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February 8, 2021

James Williar "Bill" Dunlaevy
Berkshire Hills Bancorp, Inc.
Chairman of the Board
60 State Street
Boston, MA 02109

SENT ELECTRONICALLY VIA EMAIL

Re: Berkshire Hills Bancorp, Inc.

Mr. Dunlaevy:

HoldCo Asset Management, LP and its managed funds (collectively, "HoldCo") own 1,672,679 shares of common stock of Berkshire Hills Bancorp, Inc. (NASDAQ: BHLB) ("BHLB" or the “Company”), representing approximately 3.3% of the Company’s outstanding shares. We began acquiring these shares in August 2020 because we believed they were significantly undervalued primarily due to (1) the market’s overly harsh assessment of the Company’s credit outlook and (2) investor concerns about senior leadership, namely the abrupt departures of two CEOs in the last two years without any explanation whatsoever.

Since making our initial investment, we have had four conversations with BHLB management to discuss a variety of topics including general strategy, credit outlook, expense control and capital allocation:

- 9/4/2020: Call with Dave Gonci (Capital Markets Officer)
- 9/11/2020: Call with Dave Gonci
- 9/15/2020: Call with Jamie Moses (CFO)
- 2/4/2021: Investment Bank Sponsored CEO Virtual Forum with Jamie Moses

Mr. Moses, in particular, struck us as a shareholder advocate during our initial conversation in September given his repeated emphasis on cleaning up the balance sheet, cutting expenses through branch network rationalization and returning excess capital to shareholders. While he openly acknowledged at the time that he and the Board of Directors (the “Board”) might have differing views on these topics, we were left with the impression that he was hopeful that the Board would act in the best interest of BHLB’s shareholders.

However, Mr. Moses struck a very different tone during our conversation with him at an industry conference last week attended by CEOs of numerous regional banks. During a meeting, attended by two of HoldCo's Senior Analysts as well as an individual from another unrelated fund, Mr. Moses openly voiced his frustrations with the Board that caused us significant concern. One of our analysts took detailed notes in real-time as Mr. Moses spoke. Rather than paraphrase the discussion, we have excerpted our analyst's notes below in italics and highlighted sections that we found particularly concerning. **Because these notes were typed in real-time as Mr. Moses spoke, they should certainly not be relied upon as a transcription of Mr. Moses' statements and you should fully understand that they may contain inadvertent errors and/or omissions. In fact, you will see that there are spelling and grammatical errors in them. Nonetheless, we are providing unaltered excerpts of these notes (other than italicizing the notes and highlighting particular sentences we found to be particularly concerning) so that a reader can make his/her own conclusions.**

> ***<u>Excerpt #1</u>***
> *The kind of questions that are most relevant and most important are why did they choose the new CEO, did they consider a partnership and a sale throughout this process. I do not believe the board considered a sale or a partnership as part of the CEO search, I say that because nobody asked me to do an analysis. I don't believe the board thought the sale was something was considering in the short and medium term, I don't think they would hire a new CEO to do that. It doesn't make any logical sense to me. I think sean and I can hire investment bankers and develop relationships on our own. A new CEO would complicate things. Unfortunately I don't have insight into why and how the board decided. I am disappointed form the board, think they owe that to you guys, don't like the way they are handling it. I am left out of the loop, making general statements around it. I do not know.*

It is highly concerning that the Board does not seem to be listening to the advice of its own CFO and taking advantage of a once in a decade opportunity to repurchase shares at a substantial discount to tangible book value. Given the history of value destructive strategic decisions (outlined later in this letter), the Board should not be allocating any capital to unproven costly growth strategies, but rather, returning all excess capital in an immediately accretive transaction to shareholders.

> ***<u>Excerpt #2</u>***
> *But we feel like we have a lot of capital, by the end of the year, absent share buyback program, we will have something north of 10% TCE and that is a lot. and we would be very high from a regulatory capital as well. We will be solid if some really bad stuff happens, but I do think that independent of whatever, and I say it this way, whatever the board and the new ceo are dreaming up of what awesome things he can do with our capital, there is room to do both, again as the CFO of the company I am telling any investors I have been pretty clear even on calls and into the summer and fall I think we aught to have a buyback program in place, I think it is super compelling if you just do the math and putting the loan on the books, equal capital for both, it is kind of a no brainer to be buying back shares. New CEo and the board are a little like they don't think it is a no brainer, they ask questions of what is the opportunity cost of buying back shares, we need to be growing the business. Those are some good questions the board needs to ask, I just think*

using our capital to buyback shares at 70/80 % of TBV is simply a good investment, in the short term we have so much of the capital that we don't need to make those tradeoffs, think we can easily invest for the future. That is a position I will be advocating for, I might lose that battle as hard as it may seem to you guys.

