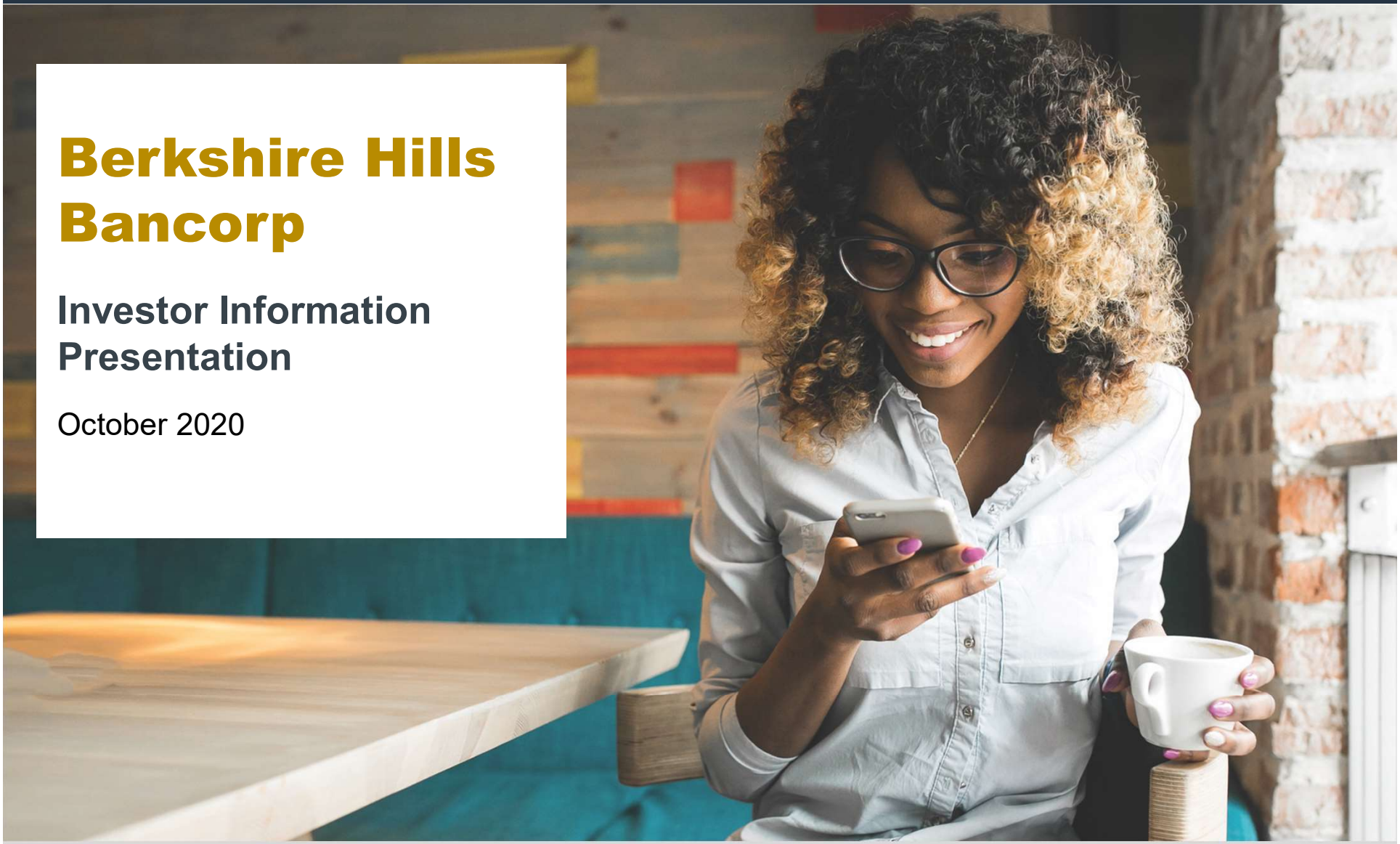
BerkshireHills Bancorp



Berkshire Hills Bancorp

Investor Information Presentation

October 2020

BHLB LISTED NYSE

Life is exciting. Let us help.

