



**Berkshire Hills Reports 40% Growth in Second Quarter Core EPS  
Quarterly Dividend Declared**

Pittsfield, MA – July 26, 2011 – Berkshire Hills Bancorp, Inc. (NASDAQ:BHLB) reported second quarter 2011 core earnings per share totaling \$0.35, increasing by 40% compared to \$0.25 in the second quarter of 2010. This increase resulted from strong ongoing organic growth together with the benefits of the acquisition of Rome Bancorp, which was completed on April 1, 2011.

Berkshire also completed the acquisition of Legacy Bancorp on July 21, 2011. This event will be reported in Berkshire's third quarter financial results. Berkshire incurred non-core merger related expenses in the second quarter for both the Rome and Legacy transactions. Net of these expenses, which totaled \$0.24 per share after-tax, GAAP earnings per share were \$0.11 during the quarter.

Including the Legacy acquisition in July, Berkshire's total assets have now grown by more than 40% this year to over \$4 billion, and Berkshire's total common shares outstanding have increased by about 50% to approximately 21.1 million. Based on the \$23.06 closing price of Berkshire's common stock on July 20, 2011, Berkshire's total market capitalization exceeds \$480 million.

**SECOND QUARTER FINANCIAL HIGHLIGHTS** (Revenue and expense comparisons are to the prior year second quarter, unless otherwise noted. Second quarter results include the operations of Rome Bancorp. Organic growth numbers exclude acquired Rome balances.)

- 40% increase in core earnings per share
- 16% organic annualized commercial loan growth
- 9% organic annualized total loan growth
- 3% organic annualized deposit growth
- 3.52% net interest margin, improved from 3.30% in the first quarter of 2011
- 22% increase in wealth management fee income
- 0.52% non-performing assets/total assets
- 0.24% annualized net loan charge-offs/average loans
- 0.62% accruing delinquent loans/loans

Berkshire President and CEO, Michael P. Daly, stated “Our solid core earnings growth reflects strong organic growth and sensible bank acquisitions that are improving the strength of our franchise and shareholder value. We have completed the Rome and Legacy acquisitions as planned. We fully expect to achieve the cost savings and earnings targets that we have previously set out for these mergers and for our overall operations, and we are also benefiting from a higher net interest margin. Our tangible book value per share at mid-year improved from where it was before we announced these acquisitions, reflecting our financial disciplines to produce strong earnings accretion while carefully managing any impact on tangible equity.”

Mr. Daly continued, “All major business lines produced solid organic growth in the second quarter. Growth has been led by the commercial lending teams recruited in recent years, as Berkshire continues to increase its market share in supporting business activity in our regional markets. Our annualized organic core earnings per share growth continues to exceed 25%. Our core return on assets has increased by 41% over 2010, and we are moving strongly towards our medium term goal to produce an annualized return on assets exceeding 1%. For the quarter, our marginal core return on equity exceeded 10% on the additional capital that we utilized in the second quarter, which is consistent with our investment objectives. Our asset quality metrics continue to be favorable and our capital ratios are strong and have improved during the year. We continue to take advantage of the opportunities to take our company to the next level in serving our markets and in our attractiveness to the investment community.”

## **DIVIDEND DECLARED**

The Board of Directors maintained the cash dividend on Berkshire’s common stock, declaring a dividend of \$0.16 per share to stockholders of record at the close of business on August 11, 2011 and payable on August 25, 2011. This dividend equates to a 2.95% annualized yield based on the average closing price of Berkshire’s common stock in the second quarter of 2011.

## **FINANCIAL CONDITION**

Changes in financial condition in the second quarter reflected the Rome acquisition at the start of the quarter, together with the ongoing benefit of organic loan and deposit growth. Total assets increased to \$3.2 billion, including the addition of \$0.3 billion in Rome assets. Total loans increased by 14% during the second quarter, including the benefit of 9% annualized organic loan growth. Commercial business loans increased at a 16% annualized organic rate in the second quarter, including the benefit of higher asset based loans. Residential mortgage balances increased at a 6% organic annualized rate, offsetting the impact of planned runoff of indirect auto loans.

Second quarter asset quality metrics remain favorable and continue to improve. Non-performing assets decreased to 0.52% of total assets, and annualized net loan charge-offs decreased to 0.24% of average loans. Accruing delinquent loans also remained favorable, decreasing to 0.62% of total loans.

Total deposits increased by 11% in the second quarter with the benefit of the Rome acquisition. Annualized organic deposit growth was 3% for the quarter. The loan/deposit ratio was 99% at mid-year, reflecting the Bank's ongoing strong liquidity.

Berkshire issued 2.7 million shares for the Rome acquisition at an average value of \$20.83 based on the closing price of Berkshire's stock prior to the acquisition. Total shareholders' equity increased by \$54 million primarily due to the benefit of this stock issuance. Total intangible assets increased by \$20 million as a result of the Rome purchase accounting. Tangible book value per share was \$15.07 at mid-year, declining slightly from \$15.35 at the start of the year. Total book value per share decreased to \$26.61 from \$27.61 during this period, primarily reflecting the \$20.83 per share book value of the new shares issued. The ratio of tangible equity/assets increased to 8.3% from 8.0% during the first half of the year including the benefit of the Rome acquisition.

## **RESULTS OF OPERATIONS**

The second quarter of 2011 was the first period including the benefits of the Rome operations acquired at the start of the quarter. As a result, most categories of income and expense increased due to the Rome merger. Most core profitability measurements improved due to the benefit of this merger. Results in the most recent quarter include an estimated \$0.03 per share accretive core earnings benefit from the Rome acquisition. Earnings per share were affected by the issuance of additional Berkshire common shares related to the Rome acquisition.

Second quarter core earnings increased by 69% to \$5.8 million in 2011 compared to 2010, and core earnings per share increased by 40% to \$0.35 (including the impact of the newly issued shares). Excluding the \$0.03 estimated Rome-related core EPS accretion, core EPS grew at a 27% organic annualized rate compared to the prior quarter. This ongoing organic growth in core EPS reflects the benefit of positive operating leverage resulting from revenue growth and disciplined expense management.

GAAP income results in 2011 included the impact of merger related non-core items listed on page F-9 of the accompanying tables, adjusted for tax accruals. Second quarter 2011 GAAP earnings per share were \$0.11, net of \$0.24 per share in net after-tax merger related non-core items. Including the benefits of the Rome merger, the core return on assets improved to 0.72% in the most recent quarter. Net of merger related charges, GAAP return on assets measured 0.23%. The efficiency ratio improved including the benefits of the merger and organic growth.

Second quarter total net revenue increased by 22% in 2011 compared to 2010. The net interest margin improved to 3.52% from 3.30% in the prior quarter and 3.25% in the second quarter of 2010. This improvement was primarily due to the higher margin of the acquired Rome operations, along with the continuing benefit of disciplined pricing of loans and deposits. Second quarter wealth management revenue increased organically by 22% in 2011 compared to 2010, including the benefit of new business development at a

13% annualized rate for the first half of the year. Including the wealth management business acquired after mid-year with the Legacy acquisition, Berkshire's total assets under management now exceed \$900 million for its combined wealth management business. Second quarter insurance commissions increased 4% year-to-year, including the benefit of commercial account growth. Second quarter revenue included the impact of a \$0.5 million year-to-year reduction in insurance contingency income as a result of lower payouts from major carriers due to industry conditions.

