

Berkshire Hills Bancorp, Inc.1

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Overview

Berkshire Hills Bancorp, Inc., publicly traded on the American Stock Exchange (AMEX) under the symbol “BHL,” is the holding company for Berkshire Bank, a Massachusetts full service financial institution founded in 1846. Through its subsidiaries, Gold Leaf Insurance Agency and Gold Leaf Investment Services, Berkshire Bank offers access to a full range of insurance and investment products in addition to operating 11 banking offices in Western Massachusetts.

Company Profile

Berkshire Hills Bancorp, Inc. (AMEX: BHL), headquartered in Pittsfield, Massachusetts, is the holding company for Berkshire Bank. Berkshire Hills Bancorp, Inc. was established in June 2000 with the conversion of Berkshire Bank’s mutual holding company, Berkshire Bancorp, to stock form. In the conversion, Berkshire Hills Bancorp, Inc. sold 7,105,334 shares of common stock at a price of \$10.00 per share, providing net proceeds of \$68.4 million.

Through its subsidiary Berkshire Bank, Berkshire Hills Bancorp, Inc. offers diversified financial services, including deposit, loan, investment, and insurance products, in addition to asset management/trust services. Established in 1846, Berkshire Bank is one of Massachusetts’ oldest and largest independent banks and is the largest banking institution based in Western Massachusetts. The bank is headquartered in Pittsfield, Massachusetts with 11 full service branch offices and 16 ATMs serving communities throughout Berkshire County.

Executive Officers



James A. Cunningham, Jr.
President, Chief Executive Officer



Michael P. Daly
Executive Vice President



Charles F. Plungis, Jr.
Senior Vice President, Treasurer & Chief Financial Officer



Susan M. Santora
Executive Vice President



Robert A. Wells
Chairman

Board of Directors

- Thomas O. Andrews – President and Chief Executive Officer of H. S. Andrews Insurance Agency, Inc.

James A. Cunningham, Jr. – President and Chief Executive Officer of the Company and Bank.

Thomas R. Dawson – Self-employed Certified Public Accountant.

Henry D. Granger – Owner of Northeast Technical Associates, Inc.

A. Allen Gray – Vice President and General Counsel of General Dynamics Defense Systems, Inc.

John Kittredge – Retired Vice President of Crane and Company, Inc.

Peter J. Lafayette – President of Berkshire Housing Development Corporation.

Edward G. McCormick – Managing partner of the law firm of McCormick, Murtagh, Marcus & Smith.
- Catherine B. Miller – Former partner and Vice President of Wheeler & Taylor, Inc.

Michael G. Miller – President of South Mountain Products.

Raymond B. Murray, III – President and co-owner of Ray Murray, Inc.

Louis J. Oggiani – General Practice Attorney.

Robert S. Raser – Account Executive with the Windsor Marketing Group.

Corydon L. Thurston – Executive Vice President and Chief Operating Officer of Berkshire Broadcasting Co., Inc.

Ann H. Trabulsi – Community volunteer serving on various not-for-profit boards.

Robert A. Wells – Chairman of the Board of the Company and Bank.

William E. Williams – President of W. E. Williams Paving, Inc.

Anne Everest Wojtkowski – Professor of Engineering at Berkshire Community College.

2001 ANNUAL REPORT *Berkshire Hills Bancorp, Inc.*

BERKSHIRE BANK



24 North Street, Pittsfield, MA 01201
www.berkshirebank.com

Berkshire Hills Bancorp, Inc.

2001 ANNUAL REPORT

BERKSHIRE HILLS BANCORP, INC.

Report to Shareholders

To our Shareholders:

It is not possible to reflect back on the past year without immediately thinking about the events of September 11, 2001. So many individuals, families and businesses were impacted by the terrorist acts. Certainly there has been no event in my lifetime that's had a greater impact on our country. However, our country has proven to be very resilient. The event has galvanized the American spirit, which is a source of great optimism. One example that serves to motivate and encourage me relates to our good friends at Sandler O'Neill and Partners, L.P. This investment banking company, located in the World Trade Center, lost a significant number of very fine people on September 11th. However, dealing with the emotional realities of the loss of so many friends and co-workers, the company was committed to and focused on honoring those individuals by rebuilding the company. I know the individuals leading that charge will not accept anything less than total success. There are many such stories of dedication and commitment playing out across America, which is what makes this country so grand.

