BERKSHIRE HILLS BANCORP INC
Form 10-Q
August 09, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________________ to _________________

Commission File Number 1-15781

BERKSHIRE HILLS BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware	04-3510455
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
24 North Street, Pittsfield, Massachusetts	01201
(Address of principal executive offices)	(Zip Code)

(413) 443-5601

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

The Registrant had 8,599,994 shares of common stock, par value $0.01 per share, outstanding as of August 2, 2005.

BERKSHIRE HILLS BANCORP, INC.
FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.

BERKSHIRE HILLS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
Unaudited

	June 30, 2005	Decem 2
	(In thousands)	
Assets		
Cash and due from banks	$ 42,665	$
Short-term investments	329	
Total cash and cash equivalents	42,994	
Securities available-for-sale, at fair value	415,172	3
Securities held-to-maturity, at amortized cost	27,474	
Loans held for sale	1,838	
Total loans	1,415,840	8
Less: Allowance for loan losses	(13,044)	
Net loans	1,402,796	8
Premises and equipment, net	25,461	
Accrued interest receivable	8,073	
Goodwill	89,605	
Intangible assets	12,562	
Bank owned life insurance	18,603	
Cash surrender value - other life insurance	11,939	
Other assets	10,076	
Total assets	$ 2,066,593	$ 1,3
Liabilities and stockholders' equity		
Deposits	$ 1,305,599	$ 8
Borrowings	504,390	3
Accrued expenses and other liabilities	12,107	
Total liabilities	1,822,096	1,1
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock ($.01 par value; 1,000,000 shares authorized; none issued or outstanding)	--	
Common stock ($.01 par value; 26,000,000 shares authorized; 10,602,553 shares issued at June 30, 2005 and 7,673,761 at December 31, 2004; shares outstanding: 8,593,894 at June 30, 2005 and 5,873,563 at December 31, 2004)	106	
Additional paid-in capital	198,739	
Unearned compensation	(2,141)	
Retained earnings	92,262	
Accumulated other comprehensive income	2,060	
Treasury stock, at cost (2,008,659 shares at June 30, 2005 and 1,800,198 at December 31, 2004)	(46,529)	(
Total stockholders' equity	244,497	1
Total liabilities and stockholders' equity	$ 2,066,593	$ 1,3

See accompanying notes to unaudited consolidated financial statements.

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BERKSHIRE HILLS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited

	Three Months Ended June 30,		Six Mont June
	2005	2004	2005
	(In thousands, except per share		
Interest and dividend income			
Loans	$ 15,226	$ 10,377	$ 27,142
Debt securities, taxable	3,380	3,812	6,770
Debt securities, tax-exempt	363	336	758
Equity securities dividends	357	211	682
Short-term investments	22	1	38
Total interest and dividend income	19,348	14,737	35,390
Interest expense			
Deposits	4,318	3,026	7,691
Borrowings	3,522	1,959	6,159
Total interest expense	7,840	4,985	13,850
Net interest income	11,508	9,752	21,540
Provision for loan losses	300	425	793
Net interest income, after provision for loan losses	11,208	9,327	20,747
Non-interest income			
Customer service fees	1,033	634	1,648
Wealth management service fees	838	699	1,540
Loan service fees	198	103	372
Increase in cash surrender value of life insurance	200	144	403
Gain on sales and dispositions of securities, net	1,388	377	1,817
Gain/(loss) on sale of loans and securitized loans, net	162	(6)	751
Other non-interest income	97	14	125
Total non-interest income	3,916	1,965	6,656
Non-interest expense			
Salaries and employee benefits	4,485	3,890	8,820
Termination of Employee Stock Ownership Plan	8,667	--	8,667
Occupancy and equipment	1,212	975	2,352
Marketing and advertising	200	270	361
Data processing	454	331	801
Professional services	363	357	838
Foreclosed real estate and repossessed assets, net	218	171	312
Merger and conversion expense	963	--	963
Other non-interest expense	1,499	939	2,484
Total non-interest expense	18,061	6,933	25,598

(Loss) income from continuing operations before income taxes	(2,937)	4,359	1,805
Provision for income taxes	1,671	1,402	3,161
(Loss) income from continuing operations	(4,608)	2,957	(1,356)
Loss from discontinued operations	--	(386)	--
Income tax benefit	--	(131)	--
Net loss from discontinued operations	--	(255)	--
Net (loss) income	$ (4,608)	$ 2,702	$ (1,356)
(Loss) earnings per share			
Basic	$ (0.74)	$ 0.51	$ (0.23)
Diluted	$ (0.74)	$ 0.47	$ (0.23)
Weighted average shares outstanding			
Basic	6,257	5,292	5,782
Diluted	6,257	5,725	5,782

See accompanying notes to unaudited consolidated financial statements.

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BERKSHIRE HILLS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004
Unaudited

	Common stock	Additional paid-in capital	Unearned compensation	Retained earnings	Ac com
			(In thousands)		
Balance at December 31, 2004	$ 77	$ 77,588	$ (7,414)	$ 94,996	
Comprehensive loss:					
Net loss	--	--	--	(1,356)	
Change in net unrealized gain on securities available-for-sale, net of reclassification adjustments and tax effects	--	--	--	--	
Net loss on derivative instruments	--	--	--	--	
Total comprehensive loss					
Cash dividends declared ($0.24 per share)	--	--	--	(1,304)	
Acquisition of Woronoco Bancorp, Inc.	29	111,886	--	--	
Termination of Employee Stock Ownership Plan	--	8,459	5,105	--	
Treasury stock purchased/transferred	--	--	--	--	
Exercise of stock options	--	--	--	(74)	

Reissuance of treasury stock-other	--	315		
Tax benefit from stock compensation	--	279	--	--
Change in unearned compensation	--	212	168	--
Balance at June 30, 2005	$ 106	$ 198,739	$ (2,141)	$ 92,262
Balance at December 31, 2003	$ 77	$ 75,764	$ (8,507)	$ 86,276
Comprehensive income:				
Net income	--	--	--	5,325
Change in net unrealized gain on securities available-for-sale, net of reclassification adjustments and tax effects	--	--	--	--
Total comprehensive income	--	--	--	--
Reversals from discontinued operations	--	142	--	(142)
Cash dividends declared ($0.24 per share)	--	--	--	(1,314)
Treasury stock purchased	--	--	--	--
Treasury stock released	--	358	--	--
Exercise of stock options	--	--	--	(31)
Change in unearned compensation - MRP	--	219	19	--
Change in unearned compensation - ESOP	--	438	237	--
Balance at June 30, 2004	$ 77	$ 76,921	$ (8,251)	$ 90,114

See accompanying notes to unaudited consolidated financial statements.

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BERKSHIRE HILLS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	Six Months Ended June 30,	
	2005	2004
	(In thousands)	
Cash flows from operating activities:		
Continuing operations:		
Net (loss) income	$ (1,356)	$ 5,7
Adjustments to reconcile net (loss) income to net cash provided by continuing operating activities:		
Provision for loan losses	793	7

Net amortization of securities	535	8
Depreciation and amortization expense	914	8
Management awards plan expense	688	6
Employee stock ownership plan expense	334	6
Termination of Employee Stock Ownership Plan (ESOP)	8,667	
ESOP loan prepayment	(900)	
Increase in cash surrender value of bank owned life insurance	(403)	(1
Gain on sales and dispositions of securities, net	(2,568)	(7
Gain on sale of loans, net	--	(
Deferred income tax benefit, net	93	
Net increase in loans held for sale	(785)	
Net change in accrued interest receivable and other assets	1,674	3,4
Net change in accrued expenses and other liabilities	1,229	(5
Net cash provided by continuing operating activities	8,915	11,4
Discontinued operations:		
Net loss	--	(6
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization expense	--	1
Amortization of other intangibles	--	
Minority interest	--	(3
Net cash used by discontinued operations	--	(7
Total net cash provided by operating activities:	8,915	10,6
Cash flows from investing activities:		
Continuing operations:		
Activity in available-for-sale securities:		
Sales	122,755	3,7
Maturities	2,677	21,4
Principal payments	35,875	29,0
Purchases	(15,498)	(147,0
Activity in held-to-maturity securities:		
Maturities	14,017	8,3
Principal payments	1,633	7,2
Purchases	(8,633)	(6,4
Purchase of FHLB stock	(595)	(3,9

(continued)

BERKSHIRE HILLS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(concluded)
Unaudited

