan service fees	692	749	374
(Loss) gain on sale of securities and securitized loans, net	(3,130)	4,283	1,483
Other	1,639	1,267	788
Total non-interest income	12,048	14,923	7,764
<b>Total net revenue</b>	<b>72,288</b>	<b>66,540</b>	<b>48,121</b>
Provision for loan losses	7,860	1,313	1,565
Salaries and employee benefits	24,708	20,281	16,882
Termination of employee stock ownership plan (ESOP)	-	8,836	-
Occupancy and equipment	7,699	5,798	4,085
Marketing, data processing, and professional services	6,648	4,881	3,954
Non-recurring expense	1,510	2,142	-
Amortization of intangible assets	2,035	1,140	98
Other	6,268	5,920	3,958
Total non-interest expense	48,868	48,998	28,977
Income from continuing operations before income taxes	15,560	16,229	17,579
Income tax expense	4,668	8,003	5,639
<b>Income from continuing operations</b>	<b>10,892</b>	<b>8,226</b>	<b>11,940</b>
Net income (loss) from discontinued operations	371	-	(431)
<b>Net income</b>	<b>\$11,263</b>	<b>\$8,226</b>	<b>\$11,509</b>
<b>Earnings per share</b>			
Basic	\$1.32	\$1.16	\$2.18
<b>Diluted</b>	<b>\$1.29</b>	<b>\$1.10</b>	<b>\$2.01</b>
<b>Weighted average shares outstanding</b>			
Basic	8,538	7,122	5,284
Diluted	8,730	7,503	5,731

# Berkshire Hills Bancorp, Inc.

## Board of Directors



Wallace W. Altes



John B. Davies



Rodney C. Dimock



David B. Farrell



Lawrence A. Bossidy  
Non-Executive  
Chairman of the Board



Michael P. Daly  
President & CEO



Edward G. McCormick



Cornelius D. Mahoney



Catherine B. Miller



David E. Phelps



D. Jeffrey Templeton



Corydon L. Thurston

### 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

### Michael P. Daly

President & Chief Executive Officer of the Company and the Bank

### Wallace W. Altes

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

### John B. Davies

Retired Executive Vice President of Massachusetts Mutual Life Insurance Company

### Rodney C. Dimock

Principal in Arrow Capital, LLC and former President of Cornerstone Properties and Aetna Realty Investors, Inc.

### David B. Farrell

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

### Edward G. McCormick

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

### Cornelius D. Mahoney

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

### Catherine B. Miller

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

### David E. Phelps

President & CEO of Berkshire Health Systems

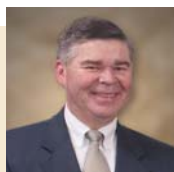
### D. Jeffrey Templeton

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

### Corydon L. Thurston

President & CEO of North Adams Tower Company, Inc.

## Senior Management



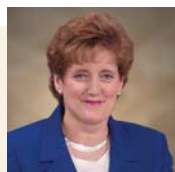
Thomas W. Barney



Thomas C. Crowley



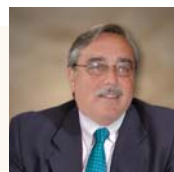
Gerald A. Denmark



Gayle P. Fawcett



Michael J. Ferry



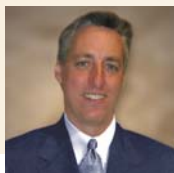
Ross D. Gorman



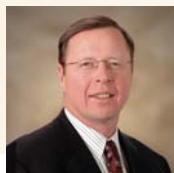
John J. Howard



Linda A. Johnston



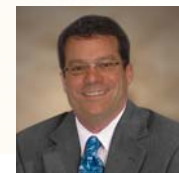
John S. Millet



Michael J. Oleksak



Shepard D. Rainie



Kevin P. Riley

### Thomas W. Barney, CFP

Senior Vice President, Asset Management/Trust

### Thomas C. Crowley

Regional President, New York

### Gerald A. Denmark

Senior Vice President & General Counsel

### Gayle P. Fawcett

Senior Vice President, Technology & Operations

### Michael J. Ferry

Senior Vice President, Commercial Lending

### Ross D. Gorman

President, Berkshire Insurance Group, Inc.

