

2019 Strategic Review



April 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, less non-recurring income and expenses. 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.

Moving Forward Together

- In January 2019 Berkshire announced a strategic review process to achieve the following:
 - Improve profitability
 - Develop higher quality, sustainable earnings streams with a focus on ROTCE
 - Focusing on customer relationship strategies in our regional footprint

- The review is intended to offset the loss of approximately 10% of pre-tax earnings as a result of lower purchase accounting accretion on seasoned acquired portfolios and to improve profitability, liquidity and efficiency

- Our priority is to use capital and liquidity wisely and drive core deposit growth, while staying true to our core values that include diversity, inclusion and belonging in our company and communities

- Our Strategic Plan
 1. Optimize size and composition of balance sheet
 2. Focus on strategic, profitable lines of business
 3. Optimize organizational expense structure
 4. Balance capital management priorities
 5. Deliver on long-term performance goals

Balance Sheet

- Reduce Balance Sheet by ~\$1.1B in assets over the short/medium term
 - Exit Indirect Auto Business
 - \$500MM portfolio, yielding 4.15%
 - Average life of 2-2.5 years
 - Exit the Aircraft Lending Business
 - \$175MM portfolio, yielding 4.90%
 - Average life of 3-4 years
 - Currently negotiating the potential sale of the assets
 - Decrease the size of the Investment Portfolio
 - ~\$450MM of shorter-term MBS yielding 2.90%
 - Average life of 4 years
 - We expect to opportunistically be able to sell \$250-\$300MM at par with the remainder running off over the next two years
- Reduce higher cost wholesale funding (~2.50%) with proceeds from asset reductions

Business Line Review

- Exit non-strategic, non-relationship businesses to help create higher quality, sustainable earnings stream
 - FCLS
 - National mortgage lending platform
 - Generates significant fee revenue, but is an inherently volatile and higher efficiency ratio business
 - Standalone product in a highly competitive marketplace
 - Little financial impact in 2019
 - Actively seeking a partner for FCLS that can take advantage of the many strengths of the franchise
 - Indirect Auto
 - Standalone product
 - Little ability to drive relationships
 - Aircraft loan portfolio
 - National, standalone product
 - Actively engaged with multiple potential acquirers of the portfolio

Organizational Expense / Structure

- Reduce run-rate non-interest expenses by ~\$12-15MM (about 5% of 1Q19 run rate) by end of 2019, assisted by national third party with strong peer experience
 - Cross company function cost analysis and benchmarking
 - Reductions in G&A; belt-tightening
 - Renegotiate contracts with largest vendors
 - Rationalize headcount / layers of control
 - Reorganize and consolidate related functions
 - Rationalize real estate footprint
 - 4-6 branches for additional consolidation in late 2019

Capital Management

- Capital allocation priorities
 - Reinvest to support profitable organic growth in core businesses
 - Slower growth results in excess internally generated capital
 - Consistent and increasing annual dividend
 - BHLB Board of Directors has authorized a 2.4MM share buyback program through 3/31/20
 - Subject to Federal Reserve approval
 - Actual buybacks will depend on pace of asset reductions and other factors, including market conditions
 - Target to maintain or improve capital metrics
 - Carefully control TBV dilution from buybacks and restructuring charges
 - Target paybacks within three years

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 and restructuring

➤ Summary of Goals for 2020-2021

- Drive ROA to 1.10% in short term, 1.15% medium term
- Expansion of NIM to 3.20%+
- Efficiency ratio in mid-50's

Opportunities

- SIFI acquisition targeted to provide accretion beginning late 2019
 - Q2 merger completion targeted
 - Q4 core systems integration limits accretion in 2019
 - 30% planned save plan unchanged
 - Strategic plan cost saves do not include SIFI related cost saves

- Focused business selection targeted to support NIM, ROA and ROTCE
 - Relationship focus in footprint targeted for double digit ROE loan selection
 - Higher yielding commercial loans targeted to replace indirect auto runoff
 - Focus on C&I, ABL, small business lending; selective on CRE growth

- Channel and product enhancement
 - Storefront locations to expand reach into underserved communities
 - MyBanker program provides enhanced customer retention, satisfaction and wallet share
 - Emphasis on digital banking and automation tools, with improved flexibility under restructured core systems contract.

Key Takeaways

- 2019 planned as year of transition to generally maintain profitability and offset loss of accretion income, setting the stage for controlled growth in 2020 and beyond
- Key steps already taken and further actions targeted throughout the year
- Focus on exiting from low ROE assets funded with higher cost wholesale funds
- Driving efficiency ratio to mid-50's is key objective to maintain profitability while supporting sales and service objectives
- Stock repurchases targeted as primary use of excess internally generated capital, depending on conditions
- Goal of succeeding in market as 21st Century community focused bank, emphasizing a culture of diversity, inclusion, and belonging

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
- Tax rate assumed unchanged
- No CECL impact included; estimates will be developed later in 2019
- Berkshire Home Lending to provide competitive mortgage offering in regional markets