	Six Months En June 30,	
	2005	2

	(In thousand	
Acquisition of Woronoco Bancorp, Inc., net of cash acquired	$ (21,316)	$
Loan originations and purchases, net of principal payments	(58,404)	(
Proceeds from sales of loans	--	
Additions to premises and equipment	(1,838)	
Net cash provided (used) by continuing investing activities	70,673	(
Discontinued operations:		
Additions to premises and equipment	--	
Proceeds from sale of interest in discontinued operations	--	
Proceeds from sale of equipment	--	
Net cash provided by discontinued investing activities	--	
Total net cash provided (used) by investing operations:	70,673	(
Cash flows from financing activities:		
Net increase in deposits	17,279	
Proceeds from Federal Home Loan Bank advances	387,512	1
Repayments of Federal Home Loan Bank advances	(454,317)	(1
Decrease in loans sold with recourse	--	
Treasury stock purchased	(5,485)	
Proceeds from reissuance of treasury stock	1,819	
Cash dividends paid	(1,304)	
Net cash (used) provided by financing activities	(54,496)	
Net change in cash and cash equivalents	25,092	
Cash and cash equivalents at beginning of period	17,902	
Cash and cash equivalents at end of period	$ 42,994	$
Supplemental cash flow information:		
Interest paid on deposits	$ 7,023	$
Interest paid on borrowed funds	5,503	
Income taxes paid, net	2,952	
Non-cash transfer of shares to treasury to pay-off ESOP loan	4,897	
Fair value of non-cash assets acquired	825,715	
Fair value of liabilities assumed	700,423	
Fair value of common stock issued	108,394	

See accompanying notes to unaudited consolidated financial statements.

BERKSHIRE HILLS BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005 and 2004
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated interim financial statements set forth the accounts of Berkshire Hills Bancorp, Inc. ("Berkshire" or the "Company") and its wholly-owned subsidiaries, including its principal wholly-owned subsidiary, Berkshire Bank (the "Bank"). The consolidated interim financial statements and notes thereto have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant inter-company transactions have been eliminated in consolidation. Amounts in prior period financial statements are reclassified whenever necessary to conform to current period presentations. The results of operations for the three and six months ended June 30, 2005 are not necessarily indicative of the results which may be expected for the year as a whole. The consolidated interim financial statements herein presented are intended to be read in conjunction with the consolidated financial statements presented in the Company's most recent Securities and Exchange Commission Form 10-K and accompanying notes to the Consolidated Financial Statements filed by the Company for the year ended December 31, 2004.

The preparation of the consolidated interim financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the consolidated interim financial statements and the reported amounts of revenues and expenses for the periods presented. The actual results of the Company could differ from those estimates. Material estimates that are susceptible to near-term changes include the determination of the allowance for loan losses, goodwill and tax estimates.

On June 1, 2005, the Company acquired all of the outstanding common stock of Woronoco Bancorp, Inc. ("Woronoco"), including its principal wholly-owned subsidiary, Woronoco Savings Bank (see Note 2). Immediately after the completion of the acquisition, Woronoco Savings Bank was merged into the Bank.

Allowance for loan losses

The allowance for loan losses is established through a provision for loan losses charged to earnings to account for losses that are estimated to occur. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the composition and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components.

The specific component relates to loans that are classified as either doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that a creditor will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Impaired loans are generally maintained on a non-accrual basis. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, or the fair value of the collateral if the loan is collateral dependent. Substantially all of the Bank's loans that have been identified as impaired have been measured by the fair value of existing collateral.

Large groups of smaller balance, homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer loans or residential mortgage loans for impairment disclosures.

Stock Compensation Plans

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," encourages all entities to adopt a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. SFAS No. 123 was revised as SFAS No. 123R in December 2004. This revision is discussed further in the "Recent Accounting Pronouncements" section of this Note.

The Company maintains stock-based compensation plans, which are described more fully in Note 15 to the financial statements in the 2004 Annual Report filed on Form 10-K. The Company has elected to continue with the accounting methodology in APB No. 25 and, as a result, has provided pro forma disclosures of net income and earnings per share, as if the fair value based method of accounting had been applied. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004

	(In thousands, except per share amounts)			
Net (loss) income as reported	$ (4,608)	$ 2,702	$ (1,356)	$ 5,325
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	108	133	217	266
Pro forma net (loss) income	$ (4,716)	$ 2,569	$ (1,573)	$ 5,059
(Loss) earnings per share				
Basic - as reported	$ (0.74)	$ 0.51	$ (0.23)	$ 1.01
Basic - pro forma	$ (0.75)	$ 0.49	$ (0.27)	$ 0.96
Diluted - as reported	$ (0.74)	$ 0.47	$ (0.23)	$ 0.93
Diluted - pro forma	$ (0.75)	$ 0.45	$ (0.27)	$ 0.88

Earnings Per Common Share

Basic earnings per share is determined by dividing net income by the average number of net outstanding common shares for the period. The net outstanding common shares equals the gross number of common shares issued less treasury stock repurchased, unallocated shares of the Company's Employee Stock Ownership Plan, and unallocated shares of stock awards granted under the Company's stock-based compensation plans. This number is computed daily and averaged for the period.

Diluted earnings per share is determined by dividing net income by the average number of net outstanding common shares computed as if all options granted under the Company's stock-based compensation plans were exercised.

The average number of net outstanding common shares used for the basic computation is increased by the unallocated shares of stock awards under the Company's stock-based compensation plans and by the additional diluted shares calculated by the Treasury Stock method. For a period in which the result of operations is a net loss, no dilutive share impact is calculated, and average diluted shares equals average basic shares.

(Loss) income per common share has been computed based upon the following:

	Three Months Ended June 30,		Six
	2005	2004	200
	(In thousands, except per s		
Net (loss) income	$ (4,608)	$ 2,702	$ (1,
Average number of common shares outstanding	6,796	5,904	6,
Less: average number of unallocated ESOP shares	(407)	(440)	(

Less: average number of unvested stock award shares	(132)	(172)	(
Average number of basic shares outstanding	6,257	5,292	5,
Plus: average number of unvested stock award shares	--	172	
Plus: average number of dilutive shares based on stock options	--	261	
Average number of diluted shares outstanding	6,257	5,725	5,
Basic earnings per share	$ (0.74)	$ 0.51	$ (0
Diluted earnings per share	$ (0.74)	$ 0.47	$ (0

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123R, "Share-based Payment (Revised 2004)" (SFAS 123R), which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. FAS 123R eliminates the ability to account for share-based compensation transactions using the intrinsic method and requires that such transactions be accounted for using a fair-value-based method and recognized as expense in the consolidated statement of income. SFAS 123R allows the use of valuation models other than the Black-Scholes model prescribed in SFAS 123. Therefore, the pro forma costs of stock option expense estimated in Note 1 using the Black-Scholes method may not be representative of the costs recognized by the Company upon adoption of SFAS 123R. The Company is still in the process of analyzing the cost of stock options under SFAS 123R. On April 14, 2005, the Securities and Exchange Commission delayed the effective date for SFAS 123R, which allows companies to implement the statement at the beginning of their first fiscal year beginning after June 15, 2005, which would be January 1, 2006 for the Company. On March 29, 2005, the SEC Staff issued Staff Accounting Bulletin No. 107 (SAB 107). SAB 107 expresses the views of the SEC staff regarding the interaction of FAS 123R and certain SEC rules and regulations and provides the SEC staff's view regarding the valuation of share-based payment arrangements for public companies. The provisions of FAS 123R and SAB 107 do not have an impact on the Company's results of operations at the present time.

In March 2004, the Emerging Issues Task Force ratified Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (EITF 03-1). EITF 03-1 provides guidance for determining when an investment is considered impaired, whether impairment is other-than-temporary, and measurement of an impairment loss. The disclosure, recognition and measurement provisions were initially effective for other-than-temporary impairment evaluations in reporting periods beginning after June 15, 2004. However, in September 2004, the effective date of these provisions was delayed until the finalization of a FASB Staff Position to provide additional implementation guidance. At its June 29, 2005 meeting, the FASB Board issued a final FASB Staff Position (FSB) superceding EITF 03-1. This position will rely on existing authoritative accounting literature for guidance on impairment and other-than temporary impairment.

Statements of Position ("SOP No. 03-3"), "Accounting for Certain Loans or Debt Securities Acquired in a Transfer," addresses accounting for differences between the contractual cash flows of certain loans and debt securities and the cash flows expected to be collected when loans or debt securities are acquired in a transfer and those cash flow differences are attributable, at least in part, to credit quality. As such, SOP 03-3 applies to loans and debt securities acquired individually, in pools or as part of a business combination and does not apply to originated loans. The application of SOP 03-3 limits the interest income, including accretion of purchase price discounts, that may be recognized for certain loans and debt securities. Additionally, SOP 03-3 does not allow the excess of contractual cash flows over cash flows expected to be collected to be recognized as an adjustment of yield, loss accrual or valuation allowance, such as the allowance for loan losses. SOP 03-3 requires that increases in expected cash flows subsequent to the initial investment be recognized prospectively through adjustment of the yield on the loan or debt security over its remaining life.

