UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31 , 2023

☐ **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: 001-15781

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.)

60 State Street	**Boston**	**Massachusetts**	**02109**
(Address of principal executive offices)			(Zip Code)

Registrant's telephone number, including area code: **(617) 641-9206 ,**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of Exchange on which registered
Common stock, par value $0.01 per share	BHLB	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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 ý No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer	x		Accelerated Filer	☐
Non-Accelerated Filer	o		Smaller Reporting Company	☐
			Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐

The aggregate market value of the voting and non-voting common equity held by non-affiliates was approximately $ 0.9 billion, based upon the closing price of $20.73 as quoted on the New York Stock Exchange as of the last business day of the registrant's most recently completed second fiscal quarter.

The number of shares outstanding of the registrant's common stock as of February 23, 2024 was 43,624,434 .

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Proxy Statement for the 2024 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

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PART I
ITEM 1. BUSINESS

FORWARD-LOOKING STATEMENTS
Certain statements contained in this document that are not historical facts may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (referred to as the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (referred to as the Securities Exchange Act), and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You can identify these statements from the use of the words “may,” “will,” “should,” “could,” “would,” “plan,” “potential,” “estimate,” “project,” “believe,” “intend,” “anticipate,” “expect,” “target” and similar expressions.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including among other things, changes in general economic and business conditions, increased competitive pressures, changes in the interest rate environment and inflation, legislative and regulatory change, changes in the financial markets, and other risks and uncertainties disclosed from time to time in documents that Berkshire Hills Bancorp files with the Securities and Exchange Commission, including the Risk Factors in Item 1A of this report.

Because of these and other uncertainties, Berkshire’s actual results, performance or achievements, or industry results, may be materially different from the results indicated by these forward-looking statements. In addition, Berkshire’s past results of operations do not necessarily indicate Berkshire’s combined future results. You should not place undue reliance on any of the forward-looking statements, which speak only as of the dates on which they were made. Berkshire is not undertaking an obligation to update forward-looking statements, even though its situation may change in the future, except as required under federal securities law. Berkshire qualifies all of its forward-looking statements by these cautionary statements.

GENERAL
Berkshire Hills Bancorp, Inc. (“Berkshire” or “the Company”) is headquartered in Boston, Massachusetts. Berkshire is a Delaware corporation and the holding company for Berkshire Bank (“the Bank”). The Bank provides Commercial Banking, Retail Banking, Consumer Lending, Private Banking and Wealth Management services. At year-end 2023, the Bank had $12.4 billion in assets and 96 full-service financial centers in its New England and New York footprint.

FILINGS
Information regarding the Company is available through the Investor Relations tab at berkshirebank.com. The Company’s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge at sec.gov and, as soon as reasonably practicable after we electronically file such material with the Securities and Exchange Commission, at berkshirebank.com under the Investor Relations tab. Information on the website is not incorporated by reference and is not a part of this annual report on Form 10-K.

COMPETITION
The Company is subject to strong competition from banks and other financial institutions and financial service providers. Its competition includes national and super-regional banks. Non-bank competitors include credit unions, brokerage firms, insurance providers, financial planners, and the mutual fund industry. New technology is reshaping customer interaction with financial service providers and the increase of internet-accessible financial institutions increases competition for the Company’s customers. The Company generally competes on the basis of customer service, relationship management, and the fair pricing of its products. The location and convenience of branch offices is also a significant competitive factor, particularly regarding new offices. The Company is pursuing a “banker heavy, branch light” model in newer markets, and uses its mobile MyBanker teams which provide personalized service to customers with committed relationships. Due to recent mergers of in-market bank competitors, the Company is pursuing opportunities to expand its market share and talent recruitment. The Company seeks to differentiate itself with its Digitouch℠ approach to personal service and user-friendly technology, as well as its commitment to corporate responsibility. The Company recently introduced its new brand theme of “Where You Bank Matters” to highlight these differentiating factors.

LENDING ACTIVITIES

General. The Bank originates loans in the basic portfolio categories discussed below. Lending activities are limited by federal and state laws and regulations. Loan interest rates and other key loan terms are affected principally by the Bank's credit policy, asset/liability strategy, loan demand, competition, and the supply of money available for lending purposes. These factors, in turn, are affected by general and economic conditions, monetary policies of the federal government, including the Federal Reserve, legislative tax policies, and governmental budgetary matters. Most of the Bank's loans held for investment are made in its market areas and are secured by real estate located in its market areas. Lending is therefore affected by activity in these real estate markets. The Bank monitors and manages the amount of long-term fixed-rate lending volume. Adjustable-rate loan products generally reduce interest rate risk but may produce higher loan losses in the event of sustained rate increases. The Bank generally originates loans for investment except for residential mortgages, which are sometimes originated for sale on a servicing released basis. Additionally, the Bank also originates Small Business Administration ("SBA") 7A loans for sale to investors. The Bank also conducts loan participations generally with other banks doing business in its markets, including selected national banks.

Loan Portfolio Analysis. The following table sets forth the year-end composition of the Bank's loan portfolio in dollar amounts and as a percentage of the portfolio at the dates indicated. Further information about the composition of the loan portfolio is contained in Note 6 – Loans of the Consolidated Financial Statements.

Item 1 – Table 1 — Loan Portfolio Analysis

	2023		2022		2021	
(In millions)	**Amount**	**Percent of Total**	**Amount**	**Percent of Total**	**Amount**	**Percent of Total**
Loans:						
Construction	$ 640	7.1 %	$ 320	3.9 %	$ 324	4.7 %
Commercial multifamily	599	6.6	620	7.5	516	7.6
Commercial real estate owner occupied	629	7.0	641	7.7	607	8.9
Commercial real estate non-owner occupied	2,607	28.8	2,496	29.9	2,157	31.6
Commercial and industrial	1,359	15.1	1,445	17.3	1,285	18.8
Residential real estate	2,760	30.5	2,312	27.7	1,489	21.8
Home equity	224	2.5	227	2.7	252	3.7
Consumer other	221	2.4	274	3.3	196	2.9
Total	$ 9,039	100.0 %	$ 8,335	100.0 %	$ 6,826	100.0 %
Allowance for credit losses	(105)		(96)		(106)	
Net loans	$ 8,934		$ 8,239		$ 6,720	

There is further information about the above components of the loan portfolio, and the risk characteristics relevant to each portfolio segment, in the "Loans and Related Allowance for Credit Losses" footnote to the financial statements referenced in Item 8 of this report. There is also information about the loan portfolio and changes in the portfolio during 2023 in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this report. There is reference made to Commercial and Retail Loans, as well as to Commercial Real Estate loans. Commercial Real Estate loans include Construction, Commercial Multi-Family, Commercial Real Estate Owner Occupied, and Commercial Real Estate Non-Owner Occupied. Commercial loans include Commercial Real Estate loans and Commercial and Industrial Loans. Retail loans include Residential Real Estate loans and Consumer loans, which are comprised of Home Equity loans and Consumer other loans.

Commercial Real Estate. The Bank originates commercial real estate loans on properties used for business purposes such as retail, multifamily, office, healthcare, hospitality, industrial, and manufacturing facilities. Commercial real estate loans are provided on owner-occupied properties and on investor-owned properties and also include construction loans. Loans may generally be made with amortizations of up to 30 years and with final maturities of 10 years or less. As part of its business activities, the Bank also enters into commercial loan participations and interest rate swaps.

Commercial real estate is generally managed within federal regulatory monitoring guidelines of 300% of capital, with construction loans within 100% of capital, as defined in the guidance. Total supervisory commercial real estate loans measured 287% of regulatory capital at year-end 2023 and construction real estate loans measured 43% of regulatory capital as defined in accordance with regulatory monitory guidelines.

The Bank has hold limits for numerous categories of commercial lending including healthcare, hospitality, retail, and construction. Commercial real estate loans are among the largest of the Bank’s loans, and may have higher credit risk than the overall credit portfolio. Because repayment is often dependent on the successful operation or management of the properties, repayment of commercial real estate loans may be affected by adverse conditions in the real estate market or the economy. The Bank seeks to manage these risks through its underwriting disciplines and portfolio management processes. The Bank generally requires that borrowers have debt service coverage ratios (the ratio of available cash flows before debt service to debt service) of at least 1.25 times based on stabilized cash flows of leases in place, with some exceptions for national credit tenants. For adjustable rate loans, the Bank’s underwriting stresses debt service coverage to interest rate shocks of 400 basis points or higher based on a minimum of 1.0 times coverage and it uses loan maturities to manage risk based on the lease base and interest sensitivity. Loans at origination may be made up to 80% of appraised value based on property type and risk, with sublimits of 75% or less for designated industry types. Generally, commercial real estate loans are supported by full or partial personal guarantees by the principals.

The economic environment in 2023 was affected by higher interest rates as a result of federal monetary policy.An environment of higher interest rates can affect overall property values and operating debt service coverage across the spectrum of commercial real estate. Additionally, there have been changes in supply and demand factors in commercial real estate following the pandemic. Most prominently, metropolitan office properties have reported higher vacancy rates in many markets across the nation due to the shift towards work from home, with lower demand for office space in some markets. Loans that are scheduled to mature in the near term are being reviewed closely for risk to repayment or renewal.

The Company has a diversified commercial real estate portfolio primarily located in suburban markets in its footprint. As discussed in Item 7, the performance of the loan portfolio in 2023 generally improved and was well within the historic range at December 31, 2023. At year-end 2023, commercial real estate loans which were modified and experiencing financial difficulty were 0.33% of total commercial real estate loans. Loans rated substandard were 1.94% of commercial real estate loans, compared to 1.67% at year-end 2022. At year-end 2023, the largest components of the commercial real estate portfolio (over 5% of the portfolio and excluding construction) were retail trade (21%), multifamily (13%), office (11%), healthcare (9%), and hospitality (8%). The largest category, retail trade, was primarily comprised of properties anchored by strong grocery and big box tenants in suburban areas – with no significant tenant concentrations, and negligible indoor mall exposure. The $493 million office portfolio was approximately 66% composed of Class A properties and approximately 68% of the office portfolio was maturing after 2025. Boston properties were 13% of the office portfolio, with no high-rise office buildings. There were no charge-offs of office loans in 2023, and nonaccrual office loans were 0.7% of total office loans at December 31, 2023. Construction loans consisted primarily of multifamily (approximately 39%) and healthcare approximately (17%).