### John J. Howard

Executive Vice President, Retail Banking

### Linda A. Johnston

Senior Vice President, Human Resources

### John S. Millet

Senior Vice President, Interim Chief Financial Officer & Controller

### Michael J. Oleksak

Executive Vice President, Commercial Banking & Regional President, Pioneer Valley

### Shepard D. Rainie

Senior Vice President, Chief Risk Officer

### Kevin P. Riley\*

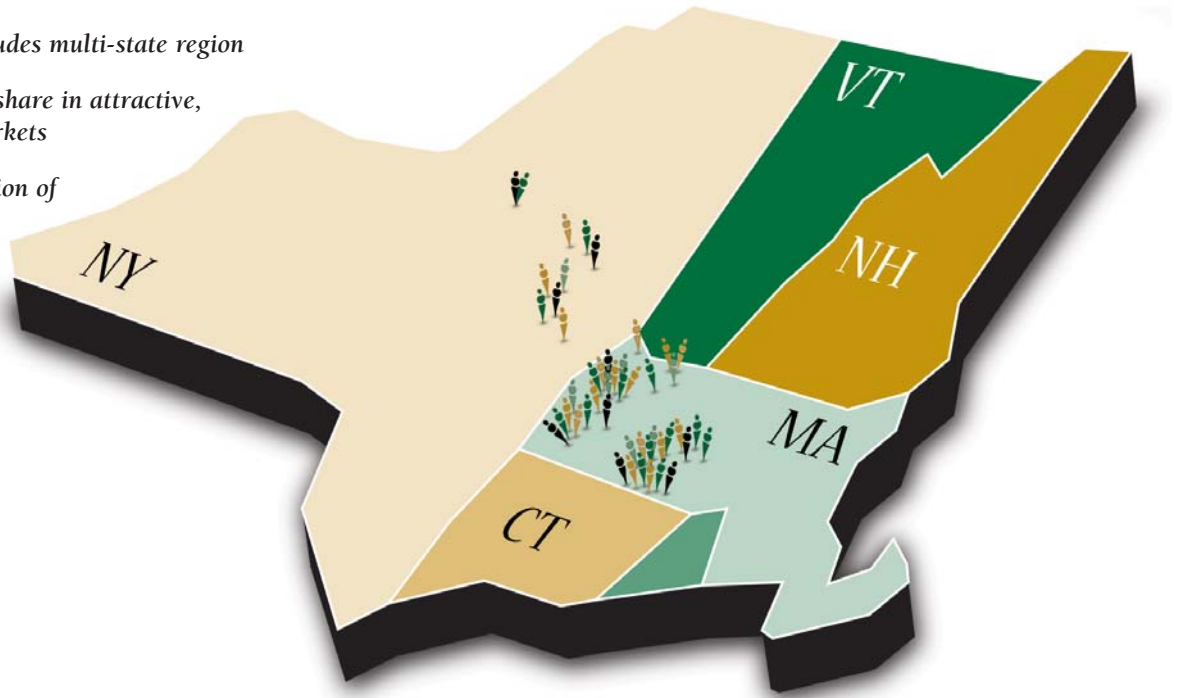
Executive Vice President,  
Chief Financial Officer & Treasurer

\* Effective August 1, 2007



## Banking, Insurance and ATM Locations

- Only regional bank headquartered in this market
- Market area includes multi-state region
- Building market share in attractive, under-served markets
- Regional population of 2.7 million



### New York

#### Albany

41 State Street

#### ATM Only

194 Washington Avenue

#### Clifton Park

Shoppers World Plaza  
15 Park Avenue

#### Colonie

Shaker Pine Plaza  
151 Vly Road

#### Delmar

Delaware Plaza  
180 Delaware Avenue

#### East Greenbush

602 Columbia Turnpike

#### Glenville

262 Saratoga Road

#### Guilderland

20 Mall  
2080 Western Avenue

Town Center Plaza  
1704 Western Avenue

#### Halfmoon

The Crossing  
7 Halfmoon Crossing

#### Oriskany Falls

212 Main Street

### Massachusetts

#### Chicopee

1339 Memorial Drive

#### Dalton

Reynolds, Barnes &  
Hebb Insurance  
399 Main Street

#### East Longmeadow

72 Shaker Road

#### Feeding Hills

1359 Springfield Street

#### Great Barrington

244 Main Street  
255 Stockbridge Road

#### ATM Only

760 Main Street  
(inside Guido's  
Fresh Marketplace)

#### H.S. Andrews Insurance

309 Main Street, Suite 2

#### Greenfield

MassOne Insurance  
117 Main Street

#### Holyoke

ATM Only  
98 Lower Westfield Road

#### Lee

1 Park Street

#### Lenox

ATM Only  
297 West Street  
(inside Tanglewood)