The provision for loan losses decreased in the most recent quarter compared to the prior quarter and to the second quarter of 2010, reflecting the continuing strong performance of the loan portfolio. Under current accounting standards for business combinations, the Rome loan loss allowance was not transferred to Berkshire along with the Rome loans. Estimated losses inherent in Rome's loan portfolio were recorded as charges against the fair value of Rome loans on the merger date. Berkshire's loan loss allowance remained unchanged at \$31.9 million during the second quarter. The ratio of the allowance to total loans was 1.30% at mid-year 2011, and the ratio of the allowance to nonperforming loans was 212%.

Second quarter non-interest expense totaled \$28.6 million, including \$5.5 million in non-core merger related expenses. Core non-interest expense totaled \$23.2 million, which was a 16% increase over the second quarter of 2010. This increase includes the impact of the core Rome operating expenses. Berkshire is proceeding with its plans to achieve cost savings related to this merger, which are expected to be further realized in upcoming quarters. FDIC insurance expense decreased due to the benefit of new FDIC industry assessment rates which became effective at the beginning of the second quarter. This partially offset a write-down on a foreclosed property in anticipation of its sale. Second quarter income tax expense decreased in 2011 compared to 2010 due to the lower pre-tax earnings as a result of the merger related expenses recorded in the most recent quarter.

#### **UNAUDITED SELECTED FINANCIAL HIGHLIGHTS OF LEGACY BANCORP**

Included in the financial exhibits to this news release are unaudited selected second quarter financial highlights of Legacy Bancorp. This information does not include all items which will affect the final financial statements of Legacy as of the acquisition date. Activity in the second quarter was in line with the Company's expectations and transitioning in anticipation of the merger. Additional financial information about Legacy Bancorp will be provided in the notes to the financial statements of Berkshire as of September 30, 2011, which will reflect the acquisition of Legacy as of July 21, 2011. In conjunction with the acquisition of Legacy, a deposit divestiture agreement was entered into with NBT Bancorp to divest four Berkshire County Legacy branch offices with deposits totaling approximately \$158 million. It is anticipated that this divestiture will be completed by October 31, 2011.

## **NOTE ON ACCOUNTING CORRECTION**

Based on a review of its tax credit investment limited partnership interests in the most recent quarter, Berkshire determined that its net income had been understated by an immaterial amount in prior periods. These interests primarily relate to low income housing, community development, and solar energy related investments. The Company has corrected its accounting for these interests, including adjustments to non-interest income to reflect book losses in these interests, which are more than offset by the reduction of income tax expense resulting from federal income tax credits. The enclosed financial statements include the impact of the correction of these immaterial errors to current and prior period financial information presented.

## **CONFERENCE CALL**

Berkshire will conduct a conference call/webcast at 10:00 A.M. eastern time on Wednesday, July 27, 2011 to discuss the results for the quarter, the Legacy acquisition, and guidance about expected future results. Information about the conference call follows:

Dial-in: 877-317-6789  
Webcast: [www.berkshirebank.com](http://www.berkshirebank.com) ([investor relations link](#))

A telephone replay of the call will be available through August 7, 2011 by calling 877-344-7529 and entering conference number: 451775. The webcast and a podcast will be available at Berkshire's website above for an extended period of time.

## **BACKGROUND**

Berkshire Hills Bancorp is the parent of Berkshire Bank, [America's Most Exciting Bank\(SM\)](#), and now has more than \$4 billion in assets after the Legacy acquisition. The Company has more than 60 full service branch offices in Massachusetts, New York, and Vermont providing personal and business banking, insurance, and wealth management services. Berkshire Bank provides 100% deposit insurance protection for all deposit accounts, regardless of amount, based on a combination of FDIC insurance and the [Depositors Insurance Fund](#) (DIF). For more information, visit [www.berkshirebank.com](http://www.berkshirebank.com) or call 800-773-5601.

## **FORWARD LOOKING STATEMENTS**

This document may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. There are several factors that could cause actual results to differ significantly from expectations described in the forward-looking statements. For a discussion of such factors, please see Berkshire's most recent reports on Forms 10-K and 10-Q filed with the Securities and Exchange Commission and available

on the SEC's website at [www.sec.gov](http://www.sec.gov). Berkshire does not undertake any obligation to update forward-looking statements made in this document.

## **NON-GAAP FINANCIAL MEASURES**

This document contains certain non-GAAP financial measures in addition to results presented in accordance with Generally Accepted Accounting Principles (“GAAP”). These non-GAAP measures provide supplemental perspectives on operating results, performance trends, and financial condition. They are not a substitute for GAAP measures; they should be read and used in conjunction with the Company’s GAAP financial information. A reconciliation of non-GAAP financial measures to GAAP measures is included in the accompanying financial tables. In all cases, it should be understood that non-GAAP per share measures do not depict amounts that accrue directly to the benefit of shareholders. The Company utilizes the non-GAAP measure of core earnings in evaluating operating trends, including components for core revenue and expense. These measures exclude amounts which the Company views as unrelated to its normalized operations, including merger costs and restructuring costs. Similarly, the efficiency ratio is also adjusted for these non-core items. The Company also adjusts certain equity related measures to exclude intangible assets due to the importance of these measures to the investment community. Non-GAAP adjustments in 2010 and 2011 are primarily related to expense charges related to the Rome and Legacy mergers. These charges consist primarily of severance/benefit related expenses and professional fees. Tax adjustments are based on an analysis of tax accruals for core income and for GAAP income, with the net difference included with non-core items and reflecting the timing impacts of tax expense estimates.

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**BERKSHIRE HILLS BANCORP, INC.**  
**CONSOLIDATED BALANCE SHEETS - UNAUDITED**