The Bank offers interest rate swaps to certain larger commercial mortgage borrowers. These swaps allow the Bank to originate a mortgage based on a floating rate of interest and allow the borrower to swap into a fixed rate. The Bank then concurrently enters into offsetting positions with third-party financial institutions. The Bank may record fee income associated with offering the interest rate swaps to its borrowers.

The Bank originates construction loans to developers and commercial borrowers in its footprint. The maximum loan to value limits for construction loans follow Federal Deposit Insurance Corporation ("FDIC") supervisory limits, up to a maximum of 85 percent. The Bank commits to provide the permanent mortgage financing on most of its construction loans on income-producing property. Advances on construction loans are made in accordance with a schedule reflecting the cost of the improvements. Construction loans include land acquisition loans up to a maximum 50 percent loan to value on raw land. Construction loans may have greater credit risk due to the dependence on completion of construction and other real estate improvements, as well as the sale or rental of the improved property. The Bank generally mitigates these risks with presale or preleasing requirements and phasing of construction.

Commercial and Industrial Loans ("C&I"). C&I loans are mostly managed through the Bank’s commercial middle market banking organization, as well as its Asset Based Lending Group, its Small Business Banking Group, and 44 Business Capital. The Bank offers secured commercial term loans with repayment terms which are normally limited to the expected useful life of the asset being financed, and generally not exceeding ten years. The Bank also offers revolving loans, lines of credit, letters of credit, time notes and SBA guaranteed loans. Business lines of credit have interest rates that adjust, and are generally subject to annual review and renewal. Commercial and industrial loans are generally secured by a variety of collateral such as accounts receivable, inventory and equipment, and are generally supported by personal guarantees. Loan-to-value ratios depend on the collateral type and generally do not exceed 80 percent of orderly liquidation value or net book value as reported on the borrower’s financial statements. Some commercial loans may also be secured by liens on real estate. The Bank generally does not make unsecured commercial loans.

Commercial and industrial loans are of higher risk and are made primarily on the basis of the borrower’s ability to make repayment from the cash flows of its business. Further, any collateral securing such loans may depreciate over time, may be difficult to monitor and appraise and may fluctuate in value. The Bank gives additional consideration to the borrower’s credit history and the guarantor’s capacity to help mitigate these risks. Additionally, the Bank uses loan structures including shorter terms, amortizations, and advance rate limitations to additionally mitigate credit risk. Credit enhancements in the form of additional collateral or guarantees are normally considered for start-up businesses without a qualifying cash flow history.

The Company considers commercial and industrial loans, together with its owner-occupied commercial real estate loans, as constituting the primary relationship based component of its commercial lending activities. Commercial and industrial loans are commonly structured as variable rate loans, and are accordingly impacted by the recent environment of rising interest rates.

The Asset Based Lending Group serves the commercial middle market in New England, as well as the Bank’s market in northeastern New York and in the Mid-Atlantic. The group expands the Bank’s business lending offerings to include revolving lines of credit and term loans secured by accounts receivable, inventory, and other assets to manufacturers, distributors and select service companies experiencing seasonal working capital needs, rapid sales growth, a turnaround, buyout or recapitalization with credit needs generally ranging from $2 million to $25 million. Asset based lending involves monitoring loan collateral so that outstanding balances are properly margined by business asset collateral, which reduces the risks associated with these loans.

Small Business Banking Group handles most business relationships which are smaller than the middle market category. Additionally, some smaller business needs are handled through the Bank’s retail branch system. Berkshire Bank also owns Firestone Financial LLC. ("Firestone"), which originated loans secured by business-essential equipment throughout the U.S. Key customer segments included the fitness, carnival, gaming, and entertainment industries. The origination of loans by Firestone was terminated in mid-2022 and the remaining portfolio totaled $77 million at December 31, 2023.

44 Business Capital is a dedicated SBA 7A program lending team based in the Philadelphia area. This team originates loans in the Northeast, Mid-Atlantic and nationally. 44 Business Capital also works with business banking and small business teams to provide SBA guaranteed loans to Business Banking Customers in Berkshire’s footprint. This team generally sells the guaranteed portions of these loans with servicing retained and the Bank retains the unguaranteed portions of the loans in its C&I loan portfolio. The unguaranteed loan balances are participated pari-passu with the SBA and are generally collateralized and supported by recourse to business principals. The Bank is a preferred SBA lender and closely manages the servicing portfolio pursuant to SBA requirements. This team is the Bank’s largest source of commercial lending fee revenue. 44 Business Capital is one of the top 20 bank originators of SBA 7A loans in the U.S.

Residential Mortgages. Through its mortgage banking operations, the Bank offers fixed-rate and adjustable-rate residential mortgage loans to individuals with maturities of up to 30 years that are fully amortizing with monthly loan payments. The majority of loans have been originated for investment, although the Bank targets more held for sale originations in the future. The majority of mortgages originated in 2022 were jumbo mortgages exceeding the maximum amounts according to U.S. government sponsored enterprise guidelines and were viewed as generally consistent with secondary market guidelines for these loans. The Bank does not offer subprime mortgage lending programs. The Bank buys and sells seasoned mortgages primarily with smaller financial institutions operating in its markets.

Mortgage loan originations often include rate lock features intended to cover normal processing times. These rate locks introduce price risk into the Company's operations and cause mortgage origination yields to lag market interest rates. The Bank does not offer interest-only or negative amortization mortgage loans. Adjustable rate mortgage loan interest rates may rise as interest rates rise, thereby increasing the potential for default. The Bank also originates construction loans which generally provide 15-month construction periods followed by a permanent mortgage loan, and follow the Bank's normal mortgage underwriting guidelines. Mortgage banking also requires flexible and scalable operations due to the volatility of mortgage demand over time. Investor management is integral to maintaining the secondary market support that is a component for these operations.

Consumer Loans. The Bank's consumer loans are centrally underwritten and processed by its experienced consumer lending team. The Bank engages in prime home equity lending, following its conforming mortgage underwriting guidelines with more streamlined verifications and documentation. Most of these outstanding loans are prime based home equity lines with a maximum combined loan-to-value of 85 percent. Home equity line credit risks include the risk that higher interest rates will affect repayment and possible compression of collateral coverage on second lien home equity lines. The Company exited its prime indirect auto originations business in 2019 and has a remaining portfolio in runoff. In late 2021, the Company expanded its consumer lending in its markets through a third party relationship with financial technology company Upstart which originates unsecured consumer loans through the internet using artificial intelligence technology in combination with the Bank's underwriting criteria. The Bank suspended originating loans through this partnership in mid-2022 and the remaining portfolio totaled $90 million at December 31, 2023.

Maturity and Sensitivity of Loan Portfolio. The following table shows contractual final maturities of loans at year-end 2023. The contractual maturities do not reflect premiums, discounts, deferred costs, or prepayments.

Item 1 - Table 2A - Loan Contractual Maturity - Scheduled loan amortizations are not included in the maturities presented.

Contractual Maturity (In thousands)	**One Year or Less**	**One to Five Years**	**Five to Fifteen Years**	**More Than Fifteen Years**	**Total**
Loans:					
Construction	$ 979	$ 471,837	$ 155,573	$ 11,982	$ 640,371
Commercial multifamily	564	184,183	412,290	2,108	599,145
Commercial real estate owner occupied	2,741	169,940	369,367	86,598	628,646
Commercial real estate non-owner occupied	34,626	1,336,589	1,193,906	41,288	2,606,409
Commercial and industrial	89,765	935,592	318,503	15,389	1,359,249
Residential real estate	237	24,570	205,675	2,529,830	2,760,312
Home equity	69	1,017	54,277	168,860	224,223
Consumer other	805	128,844	74,985	16,697	221,331
Total	$ 129,786	$ 3,252,572	$ 2,784,576	$ 2,872,752	$ 9,039,686

Item 1 - Table 2B - Total loans due after one year as of December 31, 2023 - fixed and variable interest rates

(In thousands)	**Fixed Interest Rate**	**Variable Interest Rate**	**Total**
Loans:			
Construction	$ 187,736	$ 451,656	$ 639,392
Commercial multifamily	129,014	469,567	598,581
Commercial real estate owner occupied	230,994	394,911	625,905
Commercial real estate non-owner occupied	1,070,743	1,501,040	2,571,783
Commercial and industrial	393,534	875,950	1,269,484
Residential real estate	1,813,349	946,726	2,760,075
Home equity	3,421	220,733	224,154
Consumer other	214,207	6,319	220,526
Total	$ 4,042,998	$ 4,866,902	$ 8,909,900

Loan Administration. Lending activities are governed by a loan policy approved by the Board's Risk Management, Capital, and Compliance Committee. Internal staff perform and monitor post-closing loan documentation review, quality control, and commercial loan administration. The lending staff assigns a risk rating to all commercial loans, excluding point scored small business loans. Management primarily relies on internal risk management staff to review the risk ratings of the majority of commercial loan balances.

The Bank's lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by the Risk Management, Capital and Compliance Committee and Management, under the leadership of the Chief Risk Officer. The Bank's loan underwriting is based on a review of certain factors including risk ratings, repayment capacity, recourse, loan-to-value ratios, and material policy exceptions. The Risk Management, Capital and Compliance Committee has established individual and combined loan limits and lending approval authorities. Management's Executive Loan Committee is responsible for commercial loan approvals in accordance with these standards and procedures. Generally, pass rated secured commercial loans can be approved jointly up to $7 million by the business line Managing Director and Credit Director. Loans up to $12.5 million can be approved with the additional signature of the Chief Credit Officer. Loans in excess of this amount, and designated lower rated loans are approved by the Executive Loan Committee. The Bank tracks loan underwriting exceptions and exception reports are actively monitored by executive lending management.