We believe Mr. Moses raises some important questions that require immediate answers from the Board. Most importantly, **what process did the Board undertake, if any, before deciding to hire yet another CEO to attempt a herculean turnaround of the bank? And why is the Board seemingly reluctant to return excess capital to shareholders?** The Board's failure to evaluate all strategic alternatives, including a sale, merger, and/or capital return program appears to us to be a breach of its fiduciary duties that should outrage all shareholders. In short, it is time for the Board to open the kimono.

Of course, this is just the tip of the iceberg for BHLB. We would be hard pressed to find any bank, or company for that matter, that can claim four CEOs in the last three years, three CFOs in the last seven years, a Chairman resignation in the last year and other key senior level departures along the way – all while generally keeping the public in the dark as to what exactly is going on inside the Company. BHLB is truly earning its self-appointed moniker as America's Most Exciting Bank, just for all the wrong reasons.

Recent Executive / Director Resignations

Start	Departure	Position	Executive	Tenure (yrs)	Severance
Jan-21		CEO	Nitin Mhatre	0.0	-
Aug-20	Jan-21	CEO	Sean Gray	0.5	-
Nov-18	Aug-20	CEO	Richard Marotta	1.7	$4,700,000
Oct-02	Nov-18	CEO	Michael Daly	16.2	$7,500,000
Jul-16		CFO	James Moses	4.6	
Jan-14	Jul-16	CFO	Josephine Iannelli	2.4	$600,000
Mar-07	Jul-13	CFO	Kevin Riley	6.3	$1,000,000
Jun-14	May-20	Chairman	Bill Ryan	5.9	

Source: Company filings.

It is unfortunate that shareholders, the true owners of the Company, cannot count on the Board to act in their best interest. But that is exactly what we believe is happening at BHLB. After all, the Board owns only a meager 0.6% of the Company, the vast majority of which it has received through restricted stock awards. At the same time, **the directors have earned nearly $8 million in total fees over their respective tenures despite underperforming the broader bank index by over 80% on average**. Even today, with the Company's shares languishing below liquidation value, BHLB's directors continue to be net sellers of the stock – this does not exactly inspire investor confidence.

Director Compensation and Relative Underperformance			
Board Member	Date Joined	Total Fees	BHLB TSR vs. SNL U.S Bank Index (a)
Bill Dunlaevy	Aug-11	$1,122,810	(232%)
Baye Adofo-Wilson	May-19	28,000	(48%)
Rheo Brouillard	May-19	35,201	(48%)
David Brunelle	Aug-17	197,542	(59%)
Bob Curley	Dec-09	1,984,682	(156%)
John B. Davies	Jun-05	1,027,042	(64%)
William Hughes III	May-19	28,000	(48%)
Cornelius Mahoney	Jun-05	1,613,845	(64%)
Sylvia Maxfield	Feb-20	n/a	(29%)
Laurie Moffatt	May-13	585,913	(128%)
Jonathan Shulman	Feb-20	n/a	(29%)
Jeffrey Templeton	Jun-05	991,042	(64%)
Total / Average		**$7,614,077**	**(81%)**

Source: S&P Global Market Intelligence as of 2/5/2021.

(a) Represents total stockholder return relative to the SNL U.S. Bank Index, measured from each director's election date.

We are even less inspired by the Board's credentials and experience when it comes to navigating the Company through the challenging operating environment we currently face. To put it bluntly, the Board is a hodgepodge of representatives of formerly unenviable banks including five former bank CEOs/Directors who sold their underperforming institutions to BHLB. These institutions averaged a return on assets of 0.3% in the period prior to sale, putting them in the bottom tier of performance relative to the broader banking industry. Why should shareholders believe this Board will do a better job steering the Company through these difficult times when they could not deliver adequate returns for their legacy shareholders?

Bank Acquisition Profitability		
Bank Acquired	ROAA	Associated Directors
Legacy Bancorp, Inc.	(0.8%)	Bill Dunlaevy (current Chairman)
SI Financial Group	0.4%	Rheo Brouillard
Commerce Bancshares	0.8%	David Brunelle
Woronoco Bancorp	0.7%	Cornelius Mahoney, Jeffrey Templeton
Average	**0.3%**	

Source: S&P Global Market Intelligence.

