Berkshire Hills Bancorp, Inc.

Fourth Quarter Earnings Release Conference Call

January 20, 2022

CORPORATE PARTICIPANTS

Kevin Conn, *Senior Vice President, Investor Relations and Corporate Development*

Nitin Mhatre, *President and Chief Executive Officer*

Subhadeep Basu, *Senior Executive Vice President and Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Mark Fitzgibbon, *Piper Sandler*

David Bishop, *Seaport Research Partners*

Christopher O'Connell, *KBW*

Laurie Havener Hunsicker, *Compass Point Research*

PRESENTATION

Operator

Hello, and welcome to the Berkshire Hills Bancorp. Fourth Quarter Earnings Release Conference Call.

I will now hand over to your host, Kevin Conn, Head of Investor Relations and Corporate Development to begin. Kevin, please go ahead.

Kevin Conn

Good morning and thank you for joining Berkshire Bank's fourth quarter earnings call. My name is Kevin Conn, Investor Relations and Corporate Development Officer.

Our news release is available in the Investor Relations section of our website, berkshirebank.com and will be furnished to the SEC. Supplemental Investor information is provided in an information presentation at our website at ir.berkshirebank.com, and we will refer to this in our remarks.

Our remarks will include forward-looking statements, and actual results could differ materially from those statements. For details, please see our earnings release and most recent SEC reports on Forms 10-K and 10-Q.

In addition, certain non-GAAP financial measures will be discussed in this conference call. References to non-GAAP measures are only provided to assist you in understanding our results and performance trends and should not be relied on as financial measures of actual results or future projections. A comparison and reconciliation to GAAP measures is included in our news release.

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

On the call today, we have Nitin Mhatre, President and Chief Executive Officer of Berkshire Hills Bancorp; Subhadeep Basu, our Chief Financial Officer; Sean Gray, our Chief Operating Officer; and Greg Lindenmuth, our Chief Risk Officer.

At this time, I'll turn the call over to our CEO, Nitin Mhatre.

Nitin Mhatre

Thank you, Kevin. Good morning, everyone. Happy New Year to all, and welcome once again to Berkshire Bank's Fourth Quarter's Earnings Call.

I'll begin my remarks on Slide 3, where you can see the highlights for the fourth quarter and full year 2021. It was another solid quarter with strong financial performance, continued balance sheet and asset quality strength, and accelerating progress on our BEST strategy.

In terms of financial performance, I will be speaking to the adjusted numbers. We posted fourth quarter EPS of $0.42, up 50% year-over-year. EPS was lower than third quarter but consistent with expectations, and the momentum for EPS drivers is encouraging. Revenues for the quarter were lower year-by-year, driven by reduction in our loan balances, including strategic exits that were consistent with our getting better before getting bigger approach outlined in our BEST program.

Expense discipline remains a focus for us, and fourth quarter adjusted expenses were down 4% year-over-year, and full-year adjusted expenses were flat in 2021 versus 2020. As we've said before, we will self-fund our BEST strategy by reinvesting eight figure cost saves from procurement efficiencies, real estate rationalization, and other efficiency initiatives, in growth initiatives such as our bankers, customer experience, and enabling technology that drives revenue and profitability growth. Our fourth quarter adjusted return on tangible common equity, or ROTCE, improved to 7.3% from 5.5% a year ago.

Another key highlight for the quarter was that, consistent with our guidance of seeing growth in average balance sheet in the first half of 2022, we did see our end-of-period core loan balances grow for the first time this quarter, after nine quarters of decline. This was primarily driven by our organic growth focus that drove over 200% year-over-year growth in originations. For full year 2021, we posted adjusted earnings of $1.69 in 2021 versus $0.60 in 2020. Net interest income pressure was partially offset by strong fee revenues, including SBA and wealth management fees.

You may recall that we had a large credit provision in the first half of 2020 in response to the pandemic. As you've seen over the last few quarters, credit has become a tailwind for Berkshire versus a headwind. Our adjusted 2021 ROTCE was 7.7% versus 3.2% in 2020. Our balance sheet remains quite strong, in both absolute and relative terms. Our credit trends continue to improve as our risk management actions over the past year or more have paid dividends.