In 2023, the Company's administrative monitoring of the commercial real estate portfolio, the largest segment of the loan portfolio, reflects its risk based focus. It reviewed the larger exposures of all commercial real estate loans maturing in the next five years, including reviewing debt service coverage. It has expanded its monitoring of portfolio-level lease expirations and continued its review of trends in commercial real estate appraisals. The monitoring of lease expirations was increased and the review of trends in commercial real estate appraisals was expanded. The Company is reviewing trends in large loan originations and increasing its monitoring of portfolio components and trends, with a focus on office loans and multifamily. Trends in lease maturities and renewals are updated periodically. Upcoming loan maturities and larger variable and adjustable rate loans are being monitored.

The Bank’s lending activities are conducted by its salaried and commissioned loan personnel. Designated salaried branch staff originate conforming residential mortgages and receive bonuses based on overall performance. Additionally, the Bank employs commissioned residential mortgage originators. Commercial lenders receive salaries and are eligible for bonuses based on individual and overall performance. The Bank purchases whole loans and participations in loans from banks headquartered in its market and from outside of its market. These loans are underwritten according to the Bank’s underwriting criteria and procedures and are generally serviced by the originating lender under terms of the applicable agreement. The Bank routinely sells newly originated, fixed-rate residential mortgages in the secondary market. Customer rate locks are offered without charge and rate locked applications are generally committed for forward sale or hedged with derivative financial instruments to minimize interest rate risk pending delivery of the loans to the investors. The Bank also sells interest rate derivatives to larger commercial borrowers desiring to fix their interest rates through interest rate swaps, and includes these derivatives in its underwriting and administrative procedures.

The Bank also sells residential mortgages and commercial loan participations on a non-recourse basis. The Bank issues loan commitments to its prospective borrowers conditioned on the occurrence of certain events. Loan origination commitments are made in writing on specified terms and conditions and are generally honored for up to 60 days from approval and may be honored for up to six months; some commercial commitments are made for longer terms. The Company also monitors pipelines of loan applications and has processes for issuing letters of interest for commercial loans and pre-approvals for residential mortgages, all of which are generally conditional on completion of underwriting prior to the issuance of formal commitments.

The loan policy sets certain limits on concentrations of credit and requires periodic reporting of concentrations to the Risk Management, Capital and Compliance Committee. The Bank has heightened monitoring of its 25 largest borrower relationships. Commercial real estate is generally managed within federal regulatory monitoring guidelines of 300% of risk based capital for non-owner occupied commercial real estate and 100% for construction loans. The Bank has hold limits for numerous categories of commercial specialty lending including healthcare, hospitality, designated franchises, and leasing, as well as hold limits for designated commercial loan participations purchased. In most cases, these limits are below 100% of risk based capital for all outstanding loans in each monitored category.

Problem Assets. The Bank prefers to work with borrowers to resolve problems rather than proceeding to foreclosure. For commercial loans, this may result in a period of forbearance or restructuring of the loan, which is normally done at current market terms and does not result in a “troubled” loan designation. For residential mortgage loans, the Bank generally follows FDIC guidelines to attempt a restructuring that will enable owner-occupants to remain in their home. However, if these processes fail to result in a performing loan, then the Bank generally will initiate foreclosure or other proceedings no later than the 90th day of a delinquency, as necessary, to minimize any potential loss. Management reports delinquent loans and non-performing assets to the Board quarterly. Loans are generally removed from accruing status when they reach 90 days delinquent, except for certain loans which are well secured and in the process of collection. The Company’s ongoing quarterly process of reviewing larger criticized loans evaluates risk ratings and accrual status based on updated information about loan performance and related risk management issues at the loan level. Loan collections are managed by a combination of the related business units and the Bank’s special assets group, which focuses on larger, riskier collections and the recovery of purchased credit deteriorated loans.

Real estate obtained by the Bank as a result of loan collections, including foreclosures, is classified as real estate owned until sold. When property is acquired it is recorded at fair market value less estimated selling costs at the date of foreclosure, establishing a new cost basis. Holding costs and decreases in fair value after acquisition are expensed.

Asset Classification and Delinquencies. The Bank performs an internal analysis of its commercial loan portfolio and assets to classify such loans and assets in a manner similar to that employed by federal banking regulators. There are four classifications for loans with higher than normal risk: Loss, Doubtful, Substandard, and Special Mention. Usually an asset classified as Loss is fully charged-off. Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values questionable, and there is a high possibility of loss. Special mention are assets that do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories, but possess weaknesses. Please see the additional discussion of nonaccruing and potential problem loans in Item 7 and additional information in notes to the financial statements.

Allowance for Credit Losses on Loans. The Bank's loan portfolio is regularly reviewed by management to evaluate the adequacy of the allowance for credit losses on loans. Management makes estimates of future economic conditions over the life of the loan portfolio and other future conditions and arrives at a reasonable estimate of expected loan losses. Different banks may use different estimates and arrive at different expectations, and therefore, comparisons between banks may be difficult. The accounting is based on future projections and our estimates may change significantly from period to period, and accordingly, the amounts of the allowance and provision may vary between periods. Further information about the allowance is discussed further in Note 1 - Summary of Significant Accounting Policies of the Consolidated Financial Statements.

Management believes that it uses the best information available to establish the allowance. However, future adjustments to the allowance for credit losses on loans may be necessary, and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making its determinations. There can be no assurance that the existing allowance for credit losses is adequate or that increases will not be necessary should the quality of any loan or loan portfolio category deteriorate. Regulatory agencies may require the Bank to make additional provisions for credit losses based upon judgments different from those of management. Any material increase in the allowance may adversely affect the Bank's financial condition and results of operations.

Item 1 - Table 3 - Credit Quality Ratios

	2023	2022	2021
Ratios:			
Allowance for credit losses on loans/total loans	1.17 %	1.15 %	1.55 %
Nonaccrual loans/total loans	0.24 %	0.37 %	0.52 %
Allowance for credit losses/nonaccruing loans	492.47 %	309.41 %	300.33 %
Net charge-offs/average loans	0.26 %	0.27 %	0.29 %

Item 1 - Table 3.a - Net charge-offs to average loans for each loan category

	2023	2022	2021
arge-offs to average loans:			
uction	— %	— %	— %
ercial multifamily	—	—	—
ercial real estate owner occupied	(0.01)	—	0.02
ercial real estate non-owner occupied	—	0.06	0.17
ercial and industrial	0.17	0.20	0.09
ntial real estate	—	(0.01)	—
equity	—	—	—
ner other	0.10	0.02	0.01

The following tables present year-end data for the approximate allocation of the allowance for credit losses on loans by loan categories at the dates indicated (including an apportionment of any unallocated amount). The first table shows for each category the amount of the allowance allocated to that category as a percentage of the outstanding loans in that category. The second table shows the allocated allowance together with the percentage of loans in each category to total loans. Management believes that the allowance can be allocated by category only on an approximate basis. The allocation of the allowance to each category is not indicative of future losses and does not restrict the use of any of the allowance to absorb losses in any category.

Item 1 - Table 4A - Allocation of Allowance for Credit Losses on Loans by Category (as of year-end)

	2023		2022		2021	
(Dollars in thousands)	Amount Allocated	Percent Allocated to Total Loans in Each Category	Amount Allocated	Percent Allocated to Total Loans in Each Category	Amount Allocated	Percent Allocated to Total Loans in Each Category
Construction	$ 2,885	0.5 %	$ 1,227	0.4 %	$ 3,206	1.0 %
Commercial multifamily	2,475	0.4	1,810	0.3	6,120	1.2
Commercial real estate owner occupied	9,443	1.5	10,739	1.7	12,752	2.1
Commercial real estate non-owner occupied	38,221	1.5	30,724	1.2	32,106	1.5
Commercial and industrial	18,602	1.4	18,743	1.3	22,584	1.8
Residential real estate	19,622	0.7	18,666	0.8	22,734	1.5
Home equity	2,015	0.9	2,173	1.0	4,006	1.6
Consumer other	12,094	5.5	12,188	4.5	2,586	1.3
Total	$ 105,357	1.2 %	$ 96,270	1.2 %	$ 106,094	1.6 %

Item 1 - Table 4B - Allocation of Allowance for Credit Losses on Loans (as of year-end)

	2023		2022		2021	
(Dollars in thousands)	Amount Allocated	Percent of Loans in Each Category to Total Loans	Amount Allocated	Percent of Loans in Each Category to Total Loans	Amount Allocated	Percent of Loans in Each Category to Total Loans
Construction	$ 2,885	7.1 %	$ 1,227	3.8 %	$ 3,206	4.8 %
Commercial multifamily	2,475	6.6	1,810	7.4	6,120	7.5
Commercial real estate owner occupied	9,443	7.0	10,739	7.7	12,752	8.9
Commercial real estate non-owner occupied	38,221	28.8	30,724	30.0	32,106	31.6
Commercial and industrial	18,602	15.0	18,743	17.4	22,584	18.8
Residential real estate	19,622	30.5	18,666	27.7	22,734	21.8
Home equity	2,015	2.5	2,173	2.7	4,006	3.7
Consumer other	12,094	2.5	12,188	3.3	2,586	2.9
Total	$ 105,357	100.0 %	$ 96,270	100.0 %	$ 106,094	100.0 %

INVESTMENT SECURITIES ACTIVITIES

The securities portfolio provides a source of liquidity, income and interest rate risk management. Decisions are made in accordance with the Company's investment policy which is reviewed and approved by the Board and includes consideration of risk, return, duration, and portfolio concentrations.

The Company has historically maintained a high-quality portfolio of managed duration residential and commercial mortgage-backed securities, together with a portfolio of state and municipal bonds and obligations of national and local issuers. All of the mortgage-backed securities are issued by Fannie Mae, Ginnie Mae, or Freddie Mac. The Company generally designates debt securities as available for sale, but sometimes designates securities as held to maturity based on its intent. The Company periodically invests in corporate bonds, investment grade and non-rated fixed-income capital instruments issued by local and regional financial institutions, and funds financing community reinvestment projects.

Due to elevated market interest rates, the net fair value of the investment securities portfolio was below amortized costs at year-end 2023. Please see Note 4 – Securities in the financial statement for more information. The Company's ability and intent to hold the portfolio at year-end 2023 was consistent with its liquidity and capital resources as discussed in Item 7 of this report.