| <i>(In thousands)</i>  | June 30,<br>2011 | March 31,<br>2011 | December 31,<br>2010 |
|--|------------------|-------------------|----------------------|
| <b>Assets</b>  |                  |                   |                      |
| Cash and due from banks                                      | \$ 30,912        | \$ 30,928         | \$ 24,643            |
| Short-term investments                                       | 11,005           | 10,297            | 19,497               |
| Trading security   | 16,025           | 15,781            | 16,155               |
| Securities available for sale, at fair value                 | 306,073          | 315,333           | 310,242              |
| Securities held to maturity, at amortized cost               | 55,061           | 56,628            | 56,436               |
| Federal Home Loan Bank stock and other restricted securities | 23,120           | 23,120            | 23,120               |
| Total securities   | 400,279          | 410,862           | 405,953              |
| Loans held for sale  | -                | 142               | 1,043                |
| Residential mortgages  | 808,225          | 655,601           | 644,973              |
| Commercial mortgages   | 988,342          | 924,311           | 925,573              |
| Commercial business loans                                    | 345,364          | 288,375           | 286,087              |
| Consumer loans   | 309,758          | 277,015           | 285,529              |
| Total loans  | 2,451,689        | 2,145,302         | 2,142,162            |
| Less: Allowance for loan losses                              | (31,919)         | (31,898)          | (31,898)             |
| Net loans  | 2,419,770        | 2,113,404         | 2,110,264            |
| Premises and equipment, net                                  | 44,026           | 39,131            | 38,546               |
| Other real estate owned                                      | 1,700            | 2,400             | 3,386                |
| Goodwill   | 178,068          | 161,725           | 161,725              |
| Other intangible assets                                      | 14,523           | 10,638            | 11,354               |
| Cash surrender value of bank-owned life insurance            | 56,865           | 46,465            | 46,085               |
| Other assets   | 68,406           | 59,846            | 58,907               |
| Total assets   | \$ 3,225,554     | \$ 2,885,838      | \$ 2,881,403         |
| <b>Liabilities and stockholders' equity</b>                  |                  |                   |                      |
| Demand deposits  | \$ 351,249       | \$ 283,526        | \$ 297,502           |
| NOW deposits   | 216,256          | 217,776           | 212,143              |
| Money market deposits  | 792,160          | 770,024           | 716,078              |
| Savings deposits   | 315,161          | 229,528           | 237,594              |
| Total non-maturity deposits                                  | 1,674,826        | 1,500,854         | 1,463,317            |
| Time deposits  | 810,989          | 740,195           | 741,124              |
| Total deposits   | 2,485,815        | 2,241,049         | 2,204,441            |
| Borrowings   | 245,199          | 213,402           | 244,837              |
| Junior subordinated debentures                               | 15,464           | 15,464            | 15,464               |
| Total borrowings   | 260,663          | 228,866           | 260,301              |
| Other liabilities  | 34,106           | 25,201            | 28,014               |
| Total liabilities  | 2,780,584        | 2,495,116         | 2,492,756            |
| Total stockholders' equity                                   | 444,970          | 390,722           | 388,647              |
| Total liabilities and stockholders' equity                   | \$ 3,225,554     | \$ 2,885,838      | \$ 2,881,403         |

(1) The Company acquired Rome Bancorp Inc. ("Rome") on April 1, 2011 with total assets of \$0.3 million.

**BERKSHIRE HILLS BANCORP, INC.**  
**CONSOLIDATED LOAN & DEPOSIT ANALYSIS - UNAUDITED**

**LOAN ANALYSIS**

| <i>(Dollars in millions)</i>    | June 30, 2011 |                           |                          | March 31, 2011 | December 31, 2010 | (2) Organic annualized      |              |
|---------------------------------|---------------|---------------------------|--------------------------|----------------|-------------------|-----------------------------|--------------|
|                                 | Balance       | (1) Acquired Rome balance | Total w/o acquired loans | Balance        | Balance           | Quarter ended June 30, 2011 | Year to date |
| Total residential mortgages     | \$ 808        | \$ 143                    | \$ 665                   | \$ 656         | \$ 645            | 6 %                         | 6 %          |
| Commercial mortgages:           |               |                           |                          |                |                   |                             |              |
| Construction                    | 110           | -                         | 110                      | 108            | 127               | 8                           | (27)         |
| Single and multi-family         | 91            | 2                         | 89                       | 88             | 87                | 5                           | 5            |
| Commercial real estate          | 787           | 43                        | 744                      | 728            | 712               | 9                           | 9            |
| Total commercial mortgages      | 988           | 45                        | 943                      | 924            | 926               | 8                           | 4            |
| Commercial business loans:      |               |                           |                          |                |                   |                             |              |
| Asset based lending             | 134           | -                         | 134                      | 113            | 98                | 74                          | 73           |
| Other commercial business loans | 212           | 29                        | 183                      | 175            | 188               | 18                          | (5)          |
| Total commercial business loans | 346           | 29                        | 317                      | 288            | 286               | 40                          | 22           |
| Total commercial loans          | 1,334         | 74                        | 1,260                    | 1,212          | 1,212             | 16                          | 8            |
| Consumer loans:                 |               |                           |                          |                |                   |                             |              |
| Home equity                     | 247           | 21                        | 226                      | 226            | 226               | -                           | -            |
| Other                           | 63            | 20                        | 43                       | 51             | 59                | (63)                        | (54)         |
| Total consumer loans            | 310           | 41                        | 269                      | 277            | 285               | (12)                        | (11)         |
| Total loans                     | \$ 2,452      | \$ 258                    | \$ 2,194                 | 2,145          | 2,142             | 9 %                         | 5 %          |

**DEPOSIT ANALYSIS**

| <i>(Dollars in millions)</i> | June 30, 2011 |                           |                             | March 31, 2011 | December 31, 2010 | (2) Organic annualized      |              |
|------------------------------|---------------|---------------------------|-----------------------------|----------------|-------------------|-----------------------------|--------------|
|                              | Balance       | (1) Acquired Rome balance | Total w/o acquired deposits | Balance        | Balance           | Quarter ended June 30, 2011 | Year to date |
| Demand                       | \$ 351        | \$ 37                     | \$ 314                      | \$ 283         | \$ 297            | 44 %                        | 11 %         |
| NOW                          | 217           | 17                        | 200                         | 218            | 212               | (33)                        | (11)         |
| Money market                 | 792           | 20                        | 772                         | 770            | 716               | 1                           | 16           |
| Savings                      | 315           | 88                        | 227                         | 230            | 238               | (5)                         | (9)          |
| Total non-maturity deposits  | 1,675         | 162                       | 1,513                       | 1,501          | 1,463             | 3                           | 7            |
| Time less than \$100,000     | 416           | 49                        | 367                         | 369            | 369               | (2)                         | (1)          |
| Time \$100,000 or more       | 395           | 18                        | 377                         | 371            | 372               | 6                           | 3            |
| Total time deposits          | 811           | 67                        | 744                         | 740            | 741               | 2                           | 1            |
| Total deposits               | \$ 2,486      | \$ 229                    | 2,257                       | 2,241          | 2,204             | 3 %                         | 5 %          |

N/M - Not Meaningful

(1) Acquired Rome loans and deposits at April 1, 2011.

(2) June 30, 2011 organic annualized growth rate is calculated on organic growth only, which excludes the Rome acquired balances.

(3) Quarterly data may not sum to annualized data due to rounding.