Non-performing assets were lower year-over-year and quarter-over-quarter. We had a provision benefit of $3 million this quarter, and we remain well-reserved. In 2021, we returned a total of $92 million of capital, or 109% of our adjusted net income to Shareholders. Last night, we announced our next stock repurchase plan of $140 million, representing approximately 9% of our shares at current price level.

We have ample capital to both fund expected loan growth and continue stock repurchases. Given our relatively low stock valuation as a multiple of our tangible book value, we are prioritizing share repurchases, but we will also assess increasing our cash dividends in 2022.

On the strategy front, we just completed the first six months of our three-year BEST plan. We've made solid progress so far and yet are still in the early part of our journey and profitability growth. In fourth

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

quarter, we achieved our goal to be in the top quartile of ESG rankings nationally. We continued to make key hires in frontline and support units, including hiring new Head of Treasury and Head of Enterprise Analytics. We started new partnerships to drive originations and franchise growth, and we completed implementation of various foundational components of technology.

Board refreshment continued in the quarter as well. We added a new Independent Director, Nina Charnley. We've attached Nina's short bio on the last page of our earnings deck. Nina brings deep industry experience to our Board in banking, wealth management, and financial technology. Welcome aboard, Nina.

For full-year 2021, as part of our BEST program launched in May, we streamlined our business model by selling non-core operations including the sale of our insurance subsidiary and Mid-Atlantic franchise. We consolidated 16 branches, we outsourced servicing activities for efficiency, and centralized procurement activities. We launched technology initiatives to enhance customer experience and support business growth, and commenced new partnerships to drive originations and customer growth.

In 2021, we also announced our Berkshire Community Comeback initiative that highlights how our lending, investments, and philanthropic initiatives in the community will help our customers across the footprint, including those in low to moderate income neighborhoods. This is consistent with our BEST plan as well as our vision to become the top performing, leading, socially responsible community bank in New England and beyond. In 2021, we added three new Directors to our Board and named David Brunelle as the Chairperson of the Board.

As we look back at 2021, it is truly gratifying that our team's progress has been recognized in our stock price. In 2021, our stock's total return, including dividends, was 69%. Despite that recovery, we still trade close to 1.3 times the tangible book value, and our current profitability is still only about half our BEST plan targets, which illustrates a significant opportunity for growth in coming years.

Finally, I would like to thank our over 1,300 employees for their passion, commitment, and hard work in 2021 as we implemented our BEST transformation program. Our bankers and staff are the reason why we are on a comeback trail. Their dedication and commitment to Berkshire's customers and communities is what will continue to drive our success going forward.

With that, I'll turn the call over to Subhadeep to discuss our financials in more detail. Subhadeep?

Subhadeep Basu

Thank you, Nitin. Good morning, everyone.

If you could please turn to Slide 4 of our earnings presentation, it captures our annual income statements. Please see the appendix for a reconciliation of GAAP and adjusted financials for both the years and the quarters. My comments will be on an adjusted basis.

Revenues were lower about 2% overall, as 25% growth in fee income mostly offset an 8% decline in net interest income. Fee income grew despite not having the benefit of insurance fees in fourth quarter of '21, due to the sale of the insurance business. Fee revenue growth was driven by growth in SBA gain on sale, wealth management, and asset-based lending fees. Continued disciplined expense management, resulted in flat expenses year-over-year. Our provision for credit losses dropped from $75.9 million in 2020 to just $0.5 million in 2021 due to improved credit environment and continued economic recovery. Twenty twenty-one marked a year of significant improvements, as highlighted by the key performance indicators. Our EPS increased from $0.60 in 2020 to $1.69 in 2021. Our ROTCE also improved from 3.2% in 2020 to 7.7% in 2021. Our ROA improved from 24 basis points in 2020 to 70 basis points in 2021.