The following table summarizes year-end 2023 amortized cost, weighted average yields, and contractual maturities of debt securities. Yields are shown on a fully taxable-equivalent basis and are based on amortized cost. A proportion of the mortgage-backed securities are planned amortization class bonds. The contractual maturities of mortgage-backed securities shown below reflect the maturities of the underlying mortgage collateral based on final maturities and do not include scheduled amortization. Yields include amortization and accretion of premiums and discounts.

Item 1 - Table 5 - Weighted Average Yield

	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
(In millions)	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
Municipal bonds and obligations	$ 0.7	6.5 %	$ 6.9	4.3 %	$ 53.6	4.8 %	$ 254.6	4.0 %	$ 315.8	4.2 %
Mortgage-backed securities	—	— %	18.3	2.2 %	94.1	2.1 %	1,272.6	1.6 %	1,385.0	1.7 %
Other bonds and obligations	8.0	1.0 %	6.1	8.6 %	38.2	4.3 %	1.5	5.0 %	53.8	4.3 %
Total	$ 8.7	1.4 %	$ 31.3	3.9 %	$ 185.9	3.3 %	$ 1,528.7	2.0 %	$ 1,754.6	2.2 %

DEPOSIT ACTIVITIES AND OTHER SOURCES OF FUNDS

Deposits are the major source of funds for the Bank's lending and investment activities. The Bank serves personal, commercial, non-profit, and municipal deposit customers. The Bank offers a wide variety of deposit accounts with a range of interest rates and terms. The Bank may also periodically offer promotional interest rates and terms for limited periods of time. The Bank's deposit accounts consist of demand deposits (non-interest-bearing checking), NOW (interest-bearing checking), regular savings, money market savings, and time certificates of deposit. Additionally, the Bank offers a variety of retirement deposit accounts to personal and business customers.

The Bank emphasizes its transaction deposits – checking and NOW accounts – for personal accounts and checking accounts promoted to businesses. These accounts have the lowest marginal cost to the Bank and are also often a core account for a customer relationship. The Bank offers a courtesy overdraft program to improve customer service, and also provides debit cards and other electronic fee producing payment services to transaction account customers. The Bank offers targeted online and mobile deposit account opening capabilities for personal accounts. The Bank promotes remote deposit capture devices so that commercial accounts can make deposits from their place of business.

Deposit related fees include overdraft fees, interchange fees related to debit card usage, service charges, and other miscellaneous transactions and convenience services sold to customers through the branch system as part of an overall service relationship. The Bank offers compensating balance arrangements for larger business customers as an alternative to fees charged for checking account services.

In addition to providing service through its branches, Berkshire provides services to deposit customers through its private bankers, MyBankers, commercial/small business relationship managers, and call center representatives. Commercial cash management services are an important commercial service offered to commercial and governmental depositors and a fee income source to the bank. The Bank also operates a commercial payment processing business that serves regional and national payroll service bureau customers. These payroll deposits often fluctuate daily by hundreds of millions of dollars depending on payroll cycles.

Online banking and mobile banking functionality is increasingly important as a component of deposit account access and service delivery. The Bank has partnered with a third party fintech company to provide enhanced online deposit account opening services and new online and mobile banking platform developed in partnership with this provider as an important milestone in its Digitouch℠ strategy. The Company also is monitoring the development of payment services which are growing in their importance in the personal and commercial deposit markets.

The following table presents information concerning average balances and weighted average interest rates on the Bank's interest-bearing deposit accounts for the years indicated.

Item 1 - Table 6 - Average Balance and Weighted Average Rates for Deposits

	2023			2022			2021		
(In millions)	**Average Balance**	**Percent of Total Average Deposits**	**Weighted Average Rate**	**Average Balance**	**Percent of Total Average Deposits**	**Weighted Average Rate**	**Average Balance**	**Percent of Total Average Deposits**	**Weighted Average Rate**
Demand	$ 2,584.6	27 %	— %	$ 2,914.9	30 %	— %	$ 3,008.5	30 %	— %
NOW and other	1,048.9	11	0.6	1,416.7	14	0.4	976.4	10	0.1
Money market	2,727.3	28	3.4	2,809.1	29	0.5	3,293.5	32	0.2
Savings	1,067.2	11	1.0	1,114.8	11	0.1	1,111.6	11	0.1
Time	2,275.8	23	4.0	1,541.7	16	0.9	1,678.9	17	0.9
Total	$ 9,703.8	100 %	2.4 %	$ 9,797.2	100 %	0.9 %	$ 10,068.9	100 %	0.3 %

Estimated uninsured deposits were $4.6 billion and $3.8 billion at December 31, 2023 and 2022, respectively. Estimated uninsured deposits are based on the same methodologies and assumptions used for the Bank's regulatory reporting requirements. Estimated uninsured deposits adjusted to exclude internal accounts and collateralized deposits were $3.7 billion and $3.2 billion at December 31, 2023 and 2022, respectively. At year-end 2023, time deposits in excess of the FDIC insurance limit and estimated time deposits that are otherwise uninsured by maturity were as follows:

Item 1 - Table 7 - Maturity of Deposits >$250,000

Maturity Period	**Time Deposits that Meet or Exceed the FDIC Insurance Limit**	**Estimated Portion of Time Deposits in Excess of the FDIC Insurance Limit**	**Estimated Aggregate Time Deposits in Excess of the FDIC Insurance Limit and Otherwise Uninsured Time Deposits**
(In thousands)			
Three months or less	$ 278,710	$ 63,112	$ 63,112
Over 3 months through 6 months	195,852	67,987	67,987
Over 6 months through 12 months	147,777	58,407	58,407
Over 12 months	62,825	17,620	17,620
Total	$ 685,164	$ 207,126	$ 207,126

The Bank's deposits are insured by the FDIC. The Bank utilizes brokered certificates of deposits (CDs) to diversify its funding base, augment its interest rate risk management positioning, and to support loan growth. Brokered CDs are sourced through select approved brokers and are managed as a component of the Bank's Liquidity Policy. The Bank also offers brokered reciprocal money market arrangements to provide additional deposit protection to certain large commercial and institutional accounts. These balances are viewed as part of overall relationship balances with regional customers.

The Bank is a member of the Federal Home Loan Bank (''FHLB'') of Boston, which provides a source of funding for member institutions and is a tool to manage liquidity and interest rate risk. The Bank is subject to the rules and requirements of the FHLB, including the requirement to acquire and hold shares of capital stock in the FHLB. The Bank was in compliance with FHLB rules and requirements as of December 31, 2023. The Bank also has access to borrowings from the Federal Reserve Bank of Boston.

The Company had $100 million in subordinated notes, a $15 million trust preferred obligation and a $7 million trust preferred obligation outstanding at year-end 2023. The Company's common stock is listed on the New York Stock Exchange under the ticker "BHLB". Subject to certain limitations, the Company can also choose to issue common stock, preferred stock, subordinated debt, or senior debt in public stock offerings or private placements. The Company maintains a shelf registration as part of its routine capital management.

DERIVATIVE FINANCIAL INSTRUMENTS
The Company offers interest rate swaps to commercial loan customers who wish to fix the interest rate on their loans, and concurrently enters into offsetting positions with third-party financial institutions. The Company may also enter into risk participation agreements with other lending institutions for customer related positions. On a limited basis, the Company offers foreign exchange services to customers on both a spot and forward basis. The Company may also use derivative financial instruments to manage its interest rate risk associated with the Company's loan portfolios and borrowings. All derivative financial instruments eligible for clearing are cleared through the Chicago Mercantile Exchange ("CME").

WEALTH MANAGEMENT SERVICES
The Company's Wealth Management Group provides consultative investment management, trust administration, and financial planning to individuals, businesses, and institutions, with an emphasis on personal investment management. The Wealth Management Group has built a track record over more than a decade with its dedicated in-house investment management team. The Bank also provides a full line of investment products, financial planning, and brokerage services through BerkshireBanc Investment Services utilizing Commonwealth Financial Network as the broker/dealer. The Bank is integrating with its growing private banking and MyBanker teams to further develop wealth management account generation. The Wealth Management Group reported $1.4 billion in total assets under management at year-end 2023.

HUMAN CAPITAL MANAGEMENT
Berkshire's people are the driving force behind its progress on its strategic goals, ability to deliver tailored financial solutions for its clients and vision to be a high-performing, relationship-focused, community-driven bank. The Company's approach to human capital management is grounded in its corporate values, business strategy and focuses on:

- Strong oversight and risk management practices
- Recruitment
- Compensation & Benefits
- Training, Development, Engagement & Retention
- Health & Wellness

OVERSIGHT
The Board of Directors has ultimate responsibility for the strategy of the Company. The Compensation Committee of the Board of Directors oversees executive compensation matters and the Corporate Responsibility & Culture committee oversees company culture as well as diversity, equity and inclusion. The full Board also receives an annual briefing on employee engagement. The SEVP, Chief Human Resources & Culture Officer provides management oversight on human capital matters. The Company proactively identifies potential human capital related risks, such as the labor market shortage, skills gap, rising labor and health care costs, and employee retention and designs strategies to mitigate those risks. Strong human capital management is viewed as integral to the Company's ability to meet its strategic objectives, deliver a superior client experience and drive sustainable shareholder returns.

RECRUITMENT
Berkshire operates in a highly competitive labor market with strong competition for top talent. The Company relies on and continues to recruit employees with the right mix of skills, expertise and experiences. The Company forecasts its hiring needs based on attrition, skills assessments, market conditions, resource availability and strategic objectives. This helps inform corporate strategies to fill current and future open positions. The Company leverages several strategies to support its talent pipeline and talent acquisition activities including formal advertising, postings on targeted career sites, career events, internship placements, affinity group relationships, and the use of experienced external recruiters for key management and specialized positions. Berkshire also maintains a small internal team of talent recruitment professionals.

Berkshire maintains a hybrid work model to expand its access to top talent and provide its employees with workplace flexibility. These strategies have proved effective in meeting the demand for talent demonstrated by the Company's strong track record of attracting high-caliber talent across retail, commercial, private banking, wealth management, business banking, technology and operational areas. In addition, as market disruptions from mergers remain and macroeconomic pressures impact many companies, Berkshire will continue to leverage its differentiated brand and unique market positioning to hire community-focused bankers from its competitors and attract high-performing operational talent from outside the industry.