At BHLB, this Board has overseen several value destructive strategic decisions over the years, including a move into specialty/wholesale funded business lines, expansion eastward into the competitive Boston market and southward into New Jersey (which it recently exited through a branch sale to Investors Bancorp, Inc.) and the purchase and subsequent sale of the Company's national mortgage business. BHLB's exposure to nontraditional business lines such as Firestone, leverage loans, big box retail and other risky COVID-impacted loans have weighed heavily on investor sentiment. Because of all of this, the Company's shares have underperformed the broader bank index by 28%, 48% and 100% on a 1-, 3- and 5-year basis and remain among the lowest valued shares nationwide on a tangible book value basis. There is not a single comparable bank within the Company's footprint that has underperformed as greatly.

Select Peer Valuation and Total Shareholder Returns						
($ in 000)		Total		Total Shareholder Returns		
Bank	Ticker	Assets	P / TBV	1-Year	3-Year	5-Year
Berkshire Hills Bancorp, Inc.	**BHLB**	**12,838,013**	**0.8x**	**(32%)**	**(43%)**	**(15%)**
Webster Financial Corporation	WBS	32,590,690	1.8x	7%	1%	73%
Eastern Bankshares, Inc.	EBC	15,964,190	1.0x	62% [(a)]	n/a	n/a
Community Bank System, Inc.	CBU	13,931,094	2.9x	1%	42%	116%
Independent Bank Corp.	INDB	13,204,301	2.2x	4%	21%	102%
NBT Bancorp Inc.	NBTB	10,932,906	1.7x	(10%)	5%	59%
Brookline Bancorp, Inc.	BRKL	8,942,424	1.3x	(16%)	(13%)	43%
Meridian Bancorp, Inc.	EBSB	6,619,848	1.1x	(10%)	(14%)	25%
Century Bancorp, Inc.	CNBK.A	6,358,834	1.2x	(6%)	7%	116%
TrustCo Bank Corp NY	TRST	5,901,796	1.1x	(16%)	(14%)	42%
Peer Median			**1.3x**	**(6%)**	**3%**	**66%**
Peer Average			**1.6x**	**2%**	**4%**	**72%**
SNL US Bank Index			*1.7x*	*(3%)*	*5%*	*86%*

Source: S&P Global Market Intelligence as of 2/5/2021.

(a) EBC 1-Year total shareholder return based on returns since demutualization on 10/15/2020.

It is time for the Board to come clean with shareholders and reveal exactly what process it undertook, if any, before hiring a fourth CEO to lead the Company. Using the Company's public filings, we estimate that the Board has already wasted over $13 million of shareholder capital on severance payments to CEOs and CFOs over the last several years. We believe we speak for other shareholders when we say that this is completely unacceptable.

We had hoped that after all the leadership changes and massive relative underperformance the Company was considering a sale. When we heard news about a new CEO, we were disappointed but held out hope that this was a decision designed to (1) improve the bank operationally and (2) buy back stock in the meantime before ultimately selling the bank in a few years at a higher valuation than could be achieved today. To us, there are only two paths to value maximization: (1) sell the bank now, or (2) buy back stock, cut expenses, and clean up and optimize the balance sheet as a precursor to selling the bank in a year or two. Pursuing any other path would only be another chapter in the Company's long and storied history of destroying shareholder value.

With the stock continuing to trade below tangible book value despite an improved economic outlook, the market is sending a clear message to the Board that the status quo of continually changing leadership, an opaque strategic plan and a complete lack of transparency is completely unacceptable. **We therefore demand that the Board publicly disclose the review process it undertook before making the decision to bring in an outsider to attempt a herculean turnaround of the bank**.

Since announcing the new CEO appointment, BHLB stock has underperformed the broader bank index, signaling to us that the market clearly is disappointed in your actions. To be blunt, we believe investors were expecting BHLB to sell or merge with one of the many likely and logical buyers operating in and around your markets, many of whom we identified as buyers for Boston Private Financial Holdings, Inc. ("BPFH") in the presentation linked here: http://www.holdcoam.com/wp-content/uploads/Letter-to-BPFH.pdf. Based on the above, it is clear that your CFO, who we have refreshingly found to be a strong proponent of shareholder-friendly strategies, is disappointed in your actions as well.

We expect the Board to explain what process it undertook in connection with its CEO hire (including whether it actively explored a sale of BHLB) and what its plans are going forward (including whether it plans to explore a sale process in the near or medium term). We will allow the Board time to provide this disclosure to investors before we release a presentation articulating our views. We explicitly reserve all legal rights and remedies available to us including exercising our shareholder rights at the next annual meeting of shareholders.

Sincerely,

Vik Ghei (vik@holdcoam.com) and Michael Zaitzeff (misha@holdcoam.com)
HoldCo Asset Management, LP

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