**BERKSHIRE HILLS BANCORP, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED**

| <i>(In thousands, except per share data)</i>  | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |           |
|---|--------------------------------|-----------|------------------------------|-----------|
|   | 2011                           | 2010      | 2011                         | 2010      |
| <b>Interest and dividend income</b>           |                                |           |                              |           |
| Loans   | \$ 28,607                      | \$ 24,490 | \$ 53,213                    | \$ 48,437 |
| Securities and other                          | 3,446                          | 3,473     | 6,753                        | 7,008     |
| Total interest and dividend income            | 32,053                         | 27,963    | 59,966                       | 55,445    |
| <b>Interest expense</b>                       |                                |           |                              |           |
| Deposits                                      | 5,768                          | 6,787     | 11,483                       | 13,683    |
| Borrowings and junior subordinated debentures | 2,084                          | 2,305     | 4,136                        | 4,594     |
| Total interest expense                        | 7,852                          | 9,092     | 15,619                       | 18,277    |
| <b>Net interest income</b>                    | 24,201                         | 18,871    | 44,347                       | 37,168    |
| <b>Non-interest income</b>                    |                                |           |                              |           |
| Loan related fees                             | 780                            | 756       | 1,371                        | 1,712     |
| Deposit related fees                          | 3,366                          | 2,819     | 5,907                        | 5,279     |
| Insurance commissions and fees                | 2,782                          | 3,197     | 6,512                        | 6,670     |
| Wealth management fees                        | 1,389                          | 1,140     | 2,778                        | 2,316     |
| Total fee income                              | 8,317                          | 7,912     | 16,568                       | 15,977    |
| Other   | (277)                          | (301)     | (197)                        | (220)     |
| Gain on sale of securities, net               | 6                              | -         | 6                            | -         |
| Non-recurring gain                            | 124                            | -         | 124                          | -         |
| Total non-interest income                     | 8,170                          | 7,611     | 16,501                       | 15,757    |
| <b>Total net revenue</b>                      | 32,371                         | 26,482    | 60,848                       | 52,925    |
| <b>Provision for loan losses</b>              | 1,500                          | 2,200     | 3,100                        | 4,526     |
| <b>Non-interest expense</b>                   |                                |           |                              |           |
| Compensation and benefits                     | 12,027                         | 10,960    | 23,178                       | 21,957    |
| Occupancy and equipment                       | 3,546                          | 2,963     | 6,981                        | 5,998     |
| Technology and communications                 | 1,531                          | 1,373     | 2,997                        | 2,756     |
| Marketing and professional services           | 1,557                          | 1,116     | 2,770                        | 2,413     |
| Supplies, postage and delivery                | 507                            | 542       | 961                          | 1,115     |
| FDIC premiums and assessments                 | 741                            | 874       | 1,768                        | 1,647     |
| Other real estate owned                       | 700                            | -         | 1,309                        | 27        |
| Amortization of intangible assets             | 935                            | 768       | 1,651                        | 1,536     |
| Merger related expenses                       | 5,451                          | -         | 7,159                        | 21        |
| Other   | 1,628                          | 1,432     | 3,038                        | 2,750     |
| Total non-interest expense                    | 28,623                         | 20,028    | 51,812                       | 40,220    |
| Income before income taxes                    | 2,248                          | 4,254     | 5,739                        | 8,179     |
| Income tax expense                            | 371                            | 816       | 1,027                        | 1,375     |
| <b>Net income</b>                             | \$ 1,877                       | \$ 3,438  | \$ 4,712                     | \$ 6,804  |
| <b>Earnings per share:</b>                    |                                |           |                              |           |
| Basic   | \$ 0.11                        | \$ 0.25   | \$ 0.31                      | \$ 0.49   |
| Diluted                                       | \$ 0.11                        | \$ 0.25   | \$ 0.31                      | \$ 0.49   |
| <b>Weighted average shares outstanding:</b>   |                                |           |                              |           |
| Basic   | 16,580                         | 13,856    | 15,269                       | 13,845    |
| Diluted                                       | 16,601                         | 13,894    | 15,299                       | 13,875    |

(1) The Company acquired Rome on April 1, 2011. The income statement includes the second quarter operations of Rome.

**BERKSHIRE HILLS BANCORP, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED**

|   | Quarters Ended   |                  |                  |                   |                  |
|---|------------------|------------------|------------------|-------------------|------------------|
|   | June 30,<br>2011 | Mar. 31,<br>2011 | Dec. 31,<br>2010 | Sept. 30,<br>2010 | June 30,<br>2010 |
| <i>(In thousands, except per share data)</i>  |                  |                  |                  |                   |                  |
| <b>Interest and dividend income</b>           |                  |                  |                  |                   |                  |
| Loans   | \$ 28,607        | \$ 24,606        | \$ 25,005        | \$ 24,917         | \$ 24,490        |
| Securities and other                          | 3,446            | 3,307            | 3,364            | 3,546             | 3,473            |
| Total interest and dividend income            | 32,053           | 27,913           | 28,369           | 28,463            | 27,963           |
| <b>Interest expense</b>                       |                  |                  |                  |                   |                  |
| Deposits                                      | 5,768            | 5,715            | 6,121            | 6,512             | 6,787            |
| Borrowings and junior subordinated debentures | 2,084            | 2,052            | 2,153            | 2,267             | 2,305            |
| Total interest expense                        | 7,852            | 7,767            | 8,274            | 8,779             | 9,092            |
| <b>Net interest income</b>                    | 24,201           | 20,146           | 20,095           | 19,684            | 18,871           |
| <b>Non-interest income</b>                    |                  |                  |                  |                   |                  |
| Loan related fees                             | 780              | 591              | 1,125            | 549               | 756              |
| Deposit related fees                          | 3,366            | 2,541            | 2,871            | 2,730             | 2,819            |
| Insurance commissions and fees                | 2,782            | 3,730            | 2,150            | 2,316             | 3,197            |
| Wealth management fees                        | 1,389            | 1,192            | 1,051            | 1,090             | 1,140            |
| Total fee income                              | 8,317            | 8,054            | 7,197            | 6,685             | 7,912            |
| Other   | (277)            | 80               | 234              | (122)             | (301)            |
| Gain on sale of securities, net               | 6                | -                | -                | -                 | -                |
| Non-recurring gain                            | 124              | -                | -                | -                 | -                |
| Total non-interest income                     | 8,170            | 8,134            | 7,431            | 6,563             | 7,611            |
| <b>Total net revenue</b>                      | 32,371           | 28,280           | 27,526           | 26,247            | 26,482           |
| <b>Provision for loan losses</b>              | 1,500            | 1,600            | 2,000            | 2,000             | 2,200            |
| <b>Non-interest expense</b>                   |                  |                  |                  |                   |                  |
| Compensation and benefits                     | 12,027           | 11,151           | 11,093           | 10,870            | 10,960           |
| Occupancy and equipment                       | 3,546            | 3,435            | 3,043            | 2,988             | 2,963            |
| Technology and communications                 | 1,531            | 1,466            | 1,519            | 1,458             | 1,373            |
| Marketing and professional services           | 1,557            | 1,213            | 1,520            | 1,253             | 1,116            |
| Supplies, postage and delivery                | 507              | 454              | 453              | 520               | 542              |
| FDIC premiums and assessments                 | 741              | 1,027            | 887              | 893               | 874              |
| Other real estate owned                       | 700              | 609              | 184              | 100               | -                |
| Amortization of intangible assets             | 935              | 716              | 718              | 768               | 768              |
| Merger related expenses                       | 5,451            | 1,708            | 426              | -                 | -                |
| Other   | 1,628            | 1,410            | 1,572            | 1,244             | 1,432            |
| Total non-interest expense                    | 28,623           | 23,189           | 21,415           | 20,094            | 20,028           |
| Income before income taxes                    | 2,248            | 3,491            | 4,111            | 4,153             | 4,254            |
| Income tax expense                            | 371              | 656              | 511              | 699               | 816              |
| <b>Net income</b>                             | \$ 1,877         | \$ 2,835         | \$ 3,600         | \$ 3,454          | \$ 3,438         |