COMPENSATION & BENEFITS

A highly competitive labor market along with inflationary and macroeconomic pressures has impacted labor costs for all businesses. Berkshire is not immune to these economic pressures. The Company continually evaluates its compensation strategies and benefits programs, benchmarks to industry and peers and surveys the landscape of best practices to develop compensation and benefits packages that reward performance and retain top talent at all levels of the Company. Against this backdrop, Berkshire raised the minimum starting pay to $17/hour and enhanced its vacation, wellness and bereavement benefits. It also restructured its incentive plans across lines of business to provide opportunities for employees to earn higher compensation and bonuses for strong performance aligned with Berkshire's financial and non-financial objectives.

Berkshire provides comprehensive medical coverage, paid vacation, personal and sick time, paid protective leave for gender-based violence, a 401(k) plan with employer match, long-term disability insurance, and group term life insurance. In addition, Berkshire offers a day care reimbursement program, a dependent care expense account, family and medical leave along with flexible work arrangements, including the ability to work fully remote dependent on the duties of one's job. All benefits are available to married same-sex or different-sex couples as well as domestic partners. In addition to its compensation and health benefits, Berkshire offers volunteer-time off, a matching-gift program, an employee assistance program, regular performance reviews, professional development and the You FIRST Fund to help employees impacted by personal financial hardships. Nearly 100% (99.6%) of employees are eligible for benefits.

TRAINING, DEVELOPMENT, ENGAGEMENT & RETENTION

Training and development programs provide employees with the knowledge and skills needed to succeed and have upward career mobility. They are critical components, along with competitive compensation and benefits programs, to having an engaged workforce. Ultimately an engaged workforce drives high levels of productivity and retention which reduces human capital risks, expense, and advances Berkshire's progress and performance.

The Company provides several learning and training programs consistent with one's job responsibilities, professional goals, and development plans. Employees have regular performance assessments to identify strengths, areas for further growth and career interests. Berkshire continues to reskill and upskill employees from across the Company helping them advance along career paths by taking on expanded responsibilities and roles. The Company offers a mentoring program for high potential employees along with development programs as Berkshire remains committed to providing pathways for its associates to grow and maintains succession plans for key leadership positions.

Berkshire encourages its employees to participate in appropriate educational opportunities to expand their professional experience, aid them in their current position or support their self-development to benefit both the employee and Company. As such, the Company offers educational assistance along with access to formal degree and certification programs, including college courses and Center for Financial Training (CFT) programs.

Berkshire continues to monitor the progress of its efforts to evaluate the effectiveness of programs and strategies on retention and engagement. A comprehensive annual employee engagement survey is conducted to identify strengths and opportunity areas within the organization. Overall, employees felt there was a strong spirit of teamwork, that Berkshire genuinely cares for its communities, and they have strong relationships with their direct managers. Actions plans are developed for areas identified in the survey that do not meet the Company's high expectations. Beyond a formal engagement survey, Berkshire provides regular opportunities for managers and employees to ask questions, raise concerns and make suggestions for ways to build a better and stronger company. This includes regular quarterly employee town halls and leadership forums, an employee suggestion program and regional gatherings that provide employees with direct access to Company leaders.

Berkshire continues to make progress reducing turnover, which decreased year-over-year. This progress is the direct result of the actions it has taken to improve engagement and combat turnover including:

- Launched Company-wide reward and recognition program
- Enhanced vacation benefit
- Introduced wellness day
- Enhanced line of business incentive plans
- Established career paths for various job families
- Increased starting wage
- Offered mentoring program
- Developed robust employee communications program
- New employee events

Collectively these efforts have led to improved retention in each of the last three years, record high employee engagement and being named a Forbes America's Best Midsize Employers.

HEALTH & WELLNESS

Berkshire works hard to keep its employees safe, healthy and support their physical, mental and financial wellbeing. It provides its workforce comprehensive programs, benefits and a health and wellness employee resource group. The Company also creates a workplace environment that is accessible and free from occupational hazards. The Company, through its insurance provider, offers a fitness, weight and mind/body reimbursement along with a year-round calendar of various wellness related activities. Since physical and mental health go hand-in-hand with financial health, Berkshire provides access to financial education resources, webinars along with its You FIRST Fund to assist employees experiencing financial hardships.

Additionally, Berkshire provides a comprehensive employee assistance program which includes counseling services and resources for those experiencing mental health challenges. To further support the needs of its workforce, employees have access to a wellness day to disconnect, recharge and take care of themselves in whatever way works best for them. The Health & Wellness Employee Resource Group provides yet another channel for employees to participate in regular programming and advocate for health and wellness options that suit their needs and interests.

WORKPLACE OF THE FUTURE

Berkshire continues to evolve and enhance its human capital management strategies to drive organizational growth in support of strategic priorities while combating risks, such as the labor market shortage, skills gap and rising labor and health costs. The Company expects to maintain its hybrid workplace over the long-term, invest in technology to streamline processes and ensure the workforce structure is aligned with the Company's forward operating needs. While technology continues to play a bigger role in the future of Berkshire, helping to improve processes and drive efficiencies, people will always be at the core of its ability to deliver expert advisement and tailored solutions to its clients which in turn drives value for its shareholders and communities. The Company remains confident that the Berkshire brand, value proposition and vision will continue to be a differentiator in the market.

SELECT HUMAN CAPITAL METRICS

† **Human Capital***	† Total number of FTEs	1340
	† Turnover Rate	21%
	† Retention Rate	79%
	† Promotion Rate	11%
	† Minimum Starting Pay	$17/hour
	† Average Tenure (years)	7 years

**All metrics reported are as of and for the year-ended December 31, 2023.*

DIVERSITY, EQUITY & INCLUSION ("DEI")

Creating a diverse, accessible, inclusive and equitable workplace is an essential enabler to advancing the Company's strategic goals, social and environmental commitments and vision. Ultimately Berkshire's goal is to attract and retain individuals from a wide range of backgrounds, cultures and experiences so that the workforce, executives and board composition reflect the diversity of the communities in which it operates. It also seeks to ensure equity, accessibility, fairness and impartiality in all aspects of the Company's workplace, banking practices and financial solutions while fostering an inclusive environment where all employees feel valued, respected and empowered.

The Company advances those goals through an integrated approach that includes:

- Strong oversight and governance practices
- Talent management and recruitment
- Education and training
- Workplace programming
- Multicultural community engagement
- Equitable product and service development
- Supplier diversity

The Company has a strong foundation of governance practices to ensure that diversity, equity and inclusion is embedded into Berkshire's business activities. This includes the Corporate Responsibility & Culture Committee of the Board of Directors which oversees DEI performance. Berkshire's Diversity, Equity & Inclusion Committee, which reports into the Board committee, provides additional management level oversight to the Company's programming and performance. The Senior Vice President, Chief Diversity Officer leads and executes the Company's DEI programming.

Berkshire continues working to improve representation within its workplace through recruitment initiatives while enhancing its internal talent pipeline to ensure representation at all levels of the Company. Berkshire identifies opportunities in targeted markets and business lines, develops deeper partnerships with non-profit organizations and affinity groups, advertises positions on specialized career sites, participates in affinity career events and uses internal as well as external recruitment professionals to ensure it receives candidate pools that reflect the rural and urban communities in which it operates. It works to develop and implement strategies aimed at increasing representation at each level of the Company. In addition, the Company regularly reviews the gender and ethnic diversity of its workforce at the employee, manager and executive management level and completes a review of pay and performance measures to ensure that all employees, regardless of gender and ethnicity, in comparable roles are compensated equitably. As a result of Berkshire's intentional and impactful efforts to date, Berkshire was listed in the Bloomberg Gender Equality Index and Human Rights Campaign's Corporate Equality Index.

† Diversity, Equity & Inclusion*	† Percent of workforce comprised of women	66 %
	† Percent of workforce comprised of ethnic minorities	16 %
	† Percent of the Board comprised of women	38 %
	† Percent of the Board comprised of ethnic minorities	31 %
	† Percent of manager roles (officer+) comprised of women	55 %
	† Percent of manager roles (officer+) comprised of ethnic minorities	12 %
	† Percent of executive management roles comprised of women	29 %
	† Percent of executive management roles comprised of ethnic minorities	14 %

**Workforce metrics reported are as of December 31, 2023.*

Berkshire provides a full suite of diversity, equity & inclusion trainings. The trainings help build understanding and provide employees with knowledge, skills and tactics they can put into practice. All employees complete training annually through a combination of required and elective DEI-themed courses. Berkshire intends to enhance its training program in 2024 to deepen alignment with corporate goals. The training programs help form the basis for more inclusive recruitment, hiring, retention and customer service strategies going forward. In addition, Berkshire offers six Employee Resource Groups ("ERGs"), each playing an integral role for employees and the culture of the company. Every Employee Resource Group provides a safe space for dialogue, education, programming and collective action on topics relevant to their members and the Company. Through the ERGs, employees' concerns and ideas to strengthen Berkshire's culture are elevated to members of management and the Diversity, Equity & Inclusion Committee for action, empowering employees to collectively be engines of positive change within the workplace and the broader community.

The Company continues to work toward building economic equity in its communities by developing and offering safe, accessible, affordable financial solutions and programs including its MyFreedom Checking account, nationally certified by BankOn for its affordability, and the Futures Fund. The Futures Fund is a special purpose credit program which provides access to a low-interest, low barrier to entry line of credit in collaboration with non-profit partners who provide wrap around technical assistance to minority, LGBTQIA+ and other businesses owned by underrepresented individuals. Since launching the program in 2020, it has deployed nearly $1.7 million to underrepresented business owners. Beyond offering financial solutions and wellness programming, Berkshire also understands that a diverse third-party base is important to achieving its operational goals, supply chain resilience, and vision. As a result, Berkshire works to maintain a third-party base that reflects the communities in which it operates and, to the maximum extent possible, increase the utilization of third parties owned by underrepresented people.

Additional information on Berkshire's Human Capital Management and Diversity, Equity & Inclusion practices can be found in the Company's annual Corporate Responsibility & Sustainability Report, which details the company's environmental, social and governance programs.