2001 proved to be a challenging year for Berkshire Hills Bancorp, Inc. and its subsidiaries, particularly given the fact that this was our first full year as a public company. We were tested by the Federal Reserve's eleven interest rate reductions, together with an economy slipping into a recession. However, I believe our financial performance, a full discussion of which you will find further in this report, shows we were up to the challenge.

Because our balance sheet shows a strong concentration in loans, more specifically commercial and consumer loans, which carry more risk than residential real estate loans, asset quality is very important to us. Entering 2001, we knew the possibility existed that we could experience a softening economy, which could lead to asset quality concerns. We developed certain initiatives to improve our risk management systems, particularly in the consumer loan area, and in the commercial loan area as well. Furthermore, we purposely began to limit the overall growth of the consumer indirect automobile portfolio as well as restricting growth of lower quality credits. As the year progressed and the recession became more pronounced, together with the impact of September 11th, we did experience increased delinquency and charge-offs, particularly in the indirect automobile portfolio. However, the changes we implemented served to mitigate the effect. Going forward, we believe these initiatives and strategies will continue to help us offset the risks of a protracted recession, should that occur. Obviously, the strategy will negatively impact loan growth, but we believe improving the credit quality of the auto loan portfolio is much more prudent.



BERKSHIRE HILLS BANCORP, INC.

Our Company, like most financial services companies, operates in a highly competitive environment. In order to build shareholder value, we need to enhance the value of our franchise. We have to differentiate ourselves from our competition and we believe the best way to do that is through providing exceptional customer service. We are extremely proud of our staff, who work very hard day in and day out to deliver exceptional customer service. During 2001, we utilized technology to further enhance our capabilities. For example, we implemented an in-house check imaging system that allows the bank to capture an image of every check and paper transaction handled by the bank at a rate of more than 400 items per minute. These images are immediately available to all customer service staff throughout the organization, thus enabling them to provide copies for customers directly from their desktop computers. We also developed alternative methods for customers to receive their monthly statements. Today, customers can have their statements automatically sent to their e-mail address or receive them via CD-ROM. Our Internet banking products for consumer and commercial customers, "BerkshireBank@Home" and "BerkshireBank@Work" have proven to be very popular. We know that "Internet banking" products are not for everyone nor will they replace all traditional delivery channels. However, these products do have appeal to a small but growing segment of our customer base and they do lend critical support to our endeavor to provide exceptional customer service.

Speaking of technology, on June 29, 2001, our Company, through its wholly-owned subsidiary Berkshire Hills Technology, Inc., purchased a controlling interest in EastPoint Technologies, LLC, which on the same date acquired all of the domestic operations and service contracts of M&I EastPoint Technology, Inc., Bedford, New Hampshire, a software and data processing provider for financial institutions as well as substantially all of the operations and service contracts of Preferred Financial Systems, Inc., Arden Hills, Minnesota, a data processing service provider which utilized the EastPoint system. We are excited about our investment in this company and believe that EastPoint Technologies, LLC can be a significant contributor to our non-interest revenue.

As we move forward, we are focused on managing the risks and opportunities that our newly-changed world will present. I believe our employees deserve a tremendous amount of recognition for their hard work and ability to adapt to the rapid pace of change that shows no signs of diminishing. We intend to continue enhancing products and services for our customers while working to improve operating efficiency. Ultimately, we expect our efforts will create ever-increasing value for Berkshire's constituencies: our customers, our employees, our shareholders and everyone who lives and works in this wonderful place we call home; the Berkshires.

James A. Cunningham, Jr.
President & Chief Executive Officer

SELECTED FINANCIAL HIGHLIGHTS



(Dollars in thousands, except per share data)