Forward-Looking Statements

This document contains “forward-looking statements” within the meaning of section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. You can identify these statements from the use of the words “may,” “will,” “should,” “could,” “would,” “plan,” “potential,” “estimate,” “project,” “believe,” “intend,” “anticipate,” “expect,” “target” and similar expressions. There are many 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.

Further, given its ongoing and dynamic nature, it is difficult to predict what continued effects the novel coronavirus (COVID-19) pandemic will have on our business and results of operations. The pandemic and the related local and national economic disruption may result in a continued decline in demand for our products and services; increased levels of loan delinquencies, problem assets and foreclosures; an increase in our allowance for loan losses; a decline in the value of loan collateral, including real estate; a greater decline in the yield on our interest-earning assets than the decline in the cost of our interest-bearing liabilities; and increased cybersecurity risks, as employees increasingly work remotely.

Accordingly, you should not place undue reliance on forward-looking statements, which reflect our expectations only as of the date of this document. Berkshire does not undertake any obligation to update forward-looking statements.

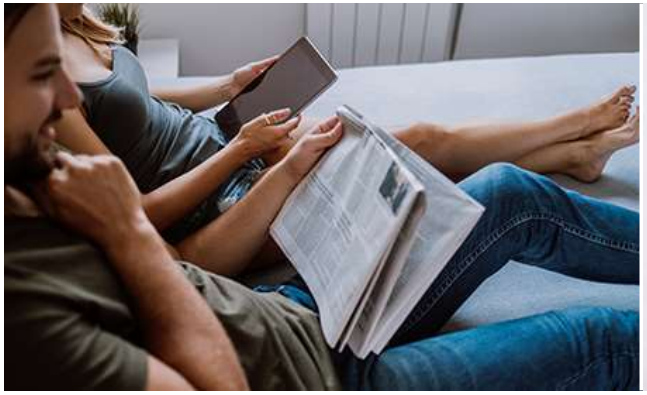
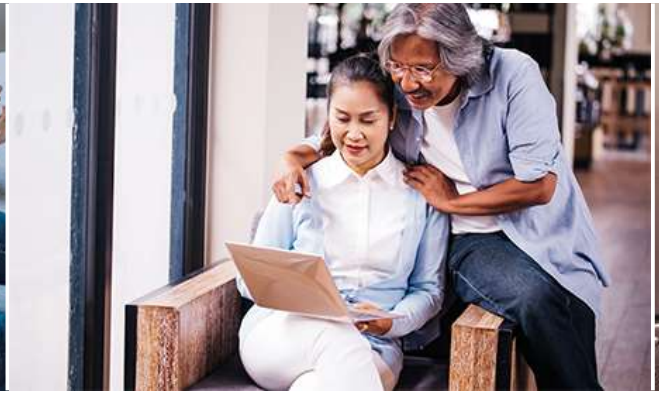
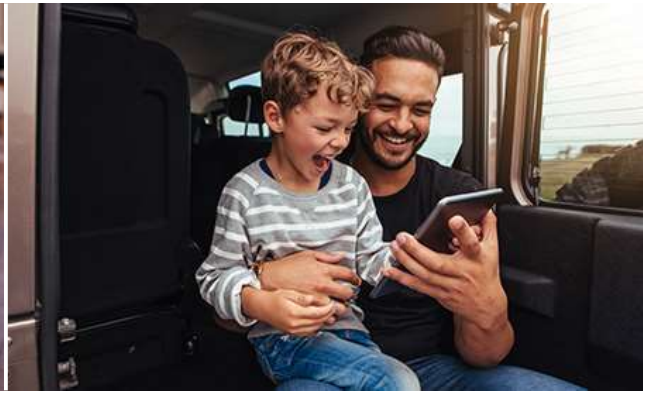
Our Strategic Vision

21st Century Community Banking

- Robust **digital platforms**
- Proprietary future-focused financial solutions that **meet community needs and drive economic mobility**
- Values based market offerings, personalized relationship management and **community driven mission**

Driven by Our Purpose and Values

- Socially responsible, trusted **community partner**
- Focus on **long-term sustainable value creation for all stakeholders**
- **Be FIRST values** guide actions