Decreases in expected cash flows should be recognized as impairment. In the case of loans acquired in a business combination where the loans show signs of credit deterioration, SOP 03-3 represents a significant change from current purchase accounting practices whereby the acquiree's allowance for loan losses is typically added to the acquirer's allowance for loan losses. SOP 03-3 was effective for loans and debt securities acquired by the Company beginning January 1, 2005. The adoption of this new standard did not have a material impact on the Company's consolidated financial statements. The Company evaluated the loans and debt securities acquired in the acquisition of Woronoco and determined that no material amount of these assets fell within the scope of SOP 03-3.

2. ACQUISITION OF WORONOCO BANCORP, INC.

On June 1, 2005, the Company acquired all of the outstanding common shares of Woronoco Bancorp, Inc, and its wholly-owned subsidiary Woronoco Savings Bank. Headquartered in Westfield, Massachusetts, Woronoco provided banking and other financial services through ten banking offices in the Pioneer Valley, including Hampden and Hampshire Counties in Western Massachusetts. The merger expanded the Company's footprint to include new areas and provided new opportunities to enhance revenues and operating efficiencies. The acquisition was accounted for under the purchase method of accounting with the results of operations for Woronoco included in the Company's results beginning June 1, 2005. Under the purchase method of accounting, the assets and liabilities of the former Woronoco were recorded at their respective fair values as of June 1, 2005.

The Company purchased 25% of Woronoco's common shares for cash, at $36 per share. The Company purchased 75% of Woronoco's common shares for stock, in a one-for-one exchange valued at $37.01 per share (the share value was based on the average closing share price for the five-day period around the date of the announcement of the acquisition). The Company also converted Woronoco's outstanding stock options into options to purchase an equal number of shares of Berkshire stock. The calculation of the purchase price is as follows:

(In thousands, except share data)		
Total shares of Berkshire common stock issued	2,928,792	
Purchase price per Berkshire common share	$ 37.01	
Value of Berkshire common stock issued		$ 108,394
Cash paid for Woronoco stock		35,146
Estimated fair value of stock options		3,521
Total purchase price		$ 147,061

The following condensed balance sheet of Woronoco discloses the amounts assigned to each major asset and liability caption at the acquisition date. The allocation of the final purchase price is subject to refinement as the integration process continues and additional information becomes available.

	(In thousands)
Assets	
Cash and cash equivalents	$ 21,769
Securities available-for-sale	182,290
Net loans	525,042
Goodwill	82,823
Intangible assets	11,982
Other assets	25,862
Total assets	849,768
Liabilities	
Deposits	442,673
Borrowings	243,417
Other liabilities	16,617
Total liabilities acquired	702,707
Net assets acquired	$147,061

The core deposit intangible was estimated at $9,664,000 for the non-maturity deposits, and will be amortized over their estimated useful lives on a straight-line basis. An intangible asset of $2,317,550 was recorded for the value of certain non-competition agreements and will be amortized on a straight-line basis over the three-year lives of these assets. None of the goodwill is expected to be deductible for income tax purposes.

The results of Woronoco are included in the historical results of the Company beginning on June 1, 2005. The following table presents unaudited pro forma information as if the acquisition of Woronoco had been consummated as of January 1, 2005. This pro forma information gives effect to certain adjustments, including purchase accounting fair value adjustments, amortization of core deposit and other intangibles and related income tax effects. The pro forma information is theoretical in nature and does not necessarily reflect the results of operations that would have occurred had the Company acquired Woronoco at the beginning of these periods. In particular, revenue enhancements, cost savings and indirect merger and integration costs are not reflected in the pro forma amounts.

The Company's unaudited pro forma condensed consolidated statements of income for the six months ended June 30, 2005 and 2004, assuming that Woronoco had been acquired as of January 1, 2005 and 2004, respectively, are as follows:

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
	(In thousands, except per share data)	

Net interest income	$ 30,805	$ 30,715
Non-interest income	9,389	6,967
Net income	803	7,913
Basic earnings per share	$ 0.10	$ 0.96
Diluted earnings per share	$ 0.09	$ 0.90

3. SECURITIES

The amortized cost and estimated fair value of securities, with gross unrealized gains and losses, was as follows:

	June 30, 2005	
	Amortized Cost	Fair Value
	(In thousands)	
Securities Available-for-Sale		
U.S. Treasury and Agencies	$ 1,078	$ 1,075
Municipal bonds and obligations	57,052	57,535
Mortgage-backed securities	281,784	279,539
Other debt securities	28,641	29,382
Total debt securities	368,555	367,531
Marketable equity securities	4,791	8,881
Nonmarketable equity securities	38,760	38,760
Total securities available-for-sale	$ 412,106	$ 415,172
Securities Held-to-Maturity		
Municipal bonds and obligations	$ 6,018	$ 6,018
Mortgage-backed securities	7,956	7,901
Other debt securities	13,500	13,500
Total securities held-to-maturity	$ 27,474	$ 27,419

	December 31, 2004	
	Amortized Cost	Fair Value
	(In thousands)	
Securities Available-for-Sale		
U.S. Treasury and Agencies	$ 1,106	$ 1,113
Municipal bonds and obligations	19,169	19,172
Mortgage-backed securities	323,956	322,585
Other debt securities	9,418	9,429
Total debt securities	353,649	352,299

Marketable equity securities	5,193	13,105
Nonmarketable equity securities	19,017	19,017
Total securities available-for-sale	$ 377,859	$ 384,421
Securities Held-to-Maturity		
Municipal bonds and obligations	$ 11,580	$ 11,580
Mortgage-backed securities	4,715	4,672
Other debt securities	13,647	13,647
Total securities held-to-maturity	$ 29,942	$ 29,899

Nonmarketable equity securities consist of stock in the Federal Home Loan Bank of Boston and the Savings Bank Life Insurance Company, at cost.

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4. LOANS

A summary of balances at June 30, 2005 and December 31, 2004 follows:

	At June 30, 2005		At December 3	
	Balance	Percent of total	Balance	P o
	(Dollars in thousands)			
Residential real estate loans:				
Residential one- to four-family	$ 528,884	37%	$ 217,159	
Residential land development and construction	38,140	2	18,091	
Total residential real estate loans	567,024	39	235,250	
Commercial real estate loans:				
Commercial one-to four-family	15,987	1	15,964	
Commercial land development and construction	39,471	3	20,611	
Multi-family	51,312	4	16,380	
Other commercial real estate	280,185	20	207,619	
Total commercial real estate loans	386,955	28	260,574	
Commercial and industrial loans	165,548	12	150,879	
Consumer loans:				
Automobile	143,398	10	123,027	
Home equity and other loans	152,915	11	58,449	
Total consumer loans	296,313	21	181,476	
Total loans	$1,415,840	100%	$ 828,179	

5. LOAN LOSS ALLOWANCE AND NON-ACCRUAL LOANS

An analysis of the allowance for loan losses for the six months ended June 30, 2005 and 2004 follows:

	Six Months Ended	
	June 30, 2005	June 30, 2004
	(In thousands)	
Balance at beginning of period	$ 9,337	$ 8,969
Provision for loan losses	793	775
Allowance attributed to acquired loans	3,321	--
Loans charged-off	(719)	(1,018)
Recoveries	312	522
Balance at end of period	$ 13,044	$ 9,248

The following is a summary of information pertaining to impaired and non-accrual loans at June 30, 2005 and December 31, 2004:

	June 30, 2005	December 31, 20
	(In thousands)	
Impaired loans with no valuation allowance	$ 1,631	$ 787
Impaired loans with a valuation allowance	2,535	393
Total impaired loans	$ 4,166	$ 1,180
Specific valuation allowance allocated to impaired loans	$ 630	$ 230
Total non-accrual loans	$ 1,592	$ 1,152
Total loans past due ninety days or more and still accruing	$ 304	$ 65

6. DEPOSITS

A summary of deposit balances, by type, is as follows:

	June 30, 2005	December 31, 2004

	Balance	Percent of deposits	Balance	Percent of deposits
	(Dollars in thousands)			
Demand deposits	$ 162,252	12%	$ 110,129	13%
NOW accounts	154,197	12	100,709	12
Money market accounts	225,024	18	156,412	19
Savings accounts	251,988	19	163,264	19
Total core accounts	793,461	61	530,514	63
Certificates of Deposit - regular	442,271	34	315,275	37
Certificates of Deposit - brokered	69,867	5	--	--
Total certificates of deposit	512,138	39	315,275	37
Total deposits	$1,305,599	100%	$ 845,789	100%

7. STOCKHOLDERS' EQUITY AND REGULATORY CAPITAL

At June 30, 2005, stockholders' equity totaled $244,497,000, or 11.8% of total assets, compared to $131,736,000, or 10.06% of total deposits, at December 31, 2004. The various regulatory capital ratios for the Bank at June 30, 2005 and December 31, 2004 were as follows:

	June 30, 2005	December 31, 2004
Total capital to risk-weighted assets:	10.45%	12.69%
Tier 1 capital to risk-weighted assets:	9.42	11.31
Tier 1 capital to average assets:	9.38	8.08

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As of June 30, 2005, Berkshire Bank met the conditions to be classified as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios. The Company paid a cash dividend of $0.12 per share on common stock during the three months ended June 30, 2005 and 2004 and the Company paid a cash dividend of $0.24 per share on common stock during the six months ended June 30, 2005 and 2004.

8. COMMITMENTS

At June 30, 2005, the Bank had outstanding commitments to originate new residential and commercial loans totaling $73,800,000, which are not reflected on the consolidated balance sheet. In addition, unadvanced funds on home equity lines totaled $143,000,000 and unadvanced commercial lines, including unadvanced construction loan funds, totaled $104,000,000. The Bank anticipates it will have sufficient funds to meet these commitments. These commitments totaled $320,800,000 at June 30, 2005, compared to a total of $165,523,000 at December 31, 2004. Total commitments increased primarily due to the Woronoco acquisition, as well as, higher loan origination volumes.

During the first quarter of 2005, the Bank entered into a subscription agreement to purchase $8,000,000 in interests in a to-be-formed limited liability company ("LLC"), which will invest in qualified community development entities for the purpose of funding loans to qualified, active low-income community businesses. The Bank paid $160,000 as an initial subscription amount, which was included in other assets. It is anticipated that the LLC will be formed by the end of 2005. Capital contributions will be payable in 2006 and 2007.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations is intended to assist in understanding the financial condition and results of operations of the Company. The following analysis discusses changes in the financial condition and results of operations at and for the three and six months ended June 30, 2005 and 2004, and should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto, appearing in Part I, Item 1 of this document. This discussion and analysis updates, and should be read in conjunction with, Management's Discussion and Analysis included in the 2004 Annual Report on Form 10-K. In the following discussion, income statement comparisons are against the same period of the previous year and balance sheet comparisons are against the previous fiscal year-end, unless otherwise noted.

Forward-Looking Statements

This report contains forward-looking statements that are based on assumptions and may describe future plans, strategies and expectations of the Company and the Bank. These forward-looking statements are generally identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. The Company and the Bank's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations of Berkshire and its subsidiaries include, but are not limited to, changes in interest rates, national and regional economic conditions, legislative and regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality and composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in Berkshire Hills' and the Bank's market area, changes in real estate market values in the Berkshire Hills' and the Bank's market area, and changes in relevant accounting principles and guidelines. Additionally, on June 1, 2005, the Company completed the acquisition of Woronoco. Risks and uncertainties related to the acquisition include the integration of the data processing system and retention of key personnel; and the ability to realize fully the expected cost savings and revenue enhancements on a timely basis. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Except as required by applicable law or regulation, Berkshire does not undertake, and specifically disclaims any obligation, to release publicly the result of any revisions, which may be made to any forward-looking statements to reflect events or circumstances after the date of the statements or to reflect the occurrence of anticipated or unanticipated events.

General

Berkshire Hills is a Delaware corporation and the holding company for Berkshire Bank, a state-chartered savings bank headquartered in Pittsfield, Massachusetts. 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 branch offices serving communities throughout Western Massachusetts and Northeastern New York and a representative office in New York. The Bank is committed to operating as an independent super-community bank, delivering exceptional customer service and a broad array of competitively priced retail and commercial products to its customers. The Bank has received regulatory approvals to open a full-service branch in Clifton Park, New York. The Bank has also applied for regulatory approval to open a full-service branch in East Greenbush, New York and to organize a New York institution to be known as Berkshire Municipal Bank, to accept deposits from New York municipalities and other governmental entities. The Bank originates a variety of loan products including real estate loans, commercial loans and consumer loans. It also offers a wide variety of deposit products and other investment products and financial services, including asset management and trust services and municipal finance.

Critical Accounting Policies

The Company has established various accounting policies, which govern the application of generally accepted accounting principles in the preparation of the financial statements. Certain accounting policies involve significant judgments and assumptions by management that have a material impact on the carrying value of certain assets and liabilities. Management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates that could have a material impact on the carrying values of assets and liabilities and the results of operations of the Company. The Company believes that its most critical accounting policies upon which its financial condition depends, and which involve the most complex subjective decisions or assessment, are as follows. Additional information about the Company's accounting policies is included in Note 1 of the Consolidated Financial Statements and in the 2004 Annual Report to Shareholders on Form 10-K in Item 1 and Item 8.

Allowance for Loan Losses

Arriving at an appropriate level of allowance for loan losses involves a high degree of judgment. The allowance for loan losses provides for probable losses based upon evaluations of known and inherent risks in the loan portfolio. Management uses historical information as well as current economic data, to assess the adequacy of the allowance for loan losses as it is affected by changing economic conditions and various external factors, which may impact the portfolio in ways currently unforeseen.

Income Taxes

Management considers accounting for income taxes as a critical accounting policy due to the subjective nature of certain estimates that are involved in the calculation, and evaluation of the timing and recognition of resulting tax liabilities and assets. Management uses the asset liability method of accounting for income taxes in which deferred tax assets and liabilities are established for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Management must assess the realizability of the deferred tax asset, including the carryforward of a portion of the charitable contribution, and to the extent that management believes that recovery is not likely, a valuation allowance is established. Adjustments to increase or decrease the valuation allowance are generally charged or credited, respectively, to income tax expense.

Intangible Assets

For acquisitions accounted for under purchase accounting the Company is required to follow SFAS No. 141"Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 141 requires us to record as assets on our financial statements both goodwill, an intangible asset which is equal to the excess of the purchase price which we pay for another company over the estimated fair value of the net assets acquired, and identifiable intangible assets such as core deposit intangibles and non-compete agreements. Under SFAS No. 142, goodwill must be regularly evaluated for impairment, in which case we may be required to reduce its carrying value through a charge to earnings. Core deposit and other identifiable intangible assets are amortized to expense over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not have future economic benefit. The valuation techniques used by management to determine the carrying

value of tangible and intangible assets acquired in the acquisitions and the estimated lives of identifiable intangible assets involve estimates for discount rates, projected future cash flows and time period calculations, all of which are susceptible to change based on changes in economic conditions and other factors. Future events or changes in the estimates, which were used to determine the carrying value of goodwill and identifiable intangible assets or which otherwise adversely affects their value or estimated lives could have a material adverse impact on future results of operations.

Impact of New Account Pronouncements

Please refer to the note on Recent Accounting Pronouncements in Note 1 to the financial statements of this report for a detailed discussion of new accounting pronouncements.

Recent Developments

- Completed acquisition of Woronoco on June 1, 2005, increasing total assets from $1.3 billion to $2.1 billion.

- Completed strategic deleveraging, with second quarter loan and security sales totaling $192 million, the proceeds of which were used to reduce total borrowings by the same amount.

- Completed repurchase program of 300,000 shares of common stock and approved an additional stock purchase program, authorizing the purchase of up to 150,000 shares.

- Under its repurchase plans, the Company repurchased 50,697 shares of its common stock at an average price of $32.14 per share during the second quarter.

- Opened a new full-service office in Albany, New York.

- Terminated its Employee Stock Ownership Plan. The non-cash charge of $8.67 million recorded on the plan termination had no negative impact on total stockholders' equity because of offsetting credits to unearned compensation and additional paid-in capital.

- Declared a quarterly cash dividend of $0.14 per share, payable on August 22, 2005 to stockholders of record at the close of business on August 8, 2005. This is an increase of $0.02 per share, or 17%, compared to recent quarters.

- Issued $15 million of trust preferred securities. The interest rate will adjust quarterly during the 30-year term, based on the 3-month LIBOR plus 1.85%. The initial interest rate is 5.34%.