SUBSIDIARY ACTIVITIES

The Company wholly-owns Berkshire Bank. The Bank operates as a commercial bank under a Massachusetts trust company charter. Berkshire Bank owns Firestone Financial, LLC which is a Massachusetts limited liability company, as well as consolidated subsidiaries operated as Massachusetts securities corporations and other subsidiary entities. The Company also owns all of the common stock of Delaware statutory business trusts, Berkshire Hills Capital Trust I and SI Capital Trust II. The capital trusts are unconsolidated and their only material assets are trust preferred securities related to the junior subordinated debentures reported in the Company's Consolidated Financial Statements. Additional information about the subsidiaries is contained in Exhibit 21 to this report.

REGULATION AND SUPERVISION

The Company is a Delaware corporation and a bank holding company that has elected financial holding company status within the meaning of the Bank Holding Company Act of 1956, as amended. It is registered with, supervised by and required to comply with the rules and regulations of the Federal Reserve Board. The Federal Reserve Board requires the Company to file various reports and also conducts examinations of the Company. The Company must receive the approval of the Federal Reserve Board to engage in certain transactions, such as acquisitions of additional banks and savings associations, and the Company must seek nonobjection for various capital actions, including stock repurchases.

The Bank is a Massachusetts-chartered trust company and its deposits are insured up to applicable limits by the FDIC. The Bank is subject to extensive regulation by the Massachusetts Commissioner of Banks (the “Commissioner”), as its chartering agency, and by the FDIC, as its deposit insurer. The Bank is required to file reports with the Commissioner and the FDIC concerning its activities and financial condition in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other depository institutions or branches of other institutions. Under specified conditions, the Bank must also seek regulatory approval of capital distributions to the Company, its sole shareholder.

The Commissioner and the FDIC conduct periodic examinations to test the Bank's safety and soundness and compliance with various regulatory requirements. The regulatory structure gives the regulatory authorities extensive discretion in connection with supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulatory requirements and policies, whether by the Commissioner, the Massachusetts legislature, the FDIC, the Federal Reserve Board, or Congress, could have a material adverse impact on the Company, the Bank, and their operations.

Certain regulatory requirements applicable to the Company and the Bank are referred to below. The description of statutory provisions and regulations applicable to financial institutions and their holding companies set forth in this Form 10-K does not purport to be a complete description of such statutes and regulations and their effects on the Company and the Bank and is qualified in its entirety by reference to the actual laws and regulations. A summary of the regulatory requirements referred to below is as follows:

- Massachusetts Banking Laws and Supervision
- Federal Banking Regulations
- Enforcement
- Holding Company Regulation
- Mergers and Acquisitions
- Other Regulations
- Taxation

Massachusetts Banking Laws and Supervision

General. As a Massachusetts-chartered depository institution, the Bank is subject to various Massachusetts statutes and regulations which govern, among other things, investment powers, lending and deposit-taking activities, borrowings, maintenance of surplus and reserve accounts, distribution of earnings and payment of dividends. In addition, the Bank is subject to Massachusetts consumer protection and civil rights laws and regulations. The approval of the Commissioner is required for a Massachusetts-chartered institution to establish or close branches, merge with other financial institutions, issue stock, and undertake certain other activities.

Massachusetts law and regulations generally allow Massachusetts institutions to engage in activities permissible for federally chartered banks or banks chartered by another state. There is a 30-day notice procedure to the Commissioner in order to engage in such activities. Massachusetts law also authorizes Massachusetts institutions to engage in activities determined to be “financial in nature,” or incidental or complementary to such a financial activity, subject to a 30-day notice to the Commissioner.

Dividends. Under Massachusetts law, the Bank may declare cash dividends from net profits not more frequently than quarterly and non-cash dividends at any time. No dividends may be declared, credited, or paid if the institution’s capital stock is impaired. An institution with outstanding preferred stock may not, without the prior approval of the Commissioner, declare dividends to the common stock without also declaring dividends to the preferred stock. The approval of the Commissioner is generally required if the total of all dividends declared in any calendar year exceeds the total of its net profits for that year combined with its retained “net profits,” as defined, over the preceding two years. The Bank was required to obtain the approval of the Commissioner to pay Bank dividends to the Company in 2023.

Loans to One Borrower Limitations. Massachusetts banking law grants broad lending authority. However, with certain limited exceptions, total obligations of one borrower to an institution may not exceed 20.0% of the total of the institution’s capital, which is defined under Massachusetts law as the sum of the institution’s capital stock, surplus account and undivided profits.

Regulatory Enforcement Authority. Any Massachusetts-chartered institution that does not operate in accordance with the regulations, policies, and directives of the Commissioner may be sanctioned for non-compliance, including seizure of the property and business of the institution and suspension or revocation of its charter. The Commissioner may, under certain circumstances, suspend or remove officers or directors who have violated the law, conducted the institution’s business in a manner which is unsafe, unsound or contrary to the depositors’ interests, or been negligent in the performance of their duties. In addition, upon finding that an institution has engaged in an unfair or deceptive act or practice, the Commissioner may issue an order to cease and desist and impose a fine on the institution concerned. Finally, Massachusetts consumer protection and civil rights statutes applicable to the Bank permit private individual and class action lawsuits and provide for the rescission of consumer transactions, including loans, and the recovery of statutory and punitive damages and attorney’s fees in the case of certain violations of those statutes.

Massachusetts has other statutes or regulations that are similar to the federal provisions discussed below.

Federal Regulations

Capital Requirements. Federal regulations require FDIC insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets ratio of 8.0%, and a 4.0% Tier 1 capital to total assets leverage ratio. The definitions of these capital categories and the ratio metrics are set out in federal regulations. In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements.

In assessing an institution's capital adequacy, the FDIC takes into consideration not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where deemed necessary. As a bank holding company, the Company is also subject to regulatory capital requirements, as described in a subsequent section.

The approval of the FDIC is required for the Bank to pay a dividend to the Company from its surplus account. FDIC approval was required for Bank dividend payments in 2023 and such approval is expected to be required in 2024.

Investment Activities. The Federal Deposit Insurance Act generally limits the types of equity investments an FDIC-insured state-chartered bank, such as the Bank, may make and the kinds of activities in which such a bank may engage, as a principal, to those that are permissible for national banks.

Interstate Banking and Branching. Federal law permits an institution, such as the Bank, to acquire another institution by merger in a state other than Massachusetts unless the other state has opted out. Federal law, as amended by the Dodd-Frank Act, authorizes de novo branching into another state to the extent that the target state allows its state-chartered banks to establish branches within its borders. As of December 31, 2023, the Bank operated branches in New York, Vermont, Connecticut and Rhode Island, as well as Massachusetts. At its interstate branches, the Bank may conduct any activity authorized under Massachusetts law that is permissible either for an institution chartered in that state (subject to applicable federal restrictions) or a branch in that state of an out-of-state national bank. The New York State Superintendent of Banks, the Vermont Commissioner of Banking and Insurance, the Connecticut Commissioner of Banking and the Director of the Rhode Island Department of Business Regulation may exercise certain regulatory authority over the Bank's branches in their respective states.

Prompt Corrective Regulatory Action. Federal law requires that federal bank regulatory authorities take "prompt corrective action" with respect to banks that do not meet minimum capital requirements.

The law establishes three categories of capital deficient institutions: undercapitalized, significantly undercapitalized, and critically undercapitalized. The FDIC regulations implementing the prompt corrective action law were amended to incorporate the previously discussed increased regulatory capital standards that were effective January 1, 2015. An institution is deemed to be "well capitalized" if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a common equity Tier 1 ratio of 6.5% or greater, and a leverage ratio of 5.0% or greater. An institution is "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a common equity Tier 1 ratio of 4.5% or greater, and a leverage ratio of 4.0% or greater. An institution is "undercapitalized" if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a common equity Tier 1 ratio of less than 4.5%, or a leverage ratio of less than 4.0%. An institution is deemed to be "significantly undercapitalized" if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a common equity Tier 1 ratio of less than 3.0%, or a leverage ratio of less than 3.0%. An institution is considered to be "critically undercapitalized" if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

“Undercapitalized” banks must adhere to growth, capital distribution (including dividend), and other limitations and are required to submit a capital restoration plan. A bank’s compliance with such capital restoration plans must be guaranteed by its holding company in an amount equal to the lesser of 5% of the institution’s total assets when deemed “undercapitalized” or the amount needed to comply with regulatory capital requirements. If an “undercapitalized” bank fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized.” “Significantly undercapitalized” banks must comply with one or more of a number of additional restrictions, including but not limited to an order by the FDIC to sell sufficient voting stock to become “adequately capitalized,” requirements to reduce assets and cease receipt of deposits from correspondent banks or dismiss directors or officers, and restrictions on interest rates paid on deposits, compensation of executive officers, and capital distributions by the holding company. “Critically undercapitalized” institutions must comply with additional sanctions including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after they obtain such status.

At December 31, 2023, the Bank met the criteria for being considered “well capitalized” as defined in the prompt corrective action regulations.

Transactions with Affiliates and Loans to Insiders. Transactions between depository institutions and their affiliates are governed by Sections 23A and 23B of the Federal Reserve Act and the Act’s implementing regulation, Regulation W. In a holding company context, at a minimum, the parent holding company of an institution and any companies which are controlled by the holding company are affiliates of the institution. Generally, Section 23A limits the extent to which the institution or its subsidiaries may engage with any one affiliate in “covered transactions,” such as loans, to 10% of such institution’s capital stock and surplus. There is also an aggregate limit on all such “covered transactions” with all affiliates to 20% of the institution’s capital stock and surplus. Loans to affiliates and certain other specified transactions must comply with specified collateralization requirements. Section 23B generally requires that transactions with affiliates be on terms and under circumstances that are substantially the same, or at least as favorable to the institution or its subsidiary, as comparable transactions with or involving non-affiliates.