**Earnings per share:**

|         |         |         |         |         |         |
|---------|---------|---------|---------|---------|---------|
| Basic   | \$ 0.11 | \$ 0.20 | \$ 0.26 | \$ 0.25 | \$ 0.25 |
| Diluted | \$ 0.11 | \$ 0.20 | \$ 0.26 | \$ 0.25 | \$ 0.25 |

**Weighted average shares outstanding:**

|         |        |        |        |        |        |
|---------|--------|--------|--------|--------|--------|
| Basic   | 16,580 | 13,943 | 13,890 | 13,865 | 13,856 |
| Diluted | 16,601 | 13,981 | 13,934 | 13,893 | 13,894 |

**BERKSHIRE HILLS BANCORP, INC.**  
**ASSET QUALITY ANALYSIS**

|  | At or for the Quarters Ended |                  |                  |                   |                  |
|--|------------------------------|------------------|------------------|-------------------|------------------|
|  | June 30,<br>2011             | Mar. 31,<br>2011 | Dec. 31,<br>2010 | Sept. 30,<br>2010 | June 30,<br>2010 |
| <i>(Dollars in thousands)</i>                        |                              |                  |                  |                   |                  |
| <b>NON-PERFORMING ASSETS</b>                         |                              |                  |                  |                   |                  |
| Non-accruing loans:                                  |                              |                  |                  |                   |                  |
| Residential mortgages                                | \$ 2,811                     | \$ 1,529         | \$ 2,174         | \$ 2,520          | \$ 2,251         |
| Commercial mortgages                                 | 9,600                        | 9,510            | 9,488            | 11,122            | 11,049           |
| Commercial business loans                            | 1,764                        | 1,507            | 1,305            | 2,128             | 2,731            |
| Consumer loans                                       | 862                          | 763              | 745              | 616               | 498              |
| Total non-accruing loans                             | 15,037                       | 13,309           | 13,712           | 16,386            | 16,529           |
| Other real estate owned                              | 1,700                        | 2,400            | 3,386            | 2,900             | 2,900            |
| Total non-performing assets                          | \$ 16,737                    | \$ 15,709        | \$ 17,098        | \$ 19,286         | \$ 19,429        |
| Total non-accruing loans/total loans                 | 0.61%                        | 0.62%            | 0.64%            | 0.80%             | 0.82%            |
| Total non-performing assets/total assets             | 0.52%                        | 0.54%            | 0.59%            | 0.69%             | 0.71%            |
| <b>PROVISION AND ALLOWANCE FOR LOAN LOSSES</b>       |                              |                  |                  |                   |                  |
| Balance at beginning of period                       | \$ 31,898                    | \$ 31,898        | \$ 31,836        | \$ 31,848         | \$ 31,829        |
| Charged-off loans                                    | (1,564)                      | (1,758)          | (2,216)          | (2,121)           | (2,502)          |
| Recoveries on charged-off loans                      | 85                           | 158              | 278              | 109               | 321              |
| Net loans charged-off                                | (1,479)                      | (1,600)          | (1,938)          | (2,012)           | (2,181)          |
| Provision for loan losses                            | 1,500                        | 1,600            | 2,000            | 2,000             | 2,200            |
| Balance at end of period                             | \$ 31,919                    | \$ 31,898        | \$ 31,898        | \$ 31,836         | \$ 31,848        |
| Allowance for loan losses/total loans                | 1.30%                        | 1.49%            | 1.49%            | 1.55%             | 1.58%            |
| Allowance for loan losses/non-accruing loans         | 212%                         | 240%             | 233%             | 194%              | 193%             |
| <b>NET LOAN CHARGE-OFFS</b>                          |                              |                  |                  |                   |                  |
| Residential mortgages                                | \$ (225)                     | \$ (124)         | \$ (173)         | \$ (110)          | \$ 32            |
| Commercial mortgages                                 | (597)                        | (963)            | (811)            | (740)             | (1,474)          |
| Commercial business loans                            | (435)                        | (222)            | (733)            | (946)             | (485)            |
| Home equity  | (68)                         | (79)             | (42)             | (3)               | 1                |
| Other consumer                                       | (154)                        | (212)            | (179)            | (213)             | (255)            |
| Total, net   | \$ (1,479)                   | \$ (1,600)       | \$ (1,938)       | \$ (2,012)        | \$ (2,181)       |
| Net charge-offs (QTD annualized)/average loans       | 0.24%                        | 0.30%            | 0.37%            | 0.40%             | 0.44%            |
| Net charge-offs (YTD annualized)/average loans       | 0.27%                        | 0.30%            | 0.42%            | 0.43%             | 0.46%            |
| <b>DELINQUENT AND NON-ACCRUING LOANS/TOTAL LOANS</b> |                              |                  |                  |                   |                  |
| 30-89 Days delinquent                                | 0.50%                        | 0.59%            | 0.26%            | 0.28%             | 0.20%            |
| 90+ Days delinquent and still accruing               | 0.12%                        | 0.11%            | 0.05%            | 0.03%             | 0.01%            |
| Total accruing delinquent loans                      | 0.62%                        | 0.70%            | 0.31%            | 0.31%             | 0.21%            |
| Non-accruing loans                                   | 0.61%                        | 0.62%            | 0.64%            | 0.80%             | 0.82%            |
| Total delinquent and non-accruing loans              | 1.23%                        | 1.32%            | 0.95%            | 1.11%             | 1.03%            |