At December 31

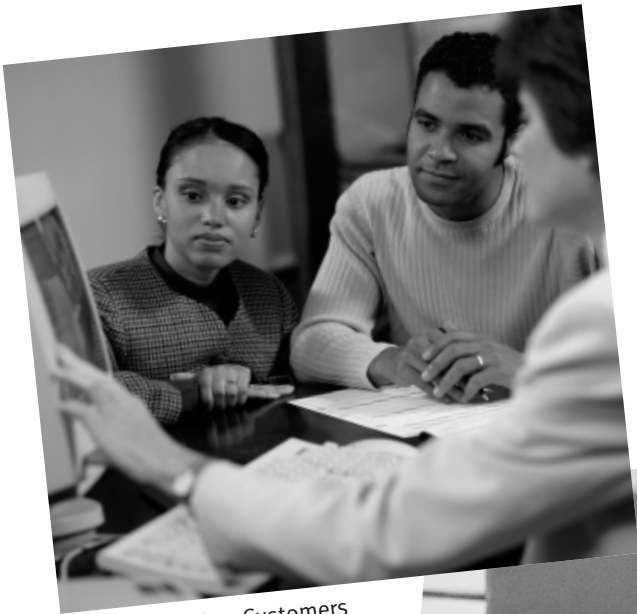
Selected Operating Data	2001	2000	1999
Net interest income	\$42,236	\$37,550	\$31,546
Provision for loan loss	7,175	3,170	3,030
Non-interest income	10,548	4,746	4,298
Other non-interest expense	32,349	32,184	25,196
Net income	8,911	4,582	5,623
Selected Financial Data			
Total assets	\$1,030,701	\$1,011,340	\$841,651
Loans receivable, net	791,920	783,405	665,554
Deposits	742,729	729,594	680,767
Federal Home Loan advances	133,964	101,386	58,928
Shareholders' equity	139,323	161,322	88,352
Performance Ratios for the Year Ended			
Return on average assets	.86%	.49%	.69%
Return on average shareholders' equity	5.74%	3.72%	6.51%
Net interest spread	3.55%	3.40%	3.50%
Net interest margin	4.35%	4.25%	4.13%
Efficiency ratio	61.60%	76.86%	71.27%
Asset Quality Ratios			
Non-performing loans to total loans	.34%	.36%	.42%
Non-performing assets to total assets	.26%	.29%	.36%
Allowance for loan losses to non-performing loans	408.36%	356.08%	300.39%
Allowance for loan losses to total loans	1.37%	1.29%	1.27%
Per Share Data			
Earnings per share	\$1.42	\$.70*	N/A
Book value at period end	\$21.68	\$21.02	N/A
Market price at period end	\$20.25	\$15.75	N/A

*Basic and diluted earnings for 2000 were \$0.70 per common share from July 1 to December 31, 2000.

BERKSHIRE BANK



Berkshire Bank is an independent, full service community bank committed to being the “financial institution of choice” for the people and businesses in Berkshire County, Massachusetts and neighboring communities. Throughout the years, we have remained true to our mission of delivering exceptional customer service, providing financial and non-profit leadership in our communities, and supporting a well-trained and highly motivated staff. We value and respect our customers and maintain an environment in which customers will want to bank and employees will want to work.



Internet Banking Customers



Steven J. Dalton, Regional Branch Officer, visits Undermountain Elementary School

Our Mission



As an independent, financial services organization, we will strive to meet and exceed the expectations of our customers, provide financial support and leadership in our communities, and foster a well-trained and motivated staff.

Creating a “Financial Partner for Life”

There is no secret to keeping a customer for life. We simply strive to meet and exceed their expectations in the delivery of quality financial services and products. We believe our exceptional customer service separates us from the competition. And, if we’ve done our job properly, we’ll open customers’ first savings accounts; assist them with checking and debit cards; be there when they buy cars; celebrate when they buy their first homes; and protect and secure their retirements. And, hopefully, begin that circle again with their children and grandchildren.

Our People

Our historical success as a financial institution and our reputation as a good employer and community leader have helped us attract and retain our exceptional management and employee team. We implemented an Employee Stock Ownership Plan (ESOP) to enable our workforce to participate in the overall success of the Company, to align our staff with our shareholder's interests, and ultimately increase the overall effectiveness of our workforce.