Federal law also restricts an institution with respect to loans to the institution’s or its affiliates’ directors, executive officers, and principal stockholders (“insiders”). Loans to insiders and their related interests may not exceed, together with all other outstanding loans to such insiders and their related interests, the institution’s unimpaired capital and surplus. Loans to insiders above specified amounts must receive the prior approval of the majority of the Board of Directors. Further, loans to insiders must be made on terms substantially the same as offered in comparable transactions to non-insiders, although insiders may receive loans made under a benefit or compensation program that is widely available to the institution’s employees and does not give preference to the insider over other employees. Federal law places additional limitations on loans to executive officers. Massachusetts law previously had a separate law regarding insider transactions, but that law was amended in 2015 to generally incorporate the federal restrictions.

Insurance of Deposit Accounts. The Bank’s deposit accounts are insured by the Deposit Insurance Fund of the FDIC up to applicable limits. The FDIC insures deposits up to the standard maximum deposit insurance amount (“SMDIA”) of $250,000.

The FDIC charges insured depository institutions premiums to maintain the Deposit Insurance Fund. Under the risk-based assessment system, institutions deemed less risky of failure pay lower assessments. The assessment range (inclusive of possible adjustments specified by the regulations) for institutions with greater than $10 billion of total assets was 1.5 to 40 basis points effective through December 31, 2022. The FDIC has authority to increase insurance assessments and adopted a final rule in October 2022 to increase initial base deposit insurance assessment rates by two basis points beginning in the first quarterly assessment period of 2023. As a result, effective January 1, 2023, assessment rates for institutions of the Bank’s size range from 2.5 to 42 basis points.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, order or condition imposed by a regulator. Management does not know of any practice, condition or violation that might lead to termination of FDIC deposit insurance.

Federal Home Loan Bank System. The Bank is a member of the Federal Home Loan Bank system, which consists of 12 regional Federal Home Loan Banks that provide a central credit facility primarily for member institutions. The Bank, as a member, is required to acquire and hold shares of capital stock in the FHLBB.

The Federal Home Loan Banks are required to provide funds for certain purposes including contributing funds for affordable housing programs. These requirements, and general financial results, could reduce the amount of dividends that the Federal Home Loan Banks pay to their members and result in the Federal Home Loan Banks imposing a higher rate of interest on advances to their members.

Enforcement

The FDIC has primary federal enforcement responsibility over state-chartered banks that are not members of Federal Reserve System, which includes the Bank. The FDIC has authority to bring enforcement actions against such institutions and their “institution-related parties,” including officers, directors, certain shareholders, and attorneys, appraisers and accountants who knowingly or recklessly participate in prescribed types of misconduct which caused or were likely to cause more than a minimal loss to, or a significant adverse effect on, an insured institution. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the institution or receivership or conservatorship in certain circumstances.

Potential civil money penalties can be assessed for a wide range of legal and regulatory violations and for unsafe or unsound practices, and are adjusted annually for inflation. Such penalties currently range up to more than $50 thousand per day or, in extreme cases, as high as $2.37 million per day.

Holding Company Regulation

General. The Company is subject to examination, regulation, and periodic reporting as a bank holding company under the Bank Holding Company Act of 1956, as amended. The Company is required to obtain the prior approval of the Federal Reserve Board to acquire all, or substantially all, of the assets of any other bank or bank holding company. Prior Federal Reserve Board approval would be required for the Company to acquire direct or indirect ownership or control of any voting securities of any bank or bank holding company if, after such acquisition, it would, directly or indirectly, own or control more than five percent of any class of voting shares of the bank or bank holding company.

A bank holding company is generally prohibited from engaging in non-banking activities, or acquiring direct or indirect control of more than five percent of the voting securities of any company engaged in non-banking activities. The Federal Reserve Board has allowed by regulation some exceptions based on activities closely related to banking including: (i) making or servicing loans; (ii) performing certain data processing services; (iii) providing discount brokerage services; (iv) acting as fiduciary, investment or financial advisor; and (v) acquiring a savings and loan association whose direct and indirect activities are limited to those permitted for bank holding companies.

The Gramm-Leach-Bliley Act of 1999 authorized a bank holding company that meets specified conditions, including being “well capitalized” and “well managed” as defined in the regulations, to opt to become a “financial holding company” and thereby engage in a broader array of financial activities. Such activities can include insurance and investment banking. The Company has elected to become a financial holding company.

The Company is subject to the Federal Reserve Board’s capital adequacy requirements for bank holding companies. The Dodd-Frank Act required the Federal Reserve Board to promulgate consolidated capital requirements for depository institution holding companies that are no less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves. Consolidated regulatory capital requirements identical to those applicable to the Bank apply also to the Company.

Federal Reserve Board policy requires that a bank holding company serve as a source of financial strength to its subsidiary banks by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. The Dodd-Frank Act codified the source of strength doctrine.

The Federal Reserve Board has issued a policy statement regarding the payment of dividends and the repurchase of shares of common stock by bank holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior consultation with and nonobjection of the Federal Reserve Board with respect to dividends in certain circumstances, such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate of earnings retention is inconsistent with the company's capital needs and overall financial condition. The Federal Reserve Board guidance also provides for consultation and nonobjection for material increases in the amount of a bank holding company's common stock dividend. The ability of a holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized.

Federal regulations require a bank holding company to give the Federal Reserve Board prior written notice of any repurchase or redemption of then outstanding equity securities if the gross consideration for the repurchase or redemption, when combined with the net consideration paid for all such repurchases or redemptions during the preceding 12 months, is equal to 10% or more of the company's consolidated net worth. The Federal Reserve Board may disapprove such a purchase or redemption under certain circumstances. There is an exception to this approval requirement for well-capitalized bank holding companies that meet certain other conditions. Federal Reserve guidance provides for regulatory consultation and nonobjection under specified circumstances prior to a holding company redeeming or repurchasing regulatory capital instruments, including common stock, regardless of the applicability of the previously referenced notification requirement. Pursuant to regulatory policies, such circumstances include repurchasing common stock that would result in a net reduction as of the end of the quarter in the amount of such equity instruments outstanding compared with the beginning of the quarter. In these circumstances, Federal Reserve nonobjection is required. The Company obtained such nonobjection for its repurchase program in 2023 and for the repurchase program announced in January 2024.

These regulatory policies could affect the ability of the Company to pay dividends, repurchase shares of its stock, or otherwise engage in capital distributions.

The status of the Company as a registered bank holding company under the Bank Holding Company Act does not exempt it from certain federal and state laws and regulations applicable to corporations generally, including, without limitation, certain provisions of the federal securities laws.

Acquisition of the Company. Under the Change in Bank Control Act, no person may acquire control of a bank holding company such as the Company unless the Federal Reserve Board has been given 60 days' prior written notice and has not issued a notice disapproving the proposed acquisition, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. Control, as defined for this purpose, means ownership, control of or power to vote 25% or more of any class of voting stock. Acquisition of more than 10% of any class of a bank holding company's voting stock constitutes a rebuttable presumption of control under the regulations under certain circumstances including where, as is the case with the Company, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934.

Massachusetts Holding Company Regulation. In addition to the federal bank holding company regulations, a bank holding company organized or doing business in Massachusetts must comply with requirements under Massachusetts law. Approval of the Massachusetts regulatory authorities is generally required for the Company to acquire 25 percent or more of the voting stock of another depository institution. Similarly, prior regulatory approval would be necessary for any person or company to acquire 25 percent or more of the voting stock of the Company.

Mergers and Acquisitions

The Company and the Bank have authority to engage, and have engaged, in acquisitions of other depository institutions. Such transactions are subject to a variety of conditions including, but not limited to, required stockholder approvals and the receipt of all necessary regulatory approvals. Necessary regulatory approvals include those required by the federal Bank Holding Company Act and/or Bank Merger Act, Massachusetts law and, if the target institution is located in a state other than Massachusetts, the law of that state. When considering merger applications, the federal regulators must evaluate such factors as the financial and managerial resources and future prospects of the parties, the convenience and needs of the communities to be served (including performance of the parties under the Community Reinvestment Act ("CRA")), competitive factors, any risk to the stability of the United States banking or financial system and the effectiveness of the institutions involved in combating money laundering activities. Both the Bank Holding Company Act and the Bank Merger Act provide for a waiting period of 15 to 30 days following approval by the federal banking regulator within which the United States Department of Justice may file objections to the merger under the federal antitrust laws. Massachusetts law requires the Commissioner (or Board of Bank Incorporation in certain cases) to consider such factors as whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage will be promoted (including whether the merger will result in net new benefits).

Other Regulations

Consumer Protection Laws. The Bank is subject to federal and state consumer protection statutes and regulations applicable to depository institutions. These include the Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers; Home Mortgage Disclosure Act, requiring financial institutions to provide certain information about home mortgage and refinance loans; the Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited bases in extending credit; the Fair Credit Reporting Act, governing the provision of consumer information to credit reporting agencies and the use of consumer information; the Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and the Electronic Funds Transfer Act, governing automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services. Since the Bank has exceeded $10 billion of consolidated assets, compliance with such federal consumer protection statutes and regulations is examined for and enforced by the Consumer Finance Protection Bureau.

The Bank also is subject to Massachusetts and federal laws protecting the confidentiality of consumer financial records, and limiting the ability of the institution to share non-public personal information with third parties.

The Community Reinvestment Act ("CRA") establishes a requirement for federal banking agencies that, in connection with examinations of depository institutions within their jurisdiction, the agencies evaluate the record of the depository institutions in meeting the credit needs of their local communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of those institutions. These factors are also considered in evaluating mergers, acquisitions and applications to open a branch or new facility. Under the CRA, institutions are assigned a rating of "outstanding," "satisfactory," "needs to improve," or "substantial non-compliance." A less than "satisfactory" rating would result in the suspension of any growth of the Bank through acquisitions or opening de novo branches until the rating is improved. As of the most recent CRA examination by the FDIC, the Bank's CRA rating was "satisfactory." On October 24, 2023, the FDIC, the Federal Reserve Board, and the Office of the Comptroller of the Currency issued a final rule to strengthen and modernize the CRA regulations. Under the final rule, banks with assets of at least $2 billion as of December 31 in both of the prior two calendar years will be a "large bank." The agencies will evaluate large banks under four performance tests: the Retail Lending Test, the Retail Services and Products Test, the Community Development Financing Test, and the Community Development Services Test. The applicability date for the majority of the provisions in the CRA regulations is January 1, 2026, and additional requirements will be applicable on January 1, 2027.