**BERKSHIRE HILLS BANCORP, INC.**  
**SELECTED FINANCIAL HIGHLIGHTS**

|   | At or for the Quarters Ended |                  |                  |                   |                  |
|---|------------------------------|------------------|------------------|-------------------|------------------|
|   | June 30,<br>2011             | Mar. 31,<br>2011 | Dec. 31,<br>2010 | Sept. 30,<br>2010 | June 30,<br>2010 |
| <b>PERFORMANCE RATIOS</b>                                     |                              |                  |                  |                   |                  |
| Core return on assets   | 0.72 %                       | 0.59 %           | 0.56 %           | 0.50 %            | 0.51 %           |
| Return on total assets  | 0.23                         | 0.39             | 0.51             | 0.50              | 0.51             |
| Core return on equity   | 5.15                         | 4.31             | 4.08             | 3.56              | 3.54             |
| Return on total equity  | 1.67                         | 2.89             | 3.72             | 3.56              | 3.54             |
| Net interest margin, fully taxable equivalent                 | 3.52                         | 3.30             | 3.30             | 3.30              | 3.25             |
| Non-interest income to assets                                 | 1.02                         | 1.13             | 1.05             | 0.95              | 1.12             |
| Non-interest income to net revenue                            | 25.24                        | 28.76            | 26.28            | 25.00             | 28.74            |
| Non-interest expense to assets                                | 3.56                         | 3.22             | 3.03             | 2.90              | 2.95             |
| Efficiency ratio  | 66.22                        | 71.02            | 70.82            | 70.69             | 69.89            |
| <b>GROWTH</b>   |                              |                  |                  |                   |                  |
| Total commercial loans, year-to-date (annualized)             | 20 %                         | - %              | 17 %             | 11 %              | 9 %              |
| Total loans, year-to-date (annualized)                        | 29                           | -                | 9                | 6                 | 6                |
| Total deposits, year-to-date (annualized)                     | 26                           | 7                | 11               | 6                 | 5                |
| Total net revenues, year-to-date, compared to prior year      | 15                           | 6                | 17               | 4                 | 3                |
| Earnings per share, year-to-date, compared to prior year      | (37)                         | (17)             | N/M              | 124               | 172              |
| Core earnings per share, year-to-date, compared to prior year | 33                           | 25               | N/M              | 78                | 64               |
| <b>FINANCIAL DATA (In millions)</b>                           |                              |                  |                  |                   |                  |
| Total assets  | \$ 3,226                     | \$ 2,886         | \$ 2,881         | \$ 2,799          | \$ 2,748         |
| Total loans   | 2,452                        | 2,145            | 2,142            | 2,054             | 2,020            |
| Allowance for loan losses                                     | 32                           | 32               | 32               | 32                | 32               |
| Total intangible assets                                       | 193                          | 172              | 173              | 174               | 175              |
| Total deposits  | 2,486                        | 2,241            | 2,204            | 2,069             | 2,040            |
| Total stockholders' equity                                    | 445                          | 391              | 389              | 382               | 384              |
| Total core income   | 5.8                          | 4.2              | 3.9              | 3.5               | 3.4              |
| Total net income  | 1.9                          | 2.8              | 3.6              | 3.5               | 3.4              |
| <b>ASSET QUALITY RATIOS</b>                                   |                              |                  |                  |                   |                  |
| Net charge-offs (current quarter annualized)/average loans    | 0.24 %                       | 0.30 %           | 0.37 %           | 0.40 %            | 0.44 %           |
| Non-performing assets/total assets                            | 0.52                         | 0.54             | 0.59             | 0.69              | 0.71             |
| Allowance for loan losses/total loans                         | 1.30                         | 1.49             | 1.49             | 1.55              | 1.58             |
| Allowance for loan losses/non-accruing loans                  | 212                          | 240              | 233              | 194               | 193              |
| <b>PER SHARE DATA</b>   |                              |                  |                  |                   |                  |
| Core earnings, diluted  | \$ 0.35                      | \$ 0.30          | \$ 0.28          | \$ 0.25           | \$ 0.25          |
| Net earnings, diluted   | 0.11                         | 0.20             | 0.26             | 0.25              | 0.25             |
| Tangible book value   | 15.07                        | 15.52            | 15.35            | 14.89             | 14.96            |
| Total book value  | 26.61                        | 27.68            | 27.61            | 27.29             | 27.43            |
| Market price at period end                                    | 22.39                        | 20.83            | 22.11            | 18.96             | 19.48            |
| Dividends   | 0.16                         | 0.16             | 0.16             | 0.16              | 0.16             |
| <b>CAPITAL RATIOS</b>   |                              |                  |                  |                   |                  |
| Stockholders' equity to total assets                          | 13.80 %                      | 13.54 %          | 13.49 %          | 13.66 %           | 13.97 %          |
| Tangible stockholders' equity to tangible assets              | 8.31                         | 8.07             | 7.98             | 7.96              | 8.16             |

N/M - Not Meaningful

- (1) Reconciliation of Non-GAAP financial measures, including all references to core and tangible amounts, appear on pages F-9 & F-10.  
Tangible assets are total assets less total intangible assets.
- (2) All performance ratios are annualized and are based on average balance sheet amounts, where applicable.

**BERKSHIRE HILLS BANCORP, INC.**  
**AVERAGE BALANCES**

| <i>(In thousands)</i>                             | Quarters Ended      |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | June 30,<br>2011    | Mar. 31,<br>2011    | Dec. 31,<br>2010    | Sept. 30,<br>2010   | June 30,<br>2010    |
| <b>Assets</b>                                     |                     |                     |                     |                     |                     |
| Loans:  |                     |                     |                     |                     |                     |
| Residential mortgages                             | \$ 802,460          | \$ 651,059          | \$ 639,470          | \$ 633,846          | \$ 636,009          |
| Commercial mortgages                              | 973,557             | 929,564             | 901,434             | 892,124             | 877,638             |
| Commercial business loans                         | 333,700             | 283,747             | 251,229             | 212,697             | 180,830             |
| Consumer loans                                    | 311,057             | 281,069             | 288,782             | 296,827             | 302,928             |
| <b>Total loans</b>                                | <b>2,420,774</b>    | <b>2,145,439</b>    | <b>2,080,915</b>    | <b>2,035,494</b>    | <b>1,997,405</b>    |
| Securities  | 405,670             | 403,549             | 411,207             | 402,604             | 407,696             |
| Short-term investments                            | 4,688               | 12,035              | 13,658              | 13,865              | 10,505              |
| <b>Total earning assets</b>                       | <b>2,831,132</b>    | <b>2,561,023</b>    | <b>2,505,780</b>    | <b>2,451,963</b>    | <b>2,415,606</b>    |
| Goodwill and other intangible assets              | 196,292             | 172,653             | 173,386             | 174,124             | 174,887             |
| Other assets                                      | 186,785             | 142,789             | 147,365             | 141,868             | 129,665             |
| <b>Total assets</b>                               | <b>\$ 3,214,209</b> | <b>\$ 2,876,465</b> | <b>\$ 2,826,531</b> | <b>\$ 2,767,955</b> | <b>\$ 2,720,158</b> |
| <b>Liabilities and stockholders' equity</b>       |                     |                     |                     |                     |                     |
| Deposits:   |                     |                     |                     |                     |                     |
| NOW   | \$ 229,980          | \$ 215,191          | \$ 210,487          | \$ 195,433          | \$ 196,387          |
| Money market                                      | 778,055             | 746,366             | 635,745             | 612,106             | 598,007             |
| Savings   | 317,232             | 234,838             | 232,494             | 219,701             | 221,196             |
| Time  | 809,768             | 737,551             | 741,921             | 749,234             | 748,248             |
| <b>Total interest-bearing deposits</b>            | <b>2,135,035</b>    | <b>1,933,946</b>    | <b>1,820,647</b>    | <b>1,776,474</b>    | <b>1,763,838</b>    |
| Borrowings and debentures                         | 269,665             | 229,878             | 292,416             | 288,467             | 266,860             |
| <b>Total interest-bearing liabilities</b>         | <b>2,404,700</b>    | <b>2,163,824</b>    | <b>2,113,063</b>    | <b>2,064,941</b>    | <b>2,030,698</b>    |
| Non-interest-bearing demand deposits              | 334,171             | 293,895             | 289,786             | 280,628             | 275,883             |
| Other liabilities                                 | 25,268              | 26,862              | 36,490              | 34,158              | 25,148              |
| <b>Total liabilities</b>                          | <b>2,764,139</b>    | <b>2,484,581</b>    | <b>2,439,339</b>    | <b>2,379,727</b>    | <b>2,331,729</b>    |
| <b>Total stockholders' equity</b>                 | <b>450,070</b>      | <b>391,884</b>      | <b>387,192</b>      | <b>388,228</b>      | <b>388,429</b>      |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 3,214,209</b> | <b>\$ 2,876,465</b> | <b>\$ 2,826,531</b> | <b>\$ 2,767,955</b> | <b>\$ 2,720,158</b> |
| <b>Supplementary data</b>                         |                     |                     |                     |                     |                     |
| Total non-maturity deposits                       | \$ 1,659,438        | \$ 1,490,290        | \$ 1,368,512        | \$ 1,307,868        | \$ 1,291,473        |
| Total deposits                                    | 2,469,206           | 2,227,841           | 2,110,433           | 2,057,102           | 2,039,721           |
| Fully taxable equivalent income adj.              | 675                 | 679                 | 716                 | 709                 | 693                 |