Retail Banking Services

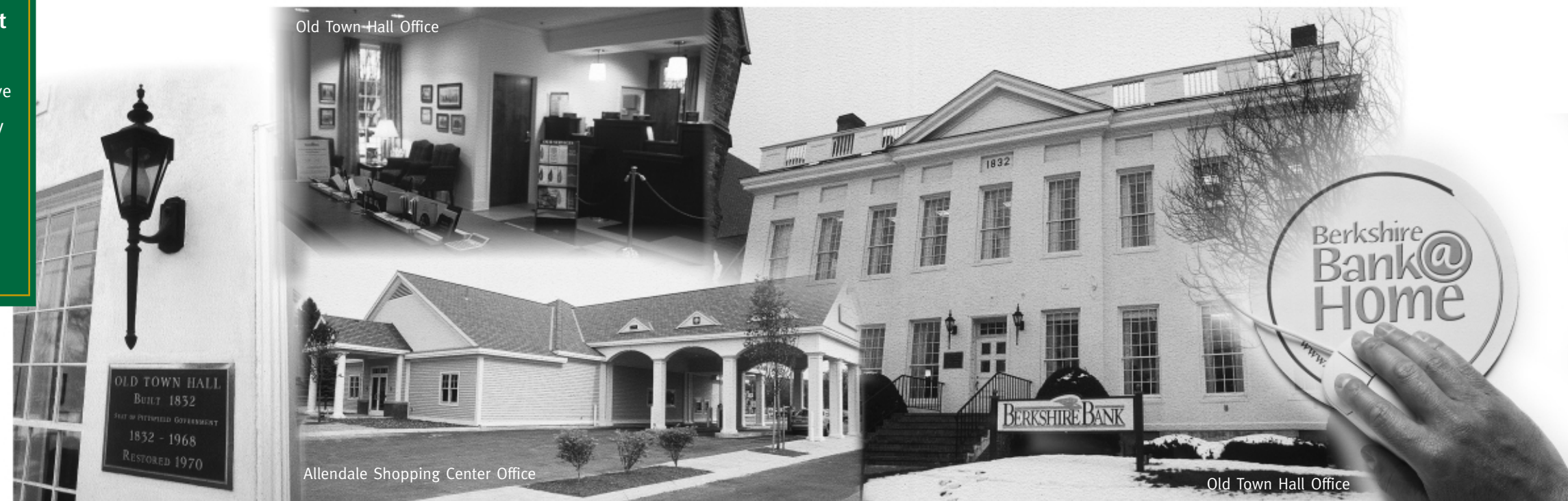
Berkshire Bank continues to be the dominant financial institution in our market area, with more than 57,000 households and a 27% deposit market share in Berkshire County, Massachusetts. For both new and established customers, our goal is to deepen and broaden profitable relationships over time.

Convenience and Accessibility

Berkshire Bank has extended its commitment to making banking convenient for our customers. Our retail franchise includes 11 full service branches and 16 ATMs throughout Berkshire County. Thirty years after first opening its doors in Pittsfield's Allendale Shopping Center, we celebrated the re-opening of our new freestanding branch office. The new facility features two drive-up windows, a 24-hour drive-up ATM, and an updated lobby with an insurance/investment area to serve our customers better.

Our Customer Service Commitment

Consumers will feel that we are responsive to their individual needs, know that they have received special treatment from someone who respects them and cares, and will trust our advice today and in the future.



Old Town Hall Office

Allendale Shopping Center Office

Old Town Hall Office

The Old Town Hall Office interior renovations, which compliment the original 1832 exterior of the building, were completed providing improved convenience, comfort, and privacy while maintaining the beauty and historic significance of the colonial era building. The Old Town Hall office remodeling efforts expanded the bank's customer service area by more than 1,000 square feet, adding a new reception area, three private offices, and a new six-station teller line.

We have responded to the need to provide multiple delivery channels for our customers. Technology continues to transform the way our customers bank. We now provide faster, easier, and more convenient access to their money and account information while meeting their desire for personal service. During 2001, we successfully introduced our retail Internet banking solution, BerkshireBank@Home, which enables customers to access their accounts, make transfers between accounts, pay bills, and create custom reports from the privacy and comfort of their home or office. In addition, e-banking customers can now keep up-to-date every month with their statements delivered automatically over the Internet and utilize CD-ROM Account Reconciliation for easy storage and management of their statements for a month, quarter, or an entire year.

We added more functionality and content to our web site, www.berkshirebank.com. Visitors now have access to Investor Relations information, the ability to request insurance quotes and perform online investment trading, in addition to using retail and business Internet banking applications. As we continue to use technology to enhance our product offerings, we remain committed to providing the same personal, high quality service that our customers demand and deserve.



You've got e-statements

Keeping customers up-to-date every month with statements delivered automatically over the Internet.



CD-ROM Account Reconciliation

For easy storage and management of statements for a month, quarter, or an entire year.