- Converted core-banking system, providing branch staff increased access, real-time functionality on all delivery channels and an upgraded platform for continued expansion of the Bank's customer base.

Summary

Due primarily to the previously announced termination of its Employee Stock Ownership Plan ("ESOP") in June 2005, the Company reported a net loss of $4.61 million, or $0.74 per basic and diluted share, for the second quarter of 2005. This compared to net income of $2.70 million, or $0.47 per diluted share, in the same quarter of 2004. Excluding the $8.38 million after-tax impact of the ESOP termination, second quarter income was $3.77 million, or $0.57 per diluted share, an increase of 21% over per share results for the second quarter of 2004. Adjusted income per share increased less than adjusted total income due to the additional shares issued as part of the Woronoco acquisition. The non-cash charge of $8.67 million recorded on the plan termination in 2005 had no negative impact on total stockholders' equity because the charge to earnings was offset by credits to unearned compensation and additional paid-in capital.

For the first half of 2005, the Company reported a net loss of $1.36 million, or $0.23 per basic and diluted share, including the $8.67 million charge related to the ESOP termination. For the first half of 2004, the Company's net income totaled $5.33 million, or $0.93 per diluted share. Excluding the ESOP termination charge, income for the first half of 2005 totaled $7.02 million, or $1.14 per diluted share, increasing by 23% over income of $0.93 per diluted share in 2004.

The Company completed the acquisition of Woronoco on June 1, 2005. Operating results in 2005 included one month's results of the acquired Woronoco operations. In addition to the benefit from the Woronoco acquisition, Berkshire's operating results in 2005 benefited from loan growth, fee income growth, securities gains and compensation expense savings from the termination of the ESOP. The Bank's expansion into New York and other business solicitation outside of Berkshire County contributed to this growth. Improvements were achieved despite the effects of tighter margins resulting from market conditions and the higher utilization of borrowings by Woronoco. Excluding the charges for the ESOP termination and merger and conversion expenses, Berkshire's efficiency ratio improved to the most favorable level in the most recent five quarters.

The tables on the following pages display Selected Financial Data, and Average Balance Sheets and Interest Rates.

Selected Financial Data (Unaudited)

The following summary data is based in part on the consolidated financial statements and accompanying notes, and other information appearing elsewhere in this Form 10-Q. Historical data is also based in part on, and should be read in conjunction with, the Company's prior filings with the SEC. Data includes the impact of the acquisition of Woronoco Bancorp, Inc. on June 1, 2005 and the termination of the Employee Stock Ownership Plan on June 30, 2005.

	At or for the Three Months Ended		At or for
	June 30, 2005	June 30, 2004	June 30, 20
For the Period: (in thousands)			
Net interest income	$ 11,508	$ 9,752	$ 21,54
Provision for loan losses	300	425	79
Non-interest income	3,916	1,965	6,65
Non-interest expense	18,061	6,933	25,59
Net (loss) income	(4,608)	2,702	(1,35
Per Share:			
(Loss) earnings - basic	$ (0.74)	$ 0.51	$ (0.2
(Loss) earnings - diluted	(0.74)	0.47	(0.2
Dividends declared	0.12	0.12	0.2
Book value	28.45	20.79	28.4
Tangible book value	16.56	19.81	16.5
Common stock price:			
High	34.90	37.10	37.6
Low	30.97	32.69	30.9
Close	33.32	37.10	33.3
At Period End: (in millions)			
Total assets	$ 2,067	$ 1,296	$ 2,06
Total loans	1,416	795	1,41
Other earning assets	445	446	44
Deposits	1,306	847	1,30
Borrowings	504	322	50
Shareholders' equity	244	122	24
Operating Ratios:			
Return on average assets	(1.19)%	0.84%	(0.2
Return on average equity	(11.26)	8.40	(1.8
Return on average tangible equity	(14.56)	8.69	(2.2
Net interest margin	3.26	3.26	3.3
Efficiency ratio	59.05	59.93	59.4
Equity/total assets	11.80	9.42	11.8
Tangible equity/tangible assets	7.25	9.01	7.2
Loan Related Ratios:			

Net charge-offs/average loans (annualized)	0.08%	0.08%	0.0
Loan loss allowance/loans	0.92	1.16	0.9
Nonperforming assets/total assets	0.08	0.25	0.0

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(1) The efficiency ratio is non-interest expense, divided by the total of fully taxable equivalent net interest income and non-interest income, less security gains. The efficiency ratio also excludes discontinued operations, expense of the termination of the Employee Stock Ownership Plan, and merger and conversion expense. Tax equivalency is based on a 35% effective tax rate. Return, margin and charge-off ratios are annualized.

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Average Balance Sheets and Interest Rates - Fully-Taxable Equivalent (FTE)

The following table presents certain information for the periods indicated regarding average daily balances of assets and liabilities, as well as the average yields and costs. The yields and costs for the periods indicated are derived by dividing income or expense by the average daily balances of assets or liabilities, respectively, for the periods presented. The yields and rates include fees which are considered adjustments to yields. The average balances of loans include nonaccrual loans, loans held for sale, and deferred fees and costs. The average balance of investment securities is based on amortized cost. Securities income is stated on a fully-taxable equivalent basis, using a 35% tax rate. Average balances include the balances related to the acquisition of Woronoco on June 1, 2005.

	Unaudited Three Months Ended					
	June 30, 2005		June 30, 2004		June 30,	
	Average Balance	Yield/Rate (FTE basis)	Average Balance	Yield/Rate (FTE basis)	Average Balance	Yi (F
	(Dollars in thousands)					
Earning assets						
Loans						
Residential mortgage	$ 352,776	5.04%	$ 216,164	4.75%	$ 296,578	
Commercial real estate	314,778	6.34	237,727	5.70	295,703	
Commercial	154,405	6.51	159,241	5.36	147,311	
Automobile	134,237	5.95	113,671	6.02	129,663	
Other consumer	91,303	5.75	52,768	4.37	75,076	
Total loans	1,047,499	5.83	779,571	5.32	944,331	
Securities	393,962	4.40	440,583	4.25	395,211	
Short-term investments	1,873	2.91	1,031	0.39	1,773	
Total earning assets	1,443,334	5.44	1,221,185	4.94	1,341,315	
Other assets	120,611		69,166		96,868	
Total assets	$1,563,945		$1,290,351		$1,438,183	

Funding liabilities					
Deposits					
NOW	$ 112,775	0.18	$ 97,704	0.09	$ 103,842
Money Market	183,273	1.98	154,254	1.26	171,135
Savings	192,250	1.03	167,264	0.76	177,981
Certificates of deposit	384,443	2.99	322,048	2.73	352,241
Total interest bearing deposits	872,741	1.98	741,270	1.63	805,199
Borrowings	387,208	3.65	310,935	2.52	358,985
Total interest bearing liabilities	1,259,949	2.50	1,052,205	1.90	1,164,184
Non-interest-bearing demand deposits	129,700		102,881		118,828
Other liabilities and minority interest	9,579		6,596		6,696
Total liabilities	1,399,228		1,161,682		1,289,708
Stockholders' equity	164,717		128,669		148,475
Total liabilities and equity	$1,563,945		$1,290,351		$1,438,183
Interest rate spread		2.94		3.04	
Net interest margin		3.26		3.26	
Supplementary Data					
Total core deposits	617,998		522,103		571,786
Total deposits	1,002,441		844,151		924,027

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Comparison of Financial Condition at June 30, 2005 and December 31, 2004

Woronoco Acquisition. On June 1, 2005, the Company completed the acquisition of Woronoco. This acquisition is described in Note 2 to the financial statements, and this discussion should be read in conjunction with that note. The Company recorded $847 million in assets and $700 million in liabilities in conjunction with this acquisition, and most categories of assets and liabilities increased primarily due to this event. The financial statements include the operations of Woronoco beginning on June 1, 2005.

Total Assets. Total assets were $2.1 billion at mid-year, up from $1.3 billion at the prior year-end, due primarily to the Woronoco acquisition. As previously announced, a deleveraging plan was also conducted in connection with the acquisition, with second quarter sales of loans and securities totaling $192 million, the proceeds of which were used to reduce borrowings. The Bank's securities portfolio was also reduced by $43 million in the first quarter of 2005, resulting in a total deleveraging of $235 million. Additionally, the Bank sold $46 million in securities in the current quarter to pay $35 million for the acquisition's cash consideration and $11 million for a portion of the deal costs.

Loans. Loans totaled $1.42 billion at mid-year, increasing by $588 million, or 71%, from year-end 2004. Loans acquired from Woronoco totaled $525 million.