(1) Average balances for securities available-for-sale are based on amortized cost. Total loans include non-accruing loans.

**BERKSHIRE HILLS BANCORP, INC.**  
**AVERAGE YIELDS (Fully Taxable Equivalent - Annualized)**

|                                    | Quarters Ended   |                  |                  |                   |                  |
|------------------------------------|------------------|------------------|------------------|-------------------|------------------|
|                                    | June 30,<br>2011 | Mar. 31,<br>2011 | Dec. 31,<br>2010 | Sept. 30,<br>2010 | June 30,<br>2010 |
| <b>Earning assets</b>              |                  |                  |                  |                   |                  |
| Loans:                             |                  |                  |                  |                   |                  |
| Residential mortgages              | 4.97 %           | 5.04 %           | 5.01 %           | 5.17 %            | 5.26 %           |
| Commercial mortgages               | 4.74             | 4.68             | 4.91             | 4.74              | 4.96             |
| Commercial business loans          | 4.89             | 4.69             | 4.83             | 5.86              | 4.99             |
| Consumer loans                     | 3.97             | 3.63             | 3.72             | 3.83              | 3.93             |
| Total loans                        | 4.74             | 4.65             | 4.77             | 4.86              | 4.90             |
| Securities                         | 4.07             | 4.01             | 3.94             | 4.19              | 4.09             |
| Short-term investments             | 0.19             | 0.13             | 0.11             | 0.15              | 0.10             |
| Total earning assets               | 4.64             | 4.53             | 4.60             | 4.72              | 4.75             |
| <b>Funding liabilities</b>         |                  |                  |                  |                   |                  |
| Deposits:                          |                  |                  |                  |                   |                  |
| NOW                                | 0.31             | 0.33             | 0.35             | 0.32              | 0.35             |
| Money Market                       | 0.69             | 0.75             | 0.85             | 0.87              | 0.98             |
| Savings                            | 0.26             | 0.31             | 0.26             | 0.22              | 0.25             |
| Time                               | 2.00             | 2.19             | 2.36             | 2.59              | 2.68             |
| Total interest-bearing deposits    | 1.08             | 1.20             | 1.33             | 1.45              | 1.54             |
| Borrowings and debentures          | 3.10             | 3.62             | 2.92             | 3.12              | 3.46             |
| Total interest-bearing liabilities | 1.31             | 1.46             | 1.55             | 1.69              | 1.79             |
| Net interest spread                | 3.33             | 3.07             | 3.05             | 3.03              | 2.96             |
| Net interest margin                | 3.52             | 3.30             | 3.30             | 3.30              | 3.25             |
| Cost of funds                      | 1.15             | 1.28             | 1.37             | 1.48              | 1.58             |
| Cost of deposits                   | 0.94             | 1.04             | 1.15             | 1.26              | 1.33             |

(1) Average balances and yields for securities are based on amortized cost.

(2) Cost of funds includes all deposits and borrowings.

**BERKSHIRE HILLS BANCORP, INC.**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**

|   | At or for the Quarters Ended |                  |                  |                   |                  |
|---|------------------------------|------------------|------------------|-------------------|------------------|
|   | June 30,<br>2011             | Mar. 31,<br>2011 | Dec. 31,<br>2010 | Sept. 30,<br>2010 | June 30,<br>2010 |
| <i>(Dollars in thousands)</i>                             |                              |                  |                  |                   |                  |
| Net income  | \$ 1,877                     | \$ 2,835         | \$ 3,600         | \$ 3,454          | \$ 3,438         |
| Adj: Gain on sale of securities, net                      | (6)                          | -                | -                | -                 | -                |
| Adj: Other non-recurring gain                             | (124)                        | -                | -                | -                 | -                |
| Plus: Merger related expense                              | 5,451                        | 1,708            | 426              | -                 | -                |
| Adj: Income taxes   | (1,400)                      | (316)            | (78)             | -                 | -                |
| <b>Total core income</b>                                  | <b>(A) \$ 5,798</b>          | <b>\$ 4,227</b>  | <b>\$ 3,948</b>  | <b>\$ 3,454</b>   | <b>\$ 3,438</b>  |
| Total non-interest income                                 | \$ 8,170                     | \$ 8,009         | \$ 7,783         | \$ 6,915          | \$ 7,963         |
| Adj: Gain on sale of securities, net                      | (6)                          | -                | -                | -                 | -                |
| Adj: Other non-recurring gain                             | (124)                        | -                | -                | -                 | -                |
| Total core non-interest income                            | 8,040                        | 8,009            | 7,431            | 6,563             | 7,611            |
| Net interest income                                       | 24,201                       | 20,146           | 20,095           | 19,684            | 18,871           |
| <b>Total core revenue</b>                                 | <b>\$ 32,241</b>             | <b>\$ 28,155</b> | <b>\$ 27,526</b> | <b>\$ 26,247</b>  | <b>\$ 26,482</b> |
| Total non-interest expense                                | \$ 28,623                    | \$ 23,189        | \$ 21,415        | \$ 20,094         | \$ 20,028        |
| Less: Merger related expense                              | (5,451)                      | (1,708)          | (426)            | -                 | -                |
| Core non-interest expense                                 | 23,172                       | 21,481           | 20,989           | 20,094            | 20,028           |
| Less: Amortization of intangible assets                   | (935)                        | (716)            | (718)            | (768)             | (768)            |
| <b>Total core tangible non-interest expense</b>           | <b>\$ 22,237</b>             | <b>\$ 20,765</b> | <b>\$ 20,271</b> | <b>\$ 19,326</b>  | <b>\$ 19,260</b> |
| <i>(Dollars in millions, except per share data)</i>       |                              |                  |                  |                   |                  |
| Total average assets                                      | (B) \$ 3,214                 | \$ 2,876         | \$ 2,827         | \$ 2,768          | \$ 2,720         |
| Total average stockholders' equity                        | (C) 450                      | 392              | 387              | 388               | 388              |
| Total stockholders' equity, period-end                    | 445                          | 391              | 389              | 383               | 385              |
| Less: Intangible assets, period-end                       | (193)                        | (172)            | (173)            | (174)             | (175)            |
| <b>Total tangible stockholders' equity, period-end</b>    | <b>(D) 252</b>               | <b>219</b>       | <b>216</b>       | <b>209</b>        | <b>210</b>       |
| Total shares outstanding, period-end ( <i>thousands</i> ) | (E) 16,721                   | 14,115           | 14,076           | 14,037            | 14,037           |
| Average diluted shares outstanding ( <i>thousands</i> )   | (F) 16,601                   | 13,981           | 13,934           | 13,893            | 13,894           |
| Core earnings per share, diluted                          | (A/F) \$ 0.35                | \$ 0.30          | \$ 0.28          | \$ 0.25           | \$ 0.25          |
| Tangible book value per share, period-end                 | (D/E) \$ 15.07               | \$ 15.52         | \$ 15.35         | \$ 14.89          | \$ 14.96         |
| Core return (annualized) on assets                        | (A/B) 0.72 %                 | 0.59 %           | 0.56 %           | 0.50 %            | 0.51 %           |
| Core return (annualized) on equity                        | (A/C) 5.15                   | 4.31             | 4.08             | 3.56              | 3.54             |
| Efficiency ratio (1)                                      | 66.22                        | 71.02            | 70.82            | 70.69             | 69.89            |