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

Moving on to Slide 5. Slide 5 shows our quarterly results. For the quarter, we had net restructuring expenses of $0.9 million, driven by real estate closures from branch consolidation. On an adjusted basis, year-over-year revenues were down 6% with net interest income down 8% and fees up 4%. We expect trends that have impacted revenue, that is lower loan growth, excess liquidity, and NIM pressure to reverse in the first half of 2022. Our net interest margin was 260 basis points, up four basis points from the third quarter and flat year-over-year. On an adjusted NIM basis, excluding purchase accounting and PPP, our adjusted NIM was up ten basis points versus third quarter from 245 basis points to 55 basis points.

Expenses are down 4% year-over-year, but up 1% versus third quarter on some episodic fourth quarter costs, including technology, compensation, and other miscellaneous expenses. We had a provision benefit of $3 million this quarter due to improved credit environment and continued economic recovery. Including charge-offs of $4 million, the ACL decreased by $7 million. Our adjusted return on tangible common equity was 7.34%, up 184 basis points year-over-year. Our adjusted ROA was also up year-over-year from 45 basis points to 71 basis points.

Turning to Slide 6, let me address changes in our loan portfolios and earning assets. Our total average loan portfolio was down year-over-year, primarily driven by runoff of PPP and non-strategic portfolios, like indirect auto and aircraft, sale of Mid-Atlantic businesses, and lower loan balances for consumer and commercial portfolios. Excluding those portfolios, our adjusted average loans were down 2% sequentially and down 14% year-over-year.

Driven primarily by our commercial businesses, fourth quarter 2021 originations, more than doubled compared to third quarter of '21, and we are encouraged that on an end-of-period basis, loans are up 51 basis points or 2% on an annualized basis.

We do expect the balance sheet to resume solid growth in the first half of 2022. The investments portfolio is up 35% year-over-year. In fourth quarter of '21, we deployed cash into high yielding securities while retaining asset sensitivity and credit quality. We stand to benefit from the rising rate environment as we deploy excess cash to support loan growth in 2022.

Moving on to Slide 7, Slide 7 shows our average liabilities. Our funding mix continues to meaningfully improve as lower cost funding replaces higher cost funding. Year-over-year, our cost of funds have dropped 34 basis points from 60 basis points to 26 basis points, and our cost of deposits has dropped 28 basis points from 47 basis points to 19 basis point. Declines in our funding costs has had a significant positive impact on our net interest income.

Moving on to Slide 8, Slide 8 provides more detail on the improvement in our funding profile. Our total deposits, excluding broker deposits, are up 2% year-over-year and the mix is improving. Non-interest-bearing deposits are up 18% year-over-year to over $3 billion. Our high-priced customer CDs are down 24% year-over-year to $1.4 billion. We have significantly lowered our reliance on wholesale funding. Year-over-year, our wholesale funding is down 72%.

We paid down our FHLB borrowings in third quarter of '21 and ended the year at $13.4 million. Brokered CDs are down 55% year-over-year, and we expect our brokered CDs to decline by over 75% by end of second quarter 2022. Our borrowings also include $75 million of expensive subordinated debt with a coupon of 6.85%. It is redeemable, and we plan to redeem it no later than third quarter of 2022 and further lower our funding costs.

Turning to Slide 9, we show our fee revenues. I would like to note that our fee revenues for fourth quarter of 2020 and third quarter of 2021 include insurance fee revenues due to the timing of the sale of the

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

insurance business in the third quarter. Excluding insurance, our fee revenues were up 18% year-over-year and 1% quarter-over-quarter.

Loan fees and revenues were up 88% year-over-year and 10% quarter-over-quarter, driven primarily by higher gain on sale from strong SBA lending, swap in commercial servicing fees, SBA gain on sale, fee revenues, and wealth management fee revenues, which were up double-digits year-over-year. The other fee bucket includes tax credit impairments and episodic items like BOLI and other miscellaneous items.

On Slide 10, we show our expenses. We continue to maintain expense discipline while we execute on our BEST strategy. We continue to self-fund our BEST transformation, that is, reinvesting meaningful expense saves to drive growth while maintaining overall expenses at or near current levels. Adjusted expenses were down 4% year-over-year and marginally up by 1% versus third quarter. We continue to benefit from expense saves from market exits and branch consolidations. We consolidated 16 branches in 2021 and are looking at additional, but modest number of branch consolidations.