Excluding $90 million of mortgage loans sold as part of the deleveraging plan, Woronoco's total loans increased in the first five months of the year prior to its acquisition. Net loan originations in Berkshire's markets represented a 16% annualized growth rate in the first half of 2005. Annualized growth in Berkshire's commercial portfolio was 9% in the first half of the year, and all other major loan categories grew at an annualized rate in a range of 16 - 28%. The commercial loan pipeline was a comparatively high $55 million at mid-year, with about half of the pipeline related to the Northeastern New York market, demonstrating the continued growth and penetration being achieved by the Company.

Asset Quality. Asset quality indicators have improved and remain favorable. The loans added through the Woronoco acquisition were primarily concentrated in comparatively low risk residential mortgage and home equity loans. Partially as a result, the ratio of non-performing assets to total assets declined to 0.08%. The allowance for loan losses declined to 0.92% of total loans at June 30, 2005, from 1.13% at December 31, 2004. The ratio of the allowance to non-performing loans measured 819% at mid-year, which was little changed from 811% at year-end 2004. Second quarter net loan charge-offs totaled $222,000, or 0.08% of total average loans on an annualized basis. The allowance for loan losses totaled $13.0 million at mid-year, compared to $9.3 million at year-end 2004, including a $3.3 million allowance related to loans acquired in connection with the Woronoco acquisition.

Investment Securities. Investment securities totaled $443 million at mid-year, increasing by $28 million, or 7%, from year-end 2004. Securities sold by Berkshire in the first half of 2005 totaled $123 million, contributing to the deleveraging program and providing funds used in the Woronoco acquisition. Securities acquired from Woronoco totaled $182 million. The primary impact of the changes resulting from securities transactions was to increase the percentage of the portfolio in municipal and trust preferred securities to 20% of the portfolio at June 30, 2005, compared to 7% at year-end 2004. The net unrealized gain on securities available for sale declined to $3.1 million at mid-year 2005, compared to $6.6 million at year-end 2004, including the impact of $2.6 million in net realized gains on securities and securitized loans during the first six months of 2005. The net unrealized gain remained concentrated in marketable equity securities. The net unrealized gain on total available-for-sale debt securities was 1% of the portfolio at mid-year 2005, compared to a net gain of 2% at year-end 2004. The securities portfolio was reduced to 21% of total assets at June 30, 2005, compared to 32% of total assets at December 31, 2004.

Deposits and Borrowings. Deposits totaled $1.31 billion at mid-year, increasing by $460 million, or 54%, from year-end 2004. Deposits acquired from Woronoco totaled $443 million. During the first five months of the year, Woronoco's deposits decreased by 2.5%, excluding brokered deposits. Most of this decrease was centered in money market account balances. During this time, Woronoco's checking account balances increased by $3 million, or 9%. Excluding deposits acquired from Woronoco, total deposits increased by 4% annualized in the first half of 2005. The Company's emphasis has been on personal and commercial checking accounts, both of which increased at an annualized rate exceeding 20% in the first six months of the year. Included in deposits acquired from Woronoco were brokered deposits totaling $70 million; the Company expects to allow this portfolio to run-off as it matures.

Borrowings totaled $504 million at mid-year, increasing by $176 million, or 54% from year-end 2004, due to $243 million in borrowings acquired with Woronoco, partially offset by the deleveraging program. Additionally, borrowings included subordinated debt related to $15 million of trust preferred securities which Berkshire issued in June to supplement regulatory capital. Total borrowings decreased to 24% of total assets at mid-year 2005, compared to 25% at year-end 2004.

Equity. Stockholders' equity totaled $244 million at mid-year 2005, increasing by $113 million, or 86%, from year-end 2004, primarily due to shares issued for the Woronoco acquisition. Consideration paid for the Woronoco acquisition was based on a ratio of 75% stock and 25% cash. In addition to $35 million in cash consideration, Berkshire issued 2.93 million new shares valued at $108 million. As previously noted, the loss resulting from the ESOP termination had no negative impact on total stockholders' equity because the charge to earnings was offset by credits to unearned compensation and additional paid in capital. These credits also offset the $5 million impact of the transfer of 146,971 shares of treasury stock, which represented full payment of the ESOP loan.

Goodwill increased to $89.6 million and intangible assets increased to $12.6 million due to the Woronoco acquisition. As a result, tangible book value per share was $16.56 at mid-year, compared to $21.19 at year-end 2004. The ratio of stockholders' equity to total assets measured 11.8% at mid-year, compared to 10.1% at the prior year-end, due to the issuance of new common shares and the deleveraging program executed in conjunction with the Woronoco acquisition. The ratio of tangible equity to tangible assets measured 7.2% at June 30, 2005.

Under its repurchase plans, the Company repurchased 50,697 shares of its common stock at an average price of $32.14 per share during the quarter. The Company completed the repurchase of 300,000 shares of its common stock under its sixth repurchase program and announced a seventh stock repurchase program, authorizing the purchase of up to 150,000 shares. Under this program, 112,200 shares remained available for repurchase as of June 30, 2005.

Derivative Instruments. Woronoco used on-balance sheet derivative instruments primarily for asset/liability management. The Company assumed these instruments through the Woronoco acquisition, including a $5 million interest rate swap agreement to hedge variable rate home equity line borrowings and $20 million in outstanding interest rate swaps used to hedge brokered certificates of deposit. These instruments are described more fully in the notes to consolidated financial statements in the SEC Form 10-K filed by Woronoco for the year ended December 31, 2004. There have been no material changes in these arrangements since December 31, 2004.

Comparison of Operating Results for the Three and Six Months Ended June 30, 2005 and 2004

Net Income. The Company reported a net loss of $4.61 million, or $0.74 per basic and diluted share, for the second quarter of 2005. This compared to net income of $2.70 million, or $0.47 per diluted share, in the same quarter of 2004. For the first half of 2005, the Company reported a net loss of $1.36 million, or $0.23 per basic and diluted share. For the first half of 2004, the Company's net income totaled $5.33 million, or $0.93 per diluted share.

Excluding the $8.38 million after-tax impact of the ESOP termination, second quarter income was $3.77 million, or $0.57 per diluted share, an increase of 21% over per share results for the second quarter of 2004. Excluding the ESOP termination, income for the first half of 2005 totaled $7.02 million, or $1.14 per diluted share, increasing 23% over income of $0.93 per diluted share in 2004 on total earnings of $5.33 million for that period.

Due to the loss resulting from the ESOP termination, profitability ratios were negative. Excluding the impact of the ESOP termination, the return on average shareholders' equity measured 9.4% for the first six months of 2005, increasing from 8.40% in the same period of 2004. On this adjusted basis, the return on average assets increased to 0.98% from 0.84% for the same periods, respectively. The improvements generally reflect higher service fee income and controlled expense growth, along with the benefit of sales gains on investment securities and securitized loans. The efficiency ratio also improved, measuring 59.42% compared to 61.71% for the same periods, respectively.

All major categories of income and expense increased in the second quarter, reflecting the inclusion of one month's operations resulting from the Woronoco acquisition on June 1, 2005.

Net Interest Income. Net interest income increased by $1.8 million, or 18%, in the second quarter and by $1.6 million, or 8%, in the first six months of 2005 compared to 2004. Average earning assets increased by 18% and by 12% for the same periods, respectively. Earning asset growth produced the increase in net interest income in the second quarter, with the

net interest margin remaining at 3.26%. For the first six months, the net interest margin declined to 3.30% from 3.38%, partially offsetting the benefit to interest income from growth in earning assets.

The increase in average assets was primarily due to the Woronoco acquisition, along with organic loan growth. The growth was in average loans, which increased in all categories except for commercial business loans. The average balance of securities decreased due to the deleveraging program and the sale of securities to provide funds required for the acquisition. Liability growth was split between deposits and borrowings, with increases recorded in all major categories.

Woronoco had a lower net interest margin, reflecting its lower yielding asset mix concentrated in residential mortgages and its higher utilization of higher cost borrowings and time deposits. These factors contributed to the decline in the net interest spread for both the second quarter and first six months of 2005, compared to 2004. However, growth in average demand deposit balances helped to mitigate this decline, and as a result the net interest margin remained flat in the second quarter of 2005 compared to 2004. The Company's net interest margin was an estimated 3.23% in June, reflecting the first month of combined operations with Woronoco.

