

2019 Strategic Review Update



July 2019



Life is exciting. Let us help:

FORWARD LOOKING STATEMENTS

This document contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. There are several factors that could cause actual results to differ significantly from expectations described in the forward-looking statements. For a discussion of such factors, please see Berkshire's most recent reports on Forms 10-K and 10-Q filed with the Securities and Exchange Commission and available on the SEC's website at www.sec.gov. Berkshire does not undertake any obligation to update forward-looking statements.

NON-GAAP FINANCIAL MEASURES

This document contains certain non-GAAP financial goals in addition to financial goals that are described in accordance with Generally Accepted Accounting Principles ("GAAP"). These non-GAAP measures provide supplemental perspectives on the Company's goals with respect to operating results, performance trends, and financial condition. They are not a substitute for GAAP measures; they should be read and used in conjunction with the Company's GAAP financial information. The Company utilizes the non-GAAP measure of core return on assets in evaluating the Company's goals with respect to net income relative to its average assets. The Company utilizes the non-GAAP measure of core earnings per share in evaluating the Company's goals with respect to net income on a per common share basis. Non-core adjustments to income are described in the Company's earnings release.

Balance Sheet

- Objective: Reduce Balance Sheet by ~\$1.1B in assets over the short/medium term
 - Running Off Indirect Auto Business
 - \$450MM portfolio, yielding 4.15%
 - \$38MM reduction Q/Q
 - Average life of 2-2.5 years
 - Sale of the Aircraft Lending Business
 - Moved portfolio to Held for Sale
 - \$178MM portfolio, yielding 4.90%
 - Average life of 3-4 years
 - Exit non-strategic, non-relationship CML products
 - Organic CML portfolio down 1% Q/Q
 - Decrease the size of the Investment Portfolio
 - Reduction of \$120MM
 - Sold \$75MM with the remainder being a result of natural run-off
 - Average life of 4 years
 - Opportunistically sell when available otherwise naturally run-off over the next two years
- Reduce higher cost wholesale funding with proceeds from asset reductions
 - Organic reduction in wholesale funds of ~250MM Q/Q

Business Line Review

- Objective: exit non-strategic, non-relationship businesses to help create higher quality, sustainable earnings stream
 - Aircraft loan portfolio
 - Moved \$178MM portfolio to held-for-sale
 - FCLS
 - Actively entertaining offers for partner for FCLS that can take advantage of the many strengths of the franchise
 - National mortgage lending platform
 - Generates significant fee revenue, but is an inherently volatile and higher efficiency ratio business

Organizational Expense / Structure

- Objective: achieve mid-50's efficiency ratio run-rate by end of 2019
 - 6% organic FTE reduction YTD
 - Reductions in G&A; belt-tightening
 - Renegotiate contracts with largest vendors
 - Rationalize headcount / layers of control
 - Reorganize and consolidate related functions
 - Additional branch consolidation in late 2019

Capital Management

- Objective: identify the best use of capital to improve capital metrics
 - BHLB Board of Directors has authorized a 2.4MM share buyback program through 3/31/20
 - Began repurchases in mid-June 2019; 310 thousand repurchased to date
 - Buybacks will depend on pace of asset reductions and other factors, including market conditions
 - Slower growth results in excess internally generated capital
 - Reinvest to support profitable organic growth in core businesses
 - Consistent and increasing annual dividend
 - Target to maintain or improve capital metrics

Performance Goals

➤ Summary of Goals for 2019:

- Core ROA > 1.00%, despite loss of \$15MM of purchased loan accretion
- \$2.60- \$2.65 core EPS
- Efficiency ratio in the mid-50's
- GAAP results will reflect SIFI merger costs, discontinued operations and restructuring

Exhibit: Assumptions and Sensitivities

- Guidance based on the current forward yield curve
- Asset sensitivity expected to remain around neutral including SIFI and strategic balance sheet adjustments
- Asset quality metrics assumed constant
- Stable core tax rate
- No CECL impact included; estimates will be developed later in 2019
- Berkshire Home Lending to provide competitive mortgage offering in regional markets