We have reduced our professional services expenses significantly, down 42% year-over-year and 26% quarter-over-quarter. On other focus areas like procurement and real estate, we've already realized saves in 2021, and we expect to continue to make good progress towards rationalizing our procurement expenses and real estate footprint in 2022 and further reduce our expense base.

Slide 11 is a summary of our asset quality metrics. Credit quality continues to remain strong. Net charge-offs in the fourth quarter were $4 million, with a provision benefit of $3 million. Allowance for credit losses to loans ended the quarter at 1.56%.

I would note that the increase in delinquency ratio in fourth quarter of '21 is driven by one commercial credit moving into accruing delinquency status, and it does continue to make payments as agreed. It was driven by one matured commercial credit, which is in the process of getting refinanced. We expect that credit to refinance in the first half of 2022, likely in the first quarter.

As we have done in prior quarters, we've included credit data on COVID-sensitive industries in the appendix. Please take a look at your convenience.

Slide 12 shows detail on our capital and liquidity positions. Our capital levels remain very strong. Our common equity Tier 1 capital ratio ended the fourth quarter at an estimated 15%. In line with our capital deployment strategy, we're very pleased to announce a new $140 million worth of stock repurchase that we plan to execute in 2022.

Combined with the $68 million buyback we executed in third quarter of 2021, we intend to return a total of about $208 million in capital to our Shareholders. We are focused on opportunistic stock repurchases given our low stock valuation, but also expect to enhance dividend yield and grow our cash dividends over time.

So in summary, we had another solid quarter: solid momentum in fee income, early signs of loan growth, and importantly, balance sheet and NIM inflection, strong credit performance, and strong expense and capital management.

Now I would like to close with comments on our outlook for 2022, on Slide 13. The bond market, futures, and forwards markets are now projecting four Fed funds rate hikes in 2022, and another three in 2023. Our 2022 guidance is based on market implied forward rates for 2022. We expect low to mid-single-digit loan and low single-digit deposit growth in 2022. We expect our NIM to trend higher.

On a reported basis, we expect net interest income to be up in the mid-single-digit percentage range. As you know, our net interest income was impacted by PPP and included Mid-Atlantic balances in 2021.

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

Excluding PPP and Mid-Atlantic from 2021, and using market implied rate increases, we'd expect our net interest income to be up high single-digits in 2022.

Our analysis conservatively assumes lower deposit betas for the first two hikes and an average deposit beta of 40% after the first two hikes. We expect low single-digit decline in fee revenues reflecting the sale of insurance business. We expect the improved credit environment to continue over time, and we expect to get to Day 1 CECL reserves to loans by third quarter of 2022. I'd like to note that our credits can be lumpy, so we don't expect a straight line on provision expenses or charge-offs. We expect expenses for the rest of the year to be stable at about $68 million to $70 million quarterly run rate. Expenses can be lumpy from quarter-to-quarter.

Our tax rate for 2022 should be in the high teens. Finally, we expect to opportunistically execute on our newly announced $140 million stock repurchase program in 2022.

With that, I'll turn it back to Nitin for further comments. Nitin?

Nitin Mhatre

Thanks, Subhadeep.

On Slide 14, we have our BEST North Star chart, which shows the five key performance metrics of our BEST strategic plan. We are encouraged by our progress against financial, ESG, and net promoter score targets and we're generally trending ahead of schedule as of end of period 2021. We recognize that the progress won't be linear every quarter for every metric, but we are confident that directionally we will be making progress towards our North Star objectives outlined. We are committed to sharing these metrics on an ongoing basis.

We're encouraged that we've already achieved top quartile ESG scores, and we are just starting our BEST Community Comeback initiative that will improve it further. Based on our better-than-expected performance in 2021, and the new significantly higher interest rate environment, we will be providing revised BEST targets at the next quarterly earnings call. In 2021, we have experienced renewed Investor interest in our stock, and based on the discussions with them here's how we believe our story is being perceived from the outside in.