COMMERCIAL BANKING AND LENDING SERVICES

Berkshire Bank continues to be the commercial banking leader in Berkshire County. Solid relationships managed by experienced professionals are key to our success in providing a full range of commercial banking services to meet the needs of companies and government entities operating in Berkshire County and surrounding areas. We have the resources, staffing, and experience that allow us to be responsive to the financial requirements of commercial enterprises regardless of size, business structure, or market served. Our commercial officers are committed to responsiveness and local decision making and take the time to understand the needs of the business community and the marketplace. In 2001, our commercial loan volume to area businesses totaled \$103 million in new loans. And, our Government Banking area provided 51 cities, towns, school districts and fire districts in Berkshire, Hampshire, and Hamden counties with various banking services including a total of \$15.5 million in bonds and revenue anticipation notes.



Bruce J. Marzotto, Vice President, Commercial Services, meets with Richard Herrington and Jeffrey Carpenter of Ed Herrington, Inc.



John O'Brien and Robert Keegan, Crescent Creamery

During the past year, we enhanced our commercial Internet banking product by including the ability to integrate with various accounting packages, adding wire transfer capabilities and improved site navigation. In addition, commercial e-banking customers can now keep up-to-date every month with their statements delivered automatically over the Internet and utilize CD-ROM Account Reconciliation, with a built-in research function, for easy storage and management of statements for a month, quarter, or an entire year. Now with just a few clicks of a mouse, commercial customers can bank online without leaving their offices.

MORTGAGE LENDING

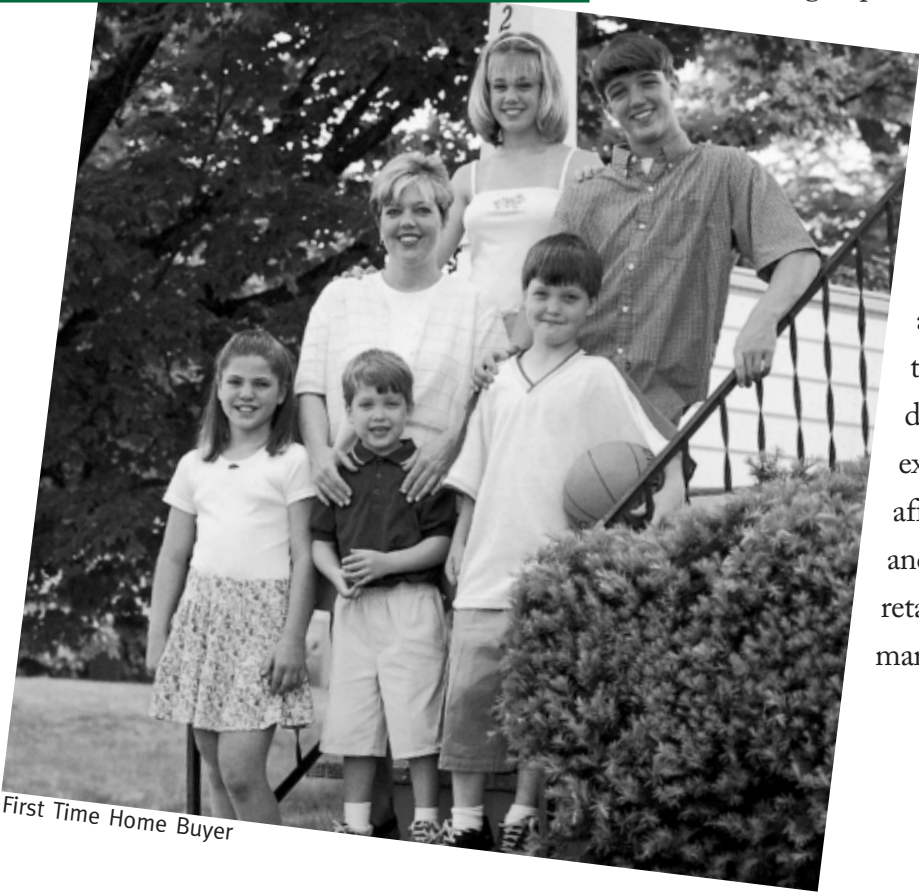
Extremely low market interest rates helped facilitate the origination of over \$40 million in mortgages in 2001, of which approximately 33% were sold in the secondary market. Berkshire Bank offers a wide variety of flexible mortgage programs including fixed rate, adjustable rate, construction, and government sponsored mortgage programs for the home buyer, backed by a commitment of personal service.