Be FIRST Values: Our Pandemic Response



Belonging • **F**ocusing • **I**nclusion
Respect • **S**ervice • **T**eamwork

BE FIRST IN EVERYTHING YOU DO

- ✓ **Be FIRST values and culture** guiding all aspects of response
- ✓ Priority is to ensure the **health, safety and economic resiliency** of employees, customers and communities
- ✓ Response focuses on both **near- and long-term impacts**

Executive Team Moving Forward on Key Priorities

- Improving profitability
  - Higher revenue, lower expense
- Prudently working to manage COVID economic risk to borrowers
  - Ongoing progress in reducing loan deferrals
- Strengthening balance sheet
  - Improved capital and liquidity metrics
- Developing strategies to rationalize infrastructure footprint
  - Goal to reduce expense and improve profitability in 2021

Third Quarter Financial Highlights

Profitability Improved; Balance Sheet Strengthened

- Revenue increased by 2%
- Fee income increased by 9%
- Non-interest expense decreased by 88% (2nd quarter included goodwill impairment)
- Core non-interest expense decreased by 4% (non-GAAP measure)
- Efficiency ratio improved to 65% from 71% (non-GAAP measure)
- Equity/assets ratio improved to 9.3% from 8.9%
- Tangible equity/tangible assets ratio improved to 9.1% from 8.6% (non-GAAP measure)
- 0.27% annualized net charge-offs/loans
- 0.39% non-performing assets/assets

Note: See earnings release for discussion and reconciliation of non-GAAP financial measures. Core non-interest expense excludes second quarter goodwill impairment charge. Comparisons are to prior quarter.

Deferrals by Loan Category

- **Loan deferrals decreased from $525 million at 8/31/20**
- **Many commercial deferrals targeted to pay current interest**

As of 9/30/20, $Millions	Portfolio Balance 9/30/20	COVID Deferrals 9/30/20	% of Portfolio With COVID Deferrals
Commercial Real Estate	$3,943	$293	7.4%
Commercial & Industrial (exc PPP)	1,181	39	3.3%
Firestone Financial	258	62	24.0%
Total Commercial (ex PPP)	**5,382**	**394**	**7.3%**
Residential Mortgage	2,122	49	2.3%
Consumer	770	4	0.5%
Subtotal Loans (ex PPP)	8,274	$447	5.4%
PPP Loans	708	0	0.0%
Total Loans	**$8,982**	**$447**	**5.0%**

Note: COVID deferrals include active and in process

Selected Commercial Categories

- **COVID sensitivity declining**
- **Four industries comprise 70% of deferrals**

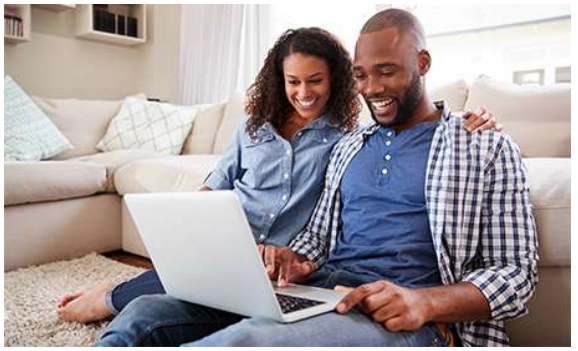
Numbers exclude PPP loans As of 9/30/20, $Millions	Loan Balance 9/30/20	COVID Deferrals 9/30/20	% of Portfolio With COVID Deferrals
Hospitality	$ 330	$ 160	48.5%
Firestone	258	62	24.0%
Restaurants	135	23	17.0%
Nursing/Assisted Living Facilities	189	28	14.8%
Subtotal Sensitive Industries	**912**	**273**	**29.9%**
All Other Commercial	4,470	121	2.7%
Total Commercial (ex PPP)	**$ 5,382**	**$ 394**	**7.3%**

Further Reductions Expected in Q4

- Q4 deferrals primarily focused on principal deferrals, paying current interest payments
- Additional loans returning to normal payment schedule in October
- Total deferrals expected to further decline during Q4
- Most modifications not classified as TDR per CARES Act