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

(2) Ratios are annualized and based on average balance sheet amounts, where applicable.

(3) Quarterly data may not sum to year-to-date data due to rounding.

**BERKSHIRE HILLS BANCORP, INC.**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**

| <i>(Dollars in thousands)</i>                                    | At or for the Six Months Ended |                  |
|--|--------------------------------|------------------|
|  | June 30,<br>2011               | June 30,<br>2010 |
| Net income (loss)  | \$ 4,712                       | \$ 6,804         |
| Adj: Gain on sale of securities, net                             | (6)                            | -                |
| Adj: Non-recurring income  | (124)                          | -                |
| Plus: Merger related expense                                     | 7,159                          | 21               |
| Adj: Income taxes  | (1,716)                        | (9)              |
| Total core income  | (A) \$ 10,025                  | \$ 6,816         |
| Plus: Amortization of intangible assets                          | 1,651                          | 1,536            |
| Total tangible core income                                       | (B) \$ 11,676                  | \$ 8,352         |
| Total non-interest income  | \$ 16,501                      | \$ 15,757        |
| Adj: Gain on sale of securities, net                             | (6)                            | -                |
| Adj: Non-recurring income  | (124)                          | -                |
| Total core non-interest income                                   | 16,371                         | 15,757           |
| Net interest income  | 44,347                         | 37,168           |
| Total core revenue   | \$ 60,718                      | \$ 52,925        |
| Total non-interest expense                                       | \$ 51,812                      | \$ 40,220        |
| Less: Merger related expense                                     | (7,159)                        | (21)             |
| Core non-interest expense  | 44,653                         | 40,199           |
| Less: Amortization of intangible assets                          | (1,651)                        | (1,536)          |
| Total core tangible non-interest expense                         | \$ 43,002                      | \$ 38,663        |
| <i>(Dollars in millions, except per share data)</i>              |                                |                  |
| Total average assets   | (B) \$ 3,045                   | \$ 2,699         |
| Total average stockholders' equity                               | (C) \$ 421                     | \$ 388           |
| Total stockholders' equity, period-end                           | \$ 445                         | \$ 385           |
| Less: Intangible assets, period-end                              | (193)                          | (175)            |
| Total tangible stockholders' equity, period-end                  | (D) \$ 252                     | \$ 210           |
| Total common shares outstanding, period-end ( <i>thousands</i> ) | (E) 16,721                     | 14,037           |
| Average diluted common shares outstanding ( <i>thousands</i> )   | (F) 15,299                     | 13,875           |
| Core earnings per common share, diluted                          | (A/F) \$ 0.66                  | \$ 0.49          |
| Tangible book value per common share, period-end                 | (D/E) \$ 15.07                 | \$ 14.96         |
| Core return (annualized) on assets                               | (A/B) 0.77 %                   | 0.50 %           |
| Core return (annualized) on equity                               | (A/C) 5.55                     | 3.48             |
| Efficiency ratio (1)   | 68.10                          | 70.26            |

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

(2) Ratios are annualized and based on average balance sheet amounts, where applicable.

(3) Quarterly data may not sum to year-to-date data due to rounding.

**LEGACY BANCORP, INC.**  
**UNAUDITED SELECTED FINANCIAL HIGHLIGHTS**

| <i>(In thousands)</i>                     | June 30,<br>2011               | December 31,<br>2010 |
|---|--------------------------------|----------------------|
| <b>Selected Financial Condition Data:</b> |                                |                      |
| Loans:                                    |                                |                      |
| Residential mortgages                     | \$ 335,527                     | \$ 351,093           |
| Commercial mortgages                      | 205,660                        | 225,027              |
| Other commercial loans                    | 36,003                         | 28,123               |
| Consumer loans                            | 9,596                          | 10,518               |
| <b>Total loans</b>                        | <b>\$ 586,786</b>              | <b>\$ 614,761</b>    |
| Deposits:                                 |                                |                      |
| Demand deposits                           | 78,014                         | 75,116               |
| NOW deposits                              | 49,677                         | 48,197               |
| Money market deposits                     | 194,650                        | 210,721              |
| Savings deposits                          | 57,291                         | 53,504               |
| Time deposits                             | 279,926                        | 297,707              |
| <b>Total deposits</b>                     | <b>\$ 659,558</b>              | <b>\$ 685,245</b>    |
| Total non-performing assets               | \$ 16,085                      | \$ 18,775            |
| Total accruing delinquent loans           | \$ 3,921                       | \$ 3,616             |
|   | Three Months Ended<br>June 30, |                      |
|   | 2011                           | 2010                 |
| <b>Selected Operating Data:</b>           |                                |                      |
| Core net interest income                  | \$ 6,059                       | \$ 6,749             |
| Core non-interest income                  | 2,857                          | 2,631                |
| Core non-interest expense                 | 7,159                          | 7,765                |
|   | Six Months Ended<br>June 30,   |                      |
|   | 2011                           | 2010                 |
| <b>Selected Operating Data:</b>           |                                |                      |
| Core net interest income                  | \$ 12,107                      | \$ 13,504            |
| Core non-interest income                  | 4,459                          | 3,681                |
| Core non-interest expense                 | 13,673                         | 14,939               |