First Time Home Buyer programs offer expanded eligibility criteria, low down payment options and flexible credit standards to make qualifying easier. Pre-approved programs enable home buyers to narrow the search and strengthen their purchase offers with the confidence of knowing how much they can afford with a credit commitment. The wide variety of mortgage products, competitive rates, and personal service makes us a leading lender in our market area.

Outstanding CRA

Berkshire Bank has maintained an “outstanding” CRA rating from the FDIC and the Massachusetts Division of Banks, reflecting its ongoing commitment to those in the communities it serves.

Maintaining an “outstanding” rating by both the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks for its Community Reinvestment Act (CRA) activities has been a goal of management that has been realized. We feel strongly that our role as a community bank is to reinvest in the community. Berkshire Bank displays a strong responsiveness to community credit needs



First Time Home Buyer

through lending, investments, and services. This rating is based on the bank's performance in the areas of small business lending, flexible consumer loan programs (designed to reach low and moderate-income borrowers), the willingness of its officers and directors to lend their technical expertise to address economic and affordable housing development, and the availability of the bank's retail services to all sectors of the market area.

ASSET MANAGEMENT/TRUST GROUP

Berkshire Bank offers comprehensive wealth management services to individuals and institutions in Berkshire County and beyond. The staff of senior financial professionals, including two Certified Financial Planners, provides investment

Increasing Fee-Based Business

Enhancing earnings by growing fee-based business through the continued development of our Asset Management/Trust services, and the introduction of our insurance and investment subsidiaries, is part of our goal of being a full-service financial services provider.

management, fiduciary, and financial planning expertise to clients. With a focus on the client's relationship and objectives, a comprehensive investment strategy is created and implemented by local staff to achieve individual goals. In addition to money management, this group coordinates Private Banking services, providing clients with a full array of financial capabilities from a single source. With a consistent and demonstrated approach to portfolio management, the group is well positioned to grow its business. The Asset Management/Trust

Group managed assets of over \$265 million as of December 31, 2001 and generated fee income of \$1.8 million during the year.



In 2001, our subsidiary, Gold Leaf Investment Services, Inc., was formed by an alliance with UVEST Investment Services, member NASD/SIPC, a broker/dealer. This action enabled us to expand our product line to include a full range of securities brokerage services, including financial planning, professional money management, stocks, bonds, annuities, and mutual funds.

These products are available at any office of Berkshire Bank.

INSURANCE

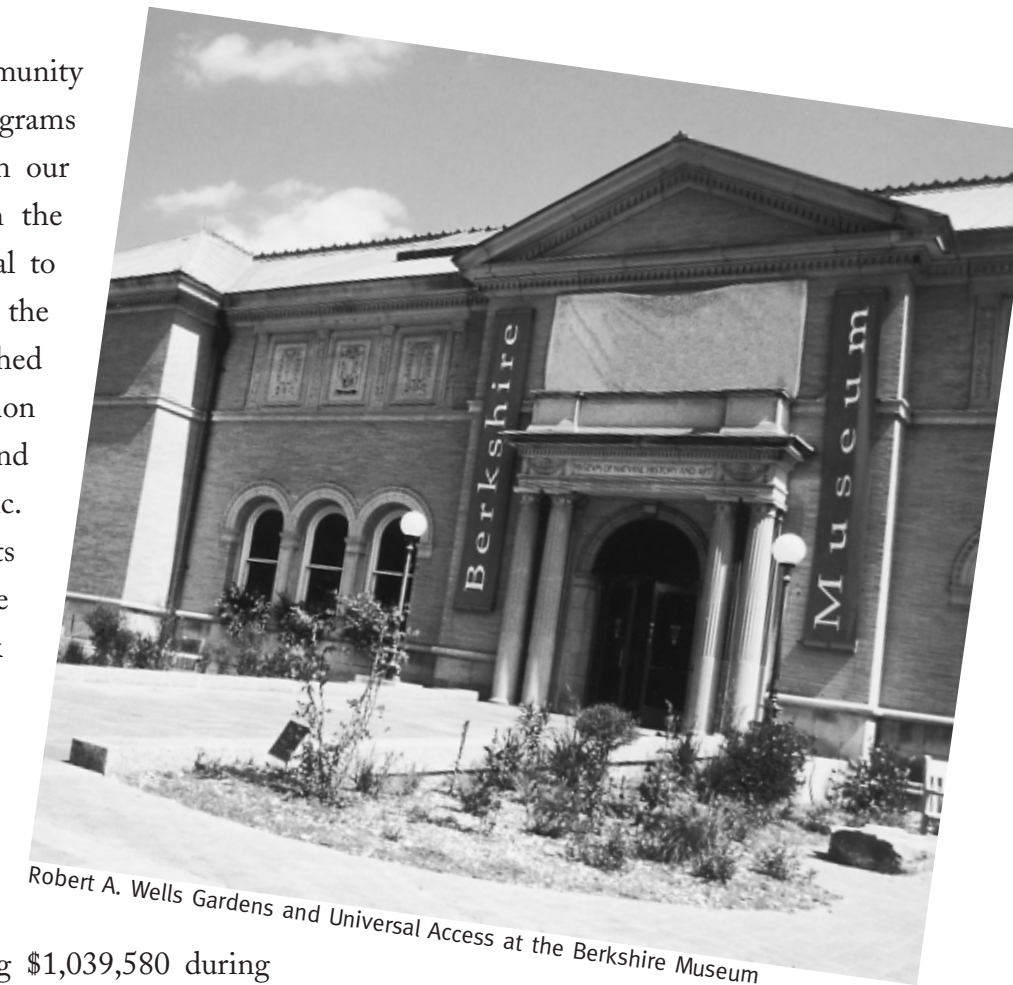
Since 1908, Berkshire Bank has been an issuer of Savings Bank Life Insurance. We have taken advantage of expanded insurance opportunities through the establishment of our subsidiary, Gold Leaf Insurance Agency, Inc., to provide a wide array of insurance products, including auto, home, business, and life coverage designed to meet our customers' needs.