Credit Disciplines

- Steady tightening of credit disciplines over last two years as recovery lengthened
  - Underwriting: debt service coverage, LTV's recourse
  - Focused business selection
  - Relationship focus
  - Granular hold limits and diversification targets
  - Pricing disciplines
- Community focus during/after pandemic







Best-In-Class Digital Account Opening Experience

A frictionless & quicker digital account opening experience to better serve customers that leverages the highest security standards

- Improved **Fraud, Compliance & Risk Detection & Decisioning** using Alloy
- Deeper **integration** to FIS IBS Core System
- Average time to complete application of just over 2 minutes, **4x faster** than the industry average
- **57% decrease** in application time
- **100% account funding** rate



Diversity, Equity & Inclusion Commitments

Moving Beyond Rhetoric to Address Racial Equity:

- ✓ Board committee since 2019 focused on **Diversity & Culture**
- ✓ Diversified board including **2 women and 2 Black directors**
- ✓ **Putting money to work for black business owners**: Deploying Capital through unique community and CDFI partnerships
- ✓ Suite of **innovative and socially responsible products & services** that build wealth
- ✓ Appointed **EVP, Chief Human Resources & Culture Officer**



Since 2019:

- ✓ **69%** of employees are women, **53%** of manager roles
- ✓ **8% increase** in employees who identify as an ethnic minority
- ✓ **33% increase** in ethnic minorities in manager roles
- ✓ **100%** employee completion of annual diversity & belonging training
- ✓ **Seven** Employee Resource Groups





Continued COVID-19 Response

Employees

- ✓ Suspended non-essential business travel
- ✓ 86% of non-branch staff WFH, daily health screening for branch staff
- ✓ Increased cleaning and protective precautions including providing protective masks, installed protective shielding in branches and set occupancy restrictions
- ✓ Provided additional paid sick time
- ✓ Protecting pay for those employees who can't work their normal scheduled hours
- ✓ Launched You FIRST employee assistance fund to help with hardships
- ✓ Leveraging employee networks including Employee Resource Groups and Regional Cultural Councils to collect feedback, maintain culture, morale and productivity

Customers

- ✓ Providing financial flexibility to customers facing financial hardships and launched customer assistance programs:
  - ✓ Increased debit card limits, waived penalties for early CD withdrawals and waived foreign ATM fees during initial phase
  - ✓ Providing options for loan forbearance
  - ✓ Participating in the Paycheck Protection Program processing loans for $708MM as of 9/30/20
  - ✓ Providing mobile, telephonic and digital banking solutions and My Bankers for customers
- ✓ Phased reopening of branches to comply with CDC and state guidelines
- ✓ Implemented additional safety precautions including hand sanitizing stations and directional signage in branches
- ✓ Launched Reevx Labs online hub

Communities

- ✓ Hosting virtual community conversations with stakeholders
- ✓ Providing capital to assist small businesses through The Futures Fund with BECMA and MALGBT Chamber
- ✓ Provided over $1MM in grants through Berkshire Bank Foundation, including $500,000 in small business assistance through non-profit partners
- ✓ Offering flexibility for non-profits to redirect prior Foundation funding
- ✓ Evaluating strategic sponsorships and advertising assets for re-deployment
- ✓ Raising funds and deploying employees through virtual skills-based volunteering with a focus on financial health, job training and critical non-profit needs

Support, Recovery and Resiliency

Industry Awards and Recognition



























- ***Berkshire Bank Enhances Paid & Protected Leave, Aims to Address Gender-Based Violence*** – Berkshire Eagle
- ***Berkshire Bank & Narmi Collaborate On Best-In-Class Digital Account Opening*** Banker & Tradesman
- ***Berkshire Bank Boosts Sustainability with Nexamp***- Business West
- ***Berkshire to Help Business Borrowers Facing Hardships*** - Banker & Tradesman

Contact Information

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Belonging • Focusing • Inclusion
Respect • Service • Teamwork

BE FIRST IN EVERYTHING YOU DO