Berkshire Bank is being looked at as a unique comeback story, and the key tenets of that comeback story are: strong capital position that will support loan growth as well as enhanced capital return to our Shareholders; above average asset sensitivity which will drive improved profitability and higher return on equity; organic growth focus, as we start getting bigger after getting better this year; a combination of frontline hires, productivity growth, enabling technology initiatives and partnerships will reignite our organic originations growth engine, and we will start seeing growth in average balance sheet in the first half of 2022. ESG and NPS focus differentiating us for our bankers, customers, communities, and Investors; hiring advantage - we have a unique opportunity to hire talented, purpose-driven, community-dedicated bankers in our footprint from banks impacted by the M&A, MOE, and other such activities; continued efficiency ratio focus, reiterated by our commitment to reinvest saves from procurement, real estate, and other efficiency initiatives, in growth initiatives, supporting customer experience, banker productivity, and technology enablers.

In summary, a solid quarter and a year across many fronts, improved financial returns, core loan growth, checking and deposit balances growth, fee momentum, and disciplined expense control. We're starting 2022 with good momentum on balance sheet and return of capital through share buyback.

With that, I'll turn it over to the Operator for questions. Katy?

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

Operator

Thank you.

Our first question comes from Mark Fitzgibbon from Piper Sandler. Mark, your line is now open.

Mark Fitzgibbon

Hey, guys. Good morning.

Nitin Mhatre

Good morning, Mark.

Subhadeep Basu

Good morning.

Mark Fitzgibbon

I was wondering—I had heard your guidance on loan growth, sort of low- to mid-single-digit. I guess I'm curious, is that likely to be driven by C&I and commercial real estate? Also, I was curious if you think we're getting kind of to the end of the CRE prepayment activity that you and everybody has been seeing.

Subhadeep Basu

Yes, hi, Mark. Good morning. Great to hear your voice. So, on the prepayment activity, I would say consistent with what we're seeing in the industry, we're noticing definitely a downward trend on that, so I think that's helpful for us. Then overall, I think the balance sheet sort of mix in terms of growth is going to be spread across, and from a balance sheet mix perspective, we're going to stay fairly consistent with some marginal changes here between commercial and consumer balances.

Mark Fitzgibbon

Okay. Great. Then Subhadeep on the margin, I thought your comments were that it should trend upward. Can you help us think about the magnitude of the margin expansion? In that same vein, I'm curious, if you're deploying some of the cash you have on the balance sheet into securities. Is that likely, to pressure the margin a little bit and also reduce asset sensitivity?

Subhadeep Basu

Thanks, Mark. I think, first of all, if you notice our balance sheet, we invested a whole bunch of cash in the last quarter but we still have a significant cash position that we have left in the balance sheet. We plan to deploy those. Between loan growth and we have a growing balance sheet to fund, as well as investments, so you're going to see a balanced approach. Obviously, our objective will be to sort of maximize our returns.

So that would be the strategy going forward, and then as we go through our quarterly earnings, you'll see that play out. In terms of NIM, I think at this point, we'd like to stay with the guidance that NIM is going to trend higher during the course of the year. As we have more actuals and quarterly results, maybe we can consider giving some more specific ranges.

Mark Fitzgibbon

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

Okay. Great. Then I think you mentioned in the release that you've hired a number of seasoned commercial bankers. I wonder if you could share with us how many you hired, say, in the fourth quarter.

Nitin Mhatre

Mark, this is Nitin here. I'll take that. I think we've highlighted that as part of the BEST plan we're going to grow our frontline hires by about 40% over that three year period. We're kind of on that exact track as we speak. The momentum for hires has improved and the fourth quarter hires were the highest hires we made in 2021. I won't be able to give you the specific number, but the momentum is on par with what we had anticipated in BEST.

Mark Fitzgibbon

Okay. Great.

Nitin Mhatre

Big part of the originations growth that we outlined, one of the factors there was that some of the new hires have started bringing in new pipeline and production.

Mark Fitzgibbon

Okay, and then last question is on the buyback. I guess I'm curious how you think about the valuation of the buyback. Is there a price level at which you sort of say this doesn't make sense?