INVESTING IN OUR FUTURE

Taking a leadership role in the community means investing in the people and programs that will improve the quality of life in our communities for years to come. With the conversion of the bank from its mutual to stock ownership structure in June 2000, the Berkshire Hills Foundation was established and received 568,427 shares of common stock. The Berkshire Hills Foundation and the Greater Berkshire Foundation, Inc. are permanent charitable endowments dedicated to enhancing the quality of life in the bank's service-area where the bank has done business since 1846.

With assets of \$13.2 million (as of December 31, 2001), the combined efforts of these Foundations have made contributions and grants to community-based organizations totaling \$1,039,580 during the last year. These contributions reflect the values of our organization by supporting education, human services, and the arts. For example, last year the Foundations provided funding for the Berkshire South Community Center and the Westside Neighborhood Resource Center making our communities a better place to live. Funding for the Berkshire South Community Center assisted in the construction of a 38,000 square foot youth center, including an auditorium, meeting rooms, and an aquatic center. The financial support provided to the Westside Neighborhood Resource Center will help sustain programs and activities that foster pride in this neighborhood.



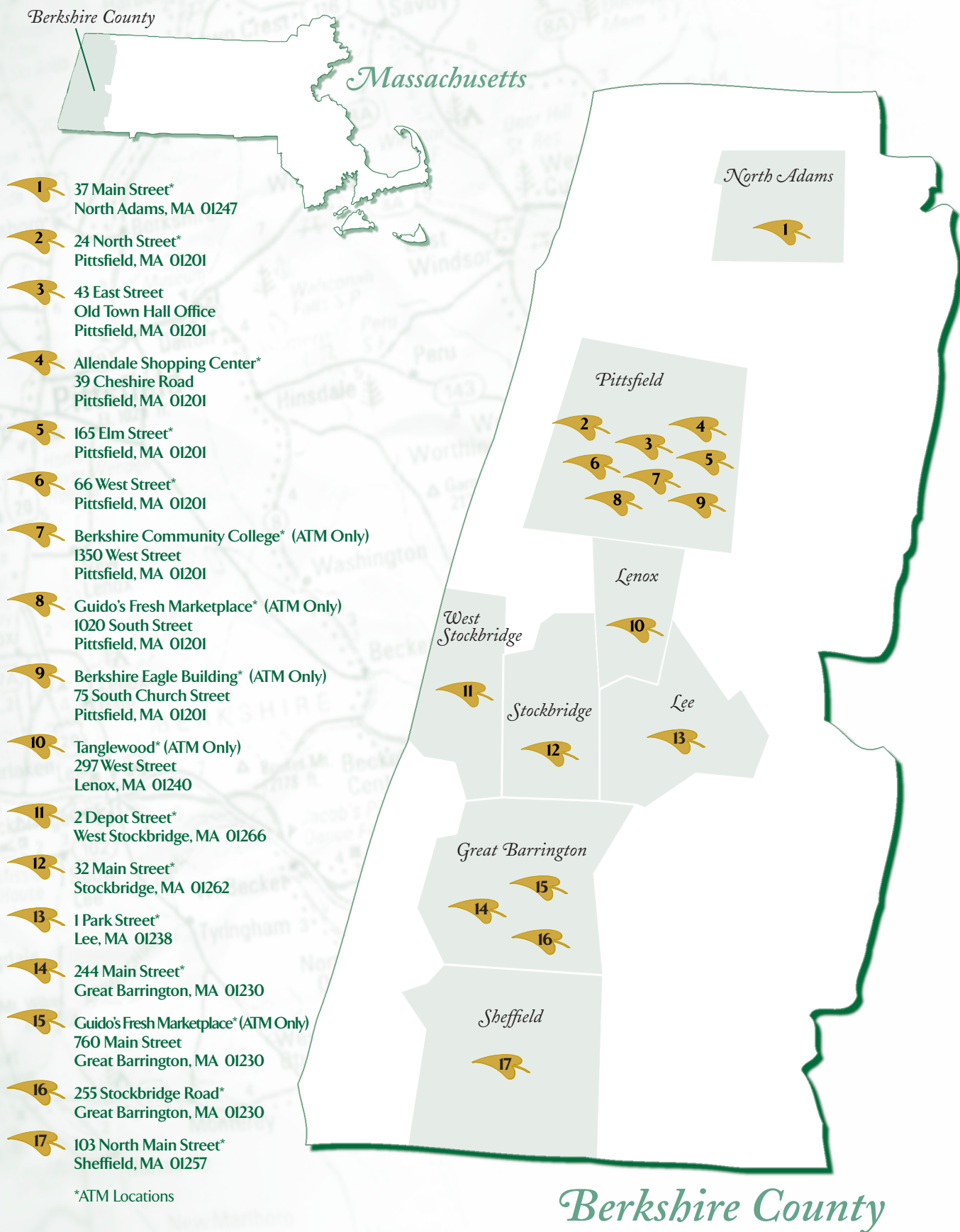
Robert A. Wells Gardens and Universal Access at the Berkshire Museum

Making a Difference in our Community

Funding for The Robert A. Wells Gardens and Universal Access at the Berkshire Museum (named for Berkshire Bank's chairman and long-time Museum board member, who uses a wheelchair) provides access for everyone, from people in wheelchairs to families with small children and special-needs groups. Designed by Great Barrington landscape architects, Okerstrom-Lang, Ltd., it received a 2001 Best Accessible Design Award from the Massachusetts Architectural Access Board.