Berkshire's interest rate risk model indicates that the Company's net interest margin is positively sensitive to increases in interest rates. Net interest income has benefited from regular increases in the prime interest rate over the last year. However, long-term interest rates have not increased in conjunction with the prime interest rate, with the result that there has been a significant flattening of the yield curve. Additionally, deposit pricing margins have moved unfavorably due to market reactions to the increases in interest rates from recent record lows. These factors have contributed to the decrease in the interest rate spread. To counter these effects, the Company has emphasized loan growth and growth of relationship-oriented transaction account balances. The Company has also maintained a focus on lower-yielding shorter duration earning assets to better position the Company for potential future increases in interest rates.

Provision for Loan Losses. The provision for loan losses is a charge to earnings in an amount sufficient to maintain the allowance for loan losses at a level deemed adequate by the Company. The level of the allowance is a critical accounting policy, which is subject to uncertainty. The level of the allowance at mid-year 2005 was discussed in the previous section on Asset Quality in the discussion of financial condition at June 30, 2005. The provision for loan losses has exceeded the modest level of net loan charge-offs in all periods shown in this report, and therefore has contributed to growth in the allowance as the loan portfolio has also grown.

Non-Interest Income. Non-interest income increased by $2.0 million, or 99%, in the second quarter and by $2.8 million, or 73%, in the first six months of 2005, compared to 2004. Non-interest income included $480,000 in revenues from the Woronoco operations contributed in June 2005. Growth in non-interest income has primarily been due to gains on sales of securities and securitized loans, along with the benefit of growth in service fee income.

Total net securities gains increased by $1.0 million in the second quarter and by $1.1 million in the first six months of 2005, compared to 2004. Securities gains have primarily been related to sales of equity securities, as the Company continued to reduce its exposure to potential equity price risk. Gains on the sale of loans and securitized loans increased by $168,000 and by $667,000 for the same periods, respectively. The Company has periodically sold securities which were created through the securitization of residential mortgage loans in 2003 and 2004.

Total service fee income includes fees for customer service, wealth management, and loan services. Total service fee income was $2.07 million for the second quarter of 2005, increasing by $633,000, or 44%, compared to the second quarter of 2004. Total service fee income was $3.56 million in the first half of 2005, an increase of $894,000, or 34%, compared to the same period in 2004. These increases included the $480,000 contribution from Woronoco operations in June. Excluding the Woronoco contribution, the increases measured 11% in the second quarter and 16% for the first half of 2005, compared to 2004. All major components of service fees increased. Customer service fees benefited from growth in the ATM network, new overdraft protection products, and fees associated with transaction account growth. Wealth management fee increases reflected growth in assets under management, which increased at a 13% annualized rate to $382 million at mid-year 2005. The Woronoco acquisition included a property and casualty insurance agency operation, which contributed $142,000 in revenues in June.

Non-Interest Expense. Total non-interest expense increased by $11.1 million in the second quarter and first six months of 2005, compared to 2004. This increase included the $8.7 million charge for the termination of the Employee Stock Ownership Plan. The increase also included $1.0 million in expense related to the Woronoco acquisition and to the conversion of the Company's core banking systems in the second quarter. Excluding these charges, non-interest expense

increased by $1.5 million in the second quarter and first half of 2005, compared to 2004, increasing by 22% and 10% for these periods, respectively. This increase included expenses for June operations acquired from Woronoco. The Company benefited from the elimination of approximately $300,000 in compensation costs in the second quarter of 2005, resulting from the termination of the ESOP. Total other non-interest expense increased by $560,000 and $705,000 in the second quarter and first half of 2005, respectively. This increase included $186,000 in amortization of new intangibles related to the Woronoco acquisition. Excluding the ESOP termination and merger and conversion expenses, the ratio of non-interest expense to average assets decreased to 2.16% in the second quarter, which was down from the three trailing quarters and only slightly above 2.15% in the second quarter of 2004.

Income Tax Expense and Discontinued Operations. The ESOP termination resulted in a tax benefit of $288,000. Excluding the impact of the ESOP termination, the effective tax rate in the second quarter was 34.2%, compared to 32.2% in the second quarter of 2004, and the effective tax rate was 32.9% in the first half of 2005, compared to 32.2% in the same period of 2004. The higher effective tax rate reflects a lower percentage income contribution from tax advantaged securities income. Results in 2004 also included net charges of $255,000 in the second quarter and $431,000 in the first six months, representing the after-tax loss on discontinued operations of EastPoint Technologies, LLC, which was sold in June 2004.

Comprehensive Income. Comprehensive income includes changes in accumulated other comprehensive income, which consist of changes (after-tax) in the unrealized market gains and losses of investment securities available for sale and net gain/(loss) on derivative instruments. The Company recorded a $3.51 million comprehensive loss in the first half of 2005, compared to a comprehensive gain of $846,000 in the first half of 2004. The after-tax net unrealized gain in the securities portfolio decreased by $2.2 million in the first half of 2005, compared to a decrease of $4.5 million in the first half of 2004. These decreases reflect the impact of realized securities gains and changes in bond prices primarily related to interest rate changes.

Liquidity and Cash Flows

The Company's primary use of funds in the most recent quarter was related to the acquisition of Woronoco, including the reduction of borrowings through deleveraging and the cash paid for the acquisition of the Woronoco common stock and expenditures for the direct cost of the acquisition. The primary source of funds was the sale of investment securities. Securities available for sale and borrowings provide additional liquidity sources. Berkshire Bancorp's primary routine source of funds is dividends from subsidiaries and its primary routine use of funds is dividends to shareholders and treasury stock purchases. Berkshire also receives cash from the exercise of stock options. For the first six months of 2005, the deleveraging program also had a significant impact on cash flows, with proceeds from securities sales used to pay down Federal Home Loan Bank borrowings. These proceeds were also used to fund loan growth during this period. Additional discussion about the Company's liquidity is contained in the Company's 2004 Annual Report on Form 10-K in Item 7.

Capital Resources

Please see the "Equity" section of the Comparison of Financial Condition for a discussion of Stockholders' Equity. At June 30, 2005, Berkshire Bank continued to be classified as "well capitalized". Additional information about capital is contained in Note 7 to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

In the normal course of operations, the Company engages in a variety of financial transactions that, in accordance with generally accepted accounting principles, are not recorded in the Company's financial instruments. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers' requests for funding and take the form of loan commitments and lines of credit. A further presentation of the Company's off-balance sheet arrangements is presented in the Company's Form 10-K for the year. For the three months ended June 30, 2005, the Company did not engage in any off-balance sheet transactions reasonably likely to have a material effect on the Company's financial condition, results of operations or cash flow. The Company acquired certain off-balance sheet arrangements as a result of the acquisition of Woronoco. These included credit related financial instruments and lease commitments which were not materially different from those presented in the Form 10-K filed by Woronoco for the year ended December 31, 2004. Additionally, the Company acquired certain derivative

financial instruments which were discussed in the Comparison of Financial Condition section of this report, as well as in the Form 10-K filed by Woronoco for the year ended December 31, 2004.

Contractual Obligations

Information relating to payments due under contractual obligations is presented in the Securities and Exchange Commission Form 10-K filed by the Company for the year ended December 31, 2004. There were no material changes in the Company's payments due under contractual obligations during the first half of 2005. The Company acquired certain contractual commitments as a result of the acquisition of Woronoco. These included operating lease obligations which were not materially different from those presented in the Form 10-K filed by Woronoco for the year ended December 31, 2004. Additionally, the Company acquired long-term debt consisting of FHLB advances with an original maturity of greater than one year. Certain advances are callable in 2005 and 2006 at the option of the FHLB. The long-term debt due to the FHLB had been reduced in connection with the deleveraging program implemented in conjunction with the acquisition. The balance of long-term borrowings acquired from Woronoco was $187 million at June 30, 2005. The contractual maturities of these obligations were $65 million for the second half of 2005, $60 million in total for the two years 2006 and 2007, $38 million in total for the two years 2008 and 2009, and $24 million for subsequent years.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Please see the discussion and analysis of quantitative and qualitative disclosures about market risk provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 for a general discussion of the qualitative aspects of market risk and discussion of the simulation model used by the Bank to measure its interest rate risk. The Company has incorporated into its model the assets and liabilities purchased from Woronoco during the most recent quarter. Woronoco had a negative one year interest rate gap, with interest sensitive liabilities exceeding interest sensitive assets. Accordingly, projected changes in interest income moved inversely to the direction of interest rate changes. This was the opposite of the Company's projected sensitivity in a rising rate environment. Woronoco also had a higher amount of optionality in its profile, primarily due to the higher concentration of residential mortgages which have prepayment speeds that are more sensitive to interest rate changes. However, the Woronoco acquisition was not expected to have a material impact on the Company's interest rate risk profile, in part due to deleveraging through the sale of longer duration mortgage related assets and the related reduction of borrowings.