Subhadeep Basu

Hey, Mark. This is Subhadeep. We have sort of intrinsic valuation, sort of what we think our stock should be valued at. I think Nitin in his earlier comments talked about price to tangible and where we are valued if you look at peer medians. So we ballpark and take sort of those as some of our key indicators. We make those decisions around buybacks and what price it makes sense for us to buy those. I think as we said, we're going to be very opportunistic in terms of getting to the buyback program.

Mark Fitzgibbon

Thank you.

Nitin Mhatre

Thanks, Mark.

Operator

Our next question comes from David Bishop from Seaport Research Partners. David, please go ahead.

David Bishop

Yes, good morning, gentlemen. How are you?

Nitin Mhatre

Very well, David. How are you doing?

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

Subhadeep Basu

Hi, David.

David Bishop

Good. Thanks for taking my question.

Hey, I want to sort of circle back to Mark's first question in terms of the NIM guidance here and the net interest income guidance here. I know your first bullet says it's up mid-single-digits on a reported basis using what we're seeing in terms of the spot forward curve here. What are you using as the base net interest income margin? Because I have on a fully tax equivalent basis somewhere around $297 million. Should we assume it grows mid-single-digits off about that $297 million number? Just curious, how we should think about that from a modeling perspective.

Subhadeep Basu

Yes. I think our projection was based off $290-ish million, and I think I would base it off that. The clarification too I would like to make is on the adjusted versus reported. The adjusted is simply just taking into account the impact of the PPP and the Mid-Atlantic sale, and then where we're actually going to likely end up from an NII basis at the end of 2022. That's the high single-digit number that I referred to in the guidance.

David Bishop

Do you have that number in front of you, in terms of what the adjusted NII is for 2021?

Subhadeep Basu

At this point, I think sort of without giving out a specific number as we consider the guidance, I think we can sort of—I would say mid-single-digit growth in NII.

David Bishop

Okay. Maybe also just sticking with that topic, I think you'd said that guidance assumes four Fed rate hikes. From an interest rate risk perspective, asset-sensitivity position, any sense what a 25 basis-point move in the Fed would have from a margin perspective? I know it's a high-level question, but maybe rough ballpark, what each 25 basis points translates to on the margin.

Subhadeep Basu

Dave, I think I can probably give you some of the other analytics around the shocks and the impact on NII. So, 100 basis points parallel shock, that has about like a 5.6% positive impact on our NII. We'll have more disclosures—and a 200-basis point parallel shock has about 13.1% impact on our NII, one year.

David Bishop

Over one year, okay. Got it. Then sticking with that same chart there, sort of the same question in terms of the fee revenue. What base are you using there? Is that fee revenues adjusted to exclude insurance fees or is that the all-in about $91 million in terms of fee income?

Subhadeep Basu

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

The fee revenue guidance sort of obviously excludes insurance revenues. That's one of the principal reasons we maintain the guidance around what we have today.

David Bishop

Got it. Then remind us again, what the opportunity is on the sub-debt retirement?

Subhadeep Basu

Our sub-debt, $75 million of it is redeemable in third quarter of 2022, so our intention is to call that when the right time comes in the third quarter.

David Bishop

Got it. That had a high 6% coupon, correct?

Subhadeep Basu

Yes, a 6.875% coupon.

David Bishop

Got it. Then maybe one more. I noted the downward trend in terms of CD. How much is left in terms of near-term repricing on the time deposit front?

Subhadeep Basu

Yes. We have around—our total CD book, just to give you some idea, is around $1.7 billion, and so we have, from a maturity perspective, $1.2 billion maturing. Of that, we have retail CDs around—so $1.2 billion maturing in 2022. Of that, we have around a couple of $100 million or so brokered, and the rest, $1 billion of retail CDs that gets repriced in the course of 2022.

David Bishop

Great. Appreciate the color.

Nitin Mhatre

Hey David, just to add a little more color on that, just to highlight the success on the retail CD front, even while we brought down our cost of deposits and have run off those CD balances, we've been able to retain about 92% of our customers in the bank.

David Bishop

Ninety two percent, okay.