#### Longmeadow

138 Longmeadow Street

Berkshire Insurance Group  
138 Longmeadow Street

#### Ludlow

431 Center Street

#### North Adams

37 Main Street

#### Pittsfield

ATM Only  
Headquarters  
24 North Street

Old Town Hall  
43 East Street

Allendale Shopping  
Center  
39 Cheshire Road

165 Elm Street

66 West Street

#### ATM Only

1350 West Street  
(inside Berkshire  
Community College)

#### ATM Only

75 South Church Street  
(at Berkshire Eagle  
Building)

#### ATM Only

1575 West Housatonic  
Street (next to Subway)

McCormick, Smith  
& Curry Insurance  
391 North Street

Reynolds, Barnes  
& Hebb Insurance  
166 East Street

#### Sheffield

103 Main Street

#### Shelbourne Falls

MassOne Insurance  
3 Bridge Street

#### South Deerfield

MassOne Insurance  
58 Sugarloaf Street

#### South Hadley

74 Lamb Street

#### Southwick

Gristmill Plaza  
608 College Highway

#### Big Y Plaza

185 College Highway

#### Stockbridge

32 Main Street

#### Minkler Insurance

31 Main Street

#### Westfield

31 Court Street

44 Little River Road

Berkshire Insurance Group  
136 Elm Street

#### ATM Only

127 North Elm Street  
(inside Dunkin Donuts)

#### ATM Only

475 Southampton Road  
(inside Dunkin Donuts)

#### ATM Only

577 Western Avenue  
(at Westfield  
State College)

#### West Stockbridge

2 Depot Street



## Reconciliation of Non-GAAP Financial Measures

### Berkshire Hills Bancorp, Inc. and Subsidiaries

(Dollars in thousands, except share data)

At and for the years ended December 31,	2006	2005	2004
Net income	\$11,263	\$8,226	\$11,509
Less: Loss (gain) on sale of securities, net	3,130	(3,532)	(1,402)
Plus: Termination of ESOP	-	8,836	-
Plus: Non-recurring expense	1,510	2,142	-
Plus: Loan loss allowance pool adjustment	5,512	-	-
Plus: (Income) loss from discontinued operations	(606)	-	653
Adj: Income taxes	(3,252)	133	261
Core income (A)	17,557	15,805	11,021
Plus: Amortization of intangible assets (net of taxes)	1,363	741	64
Tangible core income (B)	\$18,920	\$16,546	\$11,085
Total non-interest income	\$12,048	\$14,923	\$7,764
Less: Loss (gain) on sale of securities, net	3,130	(3,532)	(1,402)
Total core non-interest income (C)	15,178	11,391	6,362
Net interest income	60,240	51,617	40,357
Total core revenue (D)	\$75,418	\$63,008	\$46,719
Total non-interest expense	\$48,868	\$48,998	\$28,977
Less: Termination of ESOP	-	(8,836)	-
Less: Non-recurring expense	(1,510)	(2,142)	-
Core non-interest expense (E)	47,358	38,020	28,977
Less: Amortization of intangible assets	(2,035)	(1,140)	(98)
Total core tangible non-interest expense (F)	\$45,323	\$36,880	\$28,879
Total average assets	\$2,116,300	\$1,745,200	\$1,289,500
Less: Average intangible assets	(103,200)	(62,000)	(8,700)
Total average tangible assets (G)	\$2,013,100	\$1,683,200	\$1,280,800
Total average stockholders' equity	\$255,700	\$196,500	\$127,100
Less: Average intangible assets	(103,200)	(62,000)	(8,700)
Total average tangible stockholders' equity (H)	\$152,500	\$134,500	\$118,400
Total stockholders' equity, period-end	\$258,161	\$246,066	\$131,736
Less: Intangible assets, period-end	(121,341)	(99,616)	(7,254)
Total tangible stockholders' equity, period-end (I)	\$136,820	\$146,450	\$124,482
Total shares outstanding (J)	8,713,000	8,540,000	5,874,000
Average diluted shares outstanding (K)	8,730,000	7,503,000	5,731,000
Core return on tangible assets (B/G)	0.94%	0.98%	0.87%
Core return on tangible equity (B/H)	12.40%	12.30%	9.36%
Efficiency ratio	58.46%	57.03%	60.66%
Tangible book value per share (I/J)	\$15.70	\$17.15	\$21.19
Core earnings per share (A/K)	\$2.00	\$2.11	\$1.92

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. Average diluted shares for 2006 core income per share totaled 8,786,000. GAAP net revenue in 2001 was \$49,319 million and core revenues were \$49,051 net of \$268 thousand in securities gains.





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