The most significant model assumption relates to expectations for the interest sensitivity of non-maturity deposit accounts in a rising rate environment. The model assumes that deposit rate sensitivity in a rising interest rate environment will be a percentage of the market interest rate change as follows: NOW accounts 25%, money market accounts - ranging between 50 and 75% depending on the type, and savings accounts 50%. In a downward rate environment, it is assumed that deposit rate changes will be 100% of the interest rate change, subject to assumed market floors for each type of account.

The following table sets forth, as of June 30, 2005 and December 31, 2004, estimated net interest income and the estimated changes in the Company's net interest income for the next twelve-month period, which may result from instantaneous increases or decreases in market interest rates of 100 and 200 basis points (rate shocks).

Increase/(decrease) in market interest rates in basis points (rate shock)	At June 30, 2005			At December 31, 2004		
	Amount	Dollar Change	Percent change	Amount	Dollar Change	Pe c
(Dollars in thousands)						
200	$ 60,990	$ 403	0.7%	$ 41,376	$ 1,015	
100	61,323	736	1.2	40,661	300	
Static	60,587	--	--	40,361	--	
(100)	60,850	263	0.4	40,413	52	
(200)	55,786	(4,801)	(7.9)	36,452	(3,909)	

The table shows that there has been a modest decrease in the sensitivity of net interest income to interest changes in the +/- 200 modeled environments, while for a +/- 100 basis points, there has been a modest increase in sensitivity. These changes result primarily from the impact of the acquired Woronoco assets and liabilities.

The Company's net interest income is expected to increase in the event of upward rate shocks and in the event of a 100 basis point downward shock. The increase in sensitivity in the case of a 100 basis-point upward rate shock partially reflects changes in the asset mix. The Company has emphasized the origination of shorter-term loan products such as floating rate commercial loans and home equity lines of credit. However, in the upward 200 basis point shock, the Bank still shows an increase in net interest income, but the effect is somewhat negated by the anticipated deceleration of principal prepayments in the Bank's mortgage-backed securities portfolio and residential mortgage portfolios. The acquisition of Woronoco increased the overall percentage of Bank assets that resides in these categories.

Net interest income is expected to improve in the event of a 100-basis point decrease in interest rates. This is due to the assumed sensitivity of deposit accounts. The sensitivity increased in the first half of 2005 because market interest rates had risen, providing more cushion above assumed deposit market floors. In the event of a 200-basis point downward interest rate shock, the Company's net interest income is more sensitive than in the other scenarios, and is modeled to decrease by 7.9%. This primarily reflects the accelerated potential prepayments of loans and securities in a very low rate environment. The decrease in this downward income sensitivity is primarily due to the liability sensitive balances acquired from Woronoco.

For the Bank, market risk also includes price risk, primarily security price risk. The available-for-sale securities portfolio had unrealized gains before taxes of $3.1 million at June 30, 2005. Changes in this figure are reflected, net of taxes, in accumulated other comprehensive income as a separate component of Berkshires' stockholders' equity. Since December 31, 2004, this component has decreased by $2.2 million. This change is primarily due to unrealized losses on pass through mortgage-backed securities because of higher interest rates at June 30, 2005. It also reflects gains recorded on the sale of securities and securitized loans, which decreased the net unrealized gains remaining in the portfolio. It is not possible to predict with complete accuracy the direction and magnitude of market value changes in the securities portfolio. Unfavorable market conditions or other factors could cause price declines in the securities portfolio. The Bank is gradually reducing its exposure to equity securities to reduce the price risk in this sector. The equity portfolio had a $4.0 million net unrealized gain at quarter-end.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, including the Company's principal executive officer and principal financial officer, have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC") (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

During the last fiscal quarter, the Company implemented changes that materially affected its internal controls over financial reporting. The Company converted its core banking systems, which record all loan and deposit activity, to a different system provided by a different vendor. This change was previously announced following the sale by the Company of its data processing subsidiary in 2004. Along with the core systems conversion, the Company converted other systems, including its general ledger system, to new systems with enhanced capabilities. Also, following the Company's acquisition of Woronoco Bancorp, Inc. on June 1, 2005, the Company implemented interim accounting processes related to the Woronoco operations until a planned conversion of the Woronoco core banking and other accounting systems to the Company's systems in August 2005. The above changes were made in accordance with the Company's ongoing review of its internal control over financial reporting and not in response to an identified significant deficiency or material weakness.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not involved in any legal proceedings other than routine legal proceedings occurring in the normal course of business. Such routine proceedings, in the aggregate, are believed by management to be immaterial to the Company's financial condition or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides certain information with regard to shares repurchased by the Company in the second quarter of 2005.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(Maximum (or App Dollar Shares (that Ma Purchased Plans or
April 1- April 30, 2005	--	$ --	--	12
May 1- May 31, 2005	12,897	$ 32.46	12,897	
June 1- June 30, 2005	37,800	$ 32.03	37,800	112
Total	50,697	$ 32.14	50,697	112

On June 3, 2004, the Company authorized the purchase of up to 300,000 shares. This repurchase program was completed on May 25, 2005. On May 25, 2005, the Company authorized the purchase of up to 150,000 shares, from time to time, subject to market conditions. The repurchase plan will continue until it is completed or terminated by the Board of Directors. No plans expired during the three months ended June 30, 2005. The Company has no plans that it has elected to terminate prior to expiration or under which it does not intend to make further purchases.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

A special meeting of the stockholders of the Company was held on April 12, 2005. The results of the vote were as follows:

1. The merger of Berkshire Hills Bancorp, Inc. and Woronoco Bancorp, Inc. was approved by the following vote:

FOR	AGAINST	ABSTENTIONS
4,112,922	206,020	14,026

The annual meeting of the stockholders of the Company was held on May 5, 2005.

1. The following individuals were elected as directors, each for a three-year term by the following vote:

	FOR	WITHHELD
Michael P. Daly	4,899,569	192,528
David B. Farrell	4,891,077	201,020
Catherine B. Miller	4,895,011	197,086

2. The appointment of Wolf and Company, P.C. as independent auditors of Berkshire Hills Bancorp, Inc. for the fiscal year ending December 31, 2005 was ratified by the stockholders by the following vote:

FOR	AGAINST	ABSTENTIONS
5,046,199	45,135	763

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

3.1 Certificate of Incorporation of Berkshire Hills Bancorp, Inc.(1)

3.2 Bylaws of Berkshire Hills Bancorp, Inc.(2)

4.0 Specimen Stock Certificate of Berkshire Hills Bancorp, Inc.(1)

10.1 Woronoco Bancorp, Inc. 1999 Stock-Based Incentive Plan as amended and restated(3)

10.2 Woronoco Bancorp, Inc. 2001 Stock Option Plan(4)

10.3 Woronoco Bancorp, Inc. 2004 Equity Compensation Plan(5)

31.1 Rule 13a-14(a) Certification of Chief Executive Officer

31.2 Rule 13a-14(a) Certification of Chief Financial Officer

32.1 Section 1350 Certification of Chief Executive Officer

32.2 Section 1350 Certification of Chief Financial Officer

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(1) Incorporated herein by reference from the Exhibits to Form S-1, Registration Statement and amendments thereto, initially filed on March 10, 2000, Registration No. 333-32146.

(2) Incorporated herein by reference from the Exhibits to the Form 10-K as filed on March 11, 2004.

(3) Incorporated by reference to the Woronoco Bancorp, Inc. Proxy Statement for the 2000 Annual Meeting of Shareholders as filed with the Securities and Exchange Commission on March 20, 2000 (File No. 0-14671).

(4) Incorporated by reference to the Woronoco Bancorp, Inc. Proxy Statement for the 2001 Annual Meeting of Shareholders as filed with

the Securities and Exchange Commission on March 12, 2001 (File No. 0-14671).

(5) Incorporated by reference to the Woronoco Bancorp, Inc. Proxy Statement for the 2004 Annual Meeting of Shareholders as filed with the Securities and Exchange Commission on March 22, 2004 (File No. 0-14671).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BERKSHIRE HILLS BANCORP, INC.

Dated: August 8, 2005 By:/s/ Michael P. Daly

Michael P. Daly
President, Chief Executive Officer
and Director
(principal executive officer)

Dated: August 8, 2005 By:/s/ Wayne F. Patenaude

Wayne F. Patenaude
Senior Vice President,
Chief Financial Officer and Treasurer
(principal financial and accounting officer)