BERKSHIRE BANK MAP

of Banking and ATM Locations



SHAREHOLDER INFORMATION

Corporate Offices

Berkshire Hills Bancorp, Inc.
24 North Street
Pittsfield, MA 01201

Stock Listing

Berkshire Hills Bancorp, Inc. is traded on the American Stock Exchange ("AMEX") under the symbol "BHL".

Annual Meeting

The annual meeting of shareholders will be held on May 2, 2002 at 10:00 a.m. Eastern Time, at the Crowne Plaza, One West Street, Pittsfield, Massachusetts.

Auditors

Wolf & Company, P.C.
1441 Main Street
Springfield, MA 01103

Counsel

Muldoon Murphy & Faucette LLP
5101 Wisconsin Avenue, NW
Washington, D.C. 20016

Transfer Agent and Registrar

Shareholders who wish to change the name, address, or ownership of stock, report lost stock certificates, inquire about the Dividend Reinvestment Plan, or consolidate stock accounts should contact:

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
800-866-1340

Investor Information

Copies of the annual report, SEC filings, press releases, and other investor information is available on our web site at **www.berkshirebank.com** or by contacting:

Investor Relations
Berkshire Hills Bancorp, Inc.
24 North Street
Pittsfield, MA 01201
Email: rborotto@berkshirebank.com

Forward-Looking Statements

This report contains forward-looking statements, which may describe future plans and strategies, including our expectations of future financial results. Management's ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors that could affect our actual results include market interest rate trends, the general regional and national economic climate, our ability to control costs and expenses, actions by our competitors and their pricing, loan delinquency rates, and changes in federal and state regulations. As we have no control over these factors, they should be considered in evaluating any forward-looking statements, and undue reliance should not be placed on such statements.