Operator

Our next question comes from Christopher O'Connell from KBW. Christopher, your line is now open.

Christopher O'Connell

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

Hey, good morning, gentlemen.

Subhadeep Basu

Good morning, Chris.

Nitin Mhatre

Good morning, Chris.

Christopher O'Connell

So just wanted to start with a follow-up on the fees to make sure I'm understanding it correctly. Do you guys have a number for what the baseline is, the low-single-digit decline is off of?

Subhadeep Basu

So that'll be based off our overall total year (inaudible) number that we disclose as part of our earnings release, Chris.

Christopher O'Connell

Okay. Got it. So the $91 million is about right for that, as the base?

Subhadeep Basu

Yes.

Christopher O'Connell

Great. Thanks. Then I was hoping to drill down a little bit more on the NII guide, and specifically, you guys deployed a bunch of cash this quarter but still have pretty high balances here. What's the timing or level where you guys want to get the cash to as a percentage of assets over time?

Subhadeep Basu

I think we have retroactively considered part of our balance sheet strategy in terms of what those levels should be. We obviously consider into that all scenarios around liquidity, stress situations, and all of that. I would say probably by the end of the year we'll end up somewhere in the range of maybe $600 to $700 million of cash, but that's what we anticipate for now. We'll have further details and further modifications to that, as warranted. You will find out more in our subsequent quarterly earnings calls.

Christopher O'Connell

Got it. Great. Assuming the vast majority outside of the loan growth guide of that is going to securities, what's the yield that you guys are putting on for new securities at this point?

Subhadeep Basu

Chris, we typically don't give out yields on new securities or loans that we book but happy to talk about overall yields on the book. I think we have published some of the information here. I think it's worthwhile probably with as expected rising interest rates, you're going to see likely an uptick in yields but obviously that has to be balanced by the liquidity that we have and the environment and all of that.

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

Christopher O'Connell

Okay. Got it. Then just wanted to confirm the guide around credit and trending toward Day 1 CECL reserves by 3Q '22. I guess just trying to parcel in what's the process or what's going into getting you down to close to that 1% level? Is that 1% level where you think you can get to or will it end up settling a little bit higher, given some of the newer types of consumer loans that you guys are putting on for this year?

Subhadeep Basu

Sure, Chris. Great question. I think, consistent with what we have maintained all along, I think we will hit our Day 1 CECL reserves. I would like to clarify that I would consider our core portfolio, basically our portfolio composition at the end of the year, we would actually expect to end up, let's say, 100—little over 100 basis points. However, as you correctly pointed out, we are putting on consumer loans, right? Again, it's higher-margin and sort of higher—probably in the losses. So you'll see some of that balance playing out towards the latter half of the year.

Again, it's a gradual ramp up. It's not going to be a significant portion of the balance sheet during the course of our transformation, but having said that, you're going to see that ratio creep up as we put on more consumer balances.

Christopher O'Connell

Okay. Got it. That's all I have for now. Thank you.

Subhadeep Basu

Thanks, Chris.

Operator

We take our next question from Laurie Havener Hunsicker from Compass Point Research. Laurie, your line is open.

Laurie Havener Hunsicker

Hi, thanks. Good morning.

Subhadeep Basu

Good morning, Laurie.

Nitin Mhatre

Good morning.

Laurie Havener Hunsicker

I wonder if we could just say on where we are with consumer growth. I think on the last call you said you planned to add $100 million or so in upstart loans. Can you just give us a refresh? Is that still the plan for this year? Any changes? Any other consumer buckets that you're adding? Can you help us think about that?

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

Subhadeep Basu

No, Laurie, you're right. It is about $100 million a year and that stays the same, but just for context there, it is going to be less than 3% of our originations overall as a bank. I think what we're going to generate out of that is tremendous learnings out of deployment of new technologies for search to servicing, as we call it, using technology. So, the volume remains the same. It's relatively small and I think the learnings from the program are enormous.

Laurie Havener Hunsicker

Okay, and are there any other consumer options right now that you're considering adding on balance sheet? Or how are you thinking about that?

Subhadeep Basu

Yes, we are looking at different ways to do that. One through a digital account opening process, enhancing our work force and incentive plans, and also looking at other partnerships, so I think it's a multiple distribution channel kind of approach to this.

Laurie Havener Hunsicker

Okay, and then when we spoke I guess on the last earnings call back in October, you had mentioned a potential net charge-off guide around that $100 million per year bucket of 4% to 5%. Is that still a good number or have you tightened that down? How should we think about that?

Subhadeep Basu

Can you repeat that? Laurie, you're breaking up a little bit. Could you repeat the numbers again?

Laurie Havener Hunsicker

Yes, sure. On the $100 million or so per year of upstart loans, you had mentioned back in October a potential net charge-off guide on those loans of 4% to 5%. Is that still a good number or do you have a tightened number around that?

Subhadeep Basu

No, that still stays the same.

Laurie Havener Hunsicker

That still stays the same. Okay. Perfect. Then, can you just remind me the sale of business operations or assets that took place this quarter for $1.1 million gain, what was that?

Subhadeep Basu

There's a loss fee recorded, a restructuring charge. That basically was technology assets, servers and others, which we upgraded to sort of obviously the newer generations.

Laurie Havener Hunsicker

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

Okay, so right, so the $864,000 that was—actually that was another question I had. So that was the restructuring charge related to what?

Subhadeep Basu

Sorry, Laurie, so the $864,000 of restructuring charges that you were looking at, that was as I bring up my call (phon) that was related to real estate charges pertaining to branch consolidation and then the write-off we took. Then I just want to clarify, I thought what you were referring to, the expense part of the chart. That's the $1.1 million write-down in technology assets.

Laurie Havener Hunsicker

Okay. I'm so sorry. I thought you had a gain on sale of businesses of $1.057 million. Did I read that wrong?

Subhadeep Basu

Yes. Sorry it was–

Laurie Havener Hunsicker

Maybe I read that wrong.

Subhadeep Basu

Yes, you're right, Laurie. Sorry. It was the big sort of employee benefits, that business that we sold before, that's as per contractual basis that's the gain that we were to record this year. Then it was the earn-out from that, basically.

Laurie Havener Hunsicker

Got it. Okay. Great Thanks. Then just going back to your restructuring charges, obviously, we've wrapped up 2021. How should we think about that in 2022? Are we likely to now see a clean look or are you still tweaking things? How are you thinking about that?

Subhadeep Basu

Hi, Laurie. I can't comment on sort of the exact nature of what the restructuring charges could be, if there is any. I think as a Company, obviously, our preference is to keep on a go-forward basis as clean as possible. It will be guided by our strategy and the actions that we might have to undertake in the coming quarters, but that's kind of where our thoughts are at this point.

Laurie Havener Hunsicker

Great. Okay. Thanks. Then one last question. Just going back to your net interest income guide, can you refresh us on what you're thinking about in terms of accretion income in that number? Just comparatively, your accretion income, it looks like it was about $7.5 million for 2021. Can you help us think about that?

Subhadeep Basu

Sorry, Laurie. The audio is a little bit low. Can you speak a bit louder maybe, on the question?

Laurie Havener Hunsicker

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

Sure. Accretion income, can you help us think about what that looks like for 2022?

Subhadeep Basu

Yes. Sure. Sure. I think what you see in the sort of the current quarter, that's going to reflect—you're going to see probably $1 million to $2 million per quarter on that, barring any other surprises. That's going down also.

Laurie Havener Hunsicker

Great, thanks. I'll leave it there.

Subhadeep Basu

Thank you.

Nitin Mhatre

Thanks, Laurie

Operator

This now concludes our Q&A portion of the call. I will hand it back to Nitin Mhatre, CEO, for any closing remarks.

Nitin Mhatre

Thank you for joining us today on our call and for your interest in Berkshire Bank. Wishing everyone a happy, healthy, and a prosperous new year. Have a great day and be well. Katy, you can close the call now.

Operator

Thank you. So this now concludes today's call. Thank you all for joining. You may now disconnect your lines.

Considerable efforts have been made to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.