Cybersecurity and Protection of Customers' Personal Information. The provisions of Gramm-Leach-Bliley Act (GLBA) regarding privacy generally prohibit financial institutions from disclosing nonpublic personal financial information of consumer customers to third parties for certain purposes unless those customers have the opportunity to opt out. The Fair Credit Reporting Act (FCRA) restricts information sharing among affiliates for marketing purposes. Both the FCRA and Regulation V, which are issued by the Federal Reserve Board, govern the use and provision of information to consumer reporting agencies. In addition, federal banking regulators regularly issue guidance concerning cybersecurity standards to help enhance cyber risk management among financial institutions. Under these statutory frameworks and guidance, financial institutions such as ours are expected to implement layers of security controls designed to establish multiple lines of defense and to provide for risk management processes that address the risks posed by compromised customer credentials, including security measures to reliably authenticate customers when they access the financial institution's internet-based services. Moreover, management of the financial institution is responsible for maintaining disaster and business continuity planning and processes designed to ensure speedy recovery and resumption of the institution's operations after an intrusive cyber-attack or other type of compromise of customer data or information technology systems, including appropriate processes to address data and network restoration, if needed. The financial institution is also responsible for accounting for the disaster recovery and business continuity plans and processes of its critical third party service providers. Failing to observe its obligations under regulatory guidance could subject the Company regulatory sanctions such as financial penalties. For a further discussion of risks related to cybersecurity, see Item 1A "Risk Factors."

As a banking organization, the Company is required to notify its primary federal regulator as soon as possible but no later than 36 hours after the Company's discovery of a computer-security incident that has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, the Company's: (1) ability to carry out banking operations, activities, or processes, or deliver banking products and services to a material portion of its customer base, in the ordinary course of business; (2) business lines, including associated operations, services, functions, and support, that upon failure would result in a material loss of revenue, profit, or franchise value; or (3) operations, including associated services, functions, and support, as applicable, the failure or discontinuance of which would pose a threat to the financial stability of the United States.

The Company also notes that in August 2023, the Securities and Exchange Commission adopted a final rule that requires registrants such as the Company to file a Form 8-K to disclose any material cybersecurity incident it suffers. If an event requiring disclosure under the final rule were to occur, the Company's disclosure would need to include the impact of the incident on the Company, as well as the material aspects of the nature, scope, and timing of the incident. The final rule also requires registrants such as the Company to describe, on Form 10-K, their processes for assessing, identifying and managing material risks from cybersecurity threats and whether those risks have materially affected the registrant. The final rule also requires registrants such as the Company to describe Board oversight of risks emanating from cybersecurity threats and management's role and expertise in assessing and managing material risks from cybersecurity threats. See Item 1C "Cybersecurity" for more information.

Finally, the Company notes that there has been a recent uptick in activity among state regulators with respect to implementing privacy and cybersecurity standards and regulations. Some states have adopted laws and regulations requiring financial institutions to maintain cybersecurity programs and make details available regarding those programs. Also, some states have either implemented, or modified, their data breach notification and/or data privacy rules. While the Company cannot predict future legislative or regulatory actions of the various states, the Company expects continued activity in this area and will continue to monitor for developments in the states in which it operates.

Anti-Money Laundering Laws. The Bank is subject to extensive anti-money laundering statutes and regulations, which require the institution to have in place an anti-money laundering compliance program and procedures and a customer identification program, among other things. These laws and regulations also prohibit depository institutions from engaging in business with foreign shell banks; require depository institutions to have due diligence procedures and, in some cases, enhanced due diligence procedures for foreign correspondent and private banking accounts; and require information sharing with the U.S. government in certain circumstances. The Bank has established policies and procedures intended to comply with these statutes and regulations.

Taxation

The Company reports its income on a calendar year basis using the accrual method of accounting. This discussion of tax matters is only a summary and is not a comprehensive description of the tax rules applicable to the Company and its subsidiaries. Further discussion of income taxation is contained in a note to the financial statements. The federal income tax laws apply to the Company in the same manner as to other corporations with some exceptions. The Company may exclude from income 100 percent of dividends received from the Bank and from Berkshire Insurance Group as members of the same affiliated group of corporations. The Company reports income on a calendar year basis to the Commonwealth of Massachusetts. Massachusetts tax law generally permits special tax treatment for a qualifying limited purpose “securities corporation.” The Bank’s securities corporations all qualify for this treatment, and are taxed at a 1.3% rate on their gross income.

Inflation Reduction Act of 2022 The Inflation Reduction Act, which was signed into law on August 16, 2022, among other things, implements a new alternative minimum tax of 15% on corporations with profits in excess of $1 billion, a 1% excise tax on stock repurchases, and several tax incentives to promote clean energy and climate initiatives. These provisions were effective beginning January 1, 2023.

ITEM 1A. RISK FACTORS

The risks set forth below, in addition to the other risks described in this Annual Report on Form 10-K, may adversely affect the Company's business, financial condition, strategic objectives, and operating results. In addition to the risks set forth below and the other risks described in this annual report, there may be additional risks and uncertainties that are not currently known to the Company or that the Company currently deems to be immaterial that could materially and adversely affect the Company's business, financial condition, strategic objectives, or operating results. As a result, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. Further, to the extent that any of the information contained in this Annual Report on Form 10-K constitutes forward-looking statements, the risk factors set forth below also are cautionary statements identifying important factors that could cause actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company.

The COVID-19 global pandemic affected all aspects of the Company’s business since 2020. The impact of the pandemic is discussed in the "Operating" risk factors below, but it should be understood as affecting the overall risk environment and risk factors of the Company.

Risk Factors Summary

Lending Risks

- Deterioration in the Housing Sector, Commercial Real Estate, and Related Markets May Adversely Affect Business and Financial Results.
- The Company’s Emphasis on Commercial Lending May Expose the Company to Increased Lending Risks, Which Could Hurt Profits.
- The Company is Subject to a Variety of Risks in Connection With Any Sale of Loans it May Conduct.
- The Company is Exposed to Risk of Environmental Liability When It Takes Title to Property.

Operating Risks

- Effects of Conditions in the Financial Markets and Economic Conditions Generally, Including Macroeconomic Pressures Such as Inflation, Supply Chain Issues, and Geopolitical Risks Associated with International Conflict, and General Economic Conditions, Either Nationally or In Our Market Areas, That Are Worse Than Expected.
- The Effects of any Public Health Emergencies and Pandemic Disease, Natural Disaster, War, Acts of Terrorism, Accident, or Similar Action or Event (collectively, "an event") May Adversely Affect, the Company’s Business, Financial Condition, Liquidity, and Results of Operations.
- The Company is Subject to Security and Operational Risks Relating to the Use of Technology that Could Damage the Company's Reputation and Business.
- The Company Faces Cybersecurity Risks, Including Denial of Service Attacks, Ransomware, Hacking and Identity Theft that Could Result in the Disclosure of Sensitive Information or the Creation of Unauthorized Transactions, Which Could Adversely Affect the Company’s Business or Reputation and Create Significant Legal and Financial Exposure.
- Counterparties and Correspondents Expose the Company to Risks.
- The Company’s Business is Reliant on Outside Vendors.
- Tailoring The Bank's Delivery Model to Respond to Customer Preferences in Banking May Negatively Affect Earnings
- Development of New Products and Services May Impose Additional Costs on the Company and May Expose It to Increased Operational Risk.
- The Soundness of Other Financial Institutions Could Adversely Affect Us.
- Legal and Regulatory Proceedings and Related Matters Could Adversely Affect Us and the Banking Industry in General.
- Loss of Key Employees Could Disrupt Relationships With Certain Customers.
- Mergers, Acquisitions and Dispositions Involve Numerous Risks and Uncertainties.

Liquidity Risks

- Liquidity is Essential to the Company’s Business and a Lack of Liquidity Could Adversely Affect the Company’s Financial Condition and Results of Operations.
- Bank failures and stresses may lead to negative depositor confidence in depository institutions. Systemic impacts may have a material adverse effect on our financial condition and results of operations and stock price.
- The Company's Wholesale Funding Sources May Prove Insufficient to Support Operations and Future Growth.
- The Company's Ability to Service Its Debt, Pay Dividends, and Otherwise Pay Obligations as They Come Due Is Substantially Dependent on Capital Distributions from the Bank, and These Distributions Are Subject to Regulatory Limits and Other Restrictions. The Company’s Stock Repurchase Program is also Dependent on These Distributions.
- Secondary Mortgage Market Conditions Could Have a Material Impact on the Company’s Financial Condition and Results of Operations.

Interest Rate Risks

- Market Interest Rate Conditions Could Adversely Affect Results of Operations and Financial Condition.

Securities Market Value Risks

- Declines in the Value of Certain Investment Securities Could Require Write-Downs, Which Would Reduce Earnings.

Regulatory Matters Risks

- Legislative and Regulatory Initiatives May Affect Business Activities and Increase Operating Costs.
- Provisions of the Company's Certificate of Incorporation, Bylaws, and Delaware Law, as Well as State and Federal Banking Regulations, Could Delay or Prevent a Takeover of Us by a Third Party.
- Changes in Tax Laws and Accounting Policies and Practices.

Significant Accounting Estimates Risks

- Various Factors May Cause Our Allowance for Credit Losses on Loans to Increase.
- Fair Value Measurements May Be Affected by Inherent Uncertainties.

Trading of the Company's Common Stock

- The Trading History of the Company’s Common Stock is Characterized By Low Trading Volume. The Value of Shareholder Investments May be Subject to Sudden Decreases Due to the Volatility of the Price of the Common Stock***.***

Lending

Deterioration in the Housing Sector, Commercial Real Estate, and Related Markets May Adversely Affect Business and Financial Results.

Real estate lending is a major business activity for the Company. Real estate market conditions affect the value and marketability of real estate collateral, and they also affect the cash flows, liquidity, and net worth of many borrowers whose operations and finances depend on real estate market conditions. We have a geographic concentration of loans in our market areas. Adverse conditions in the Company's market areas could reduce growth rates, affect the ability of our customers to repay their loans and increase loan losses, and generally affect the Company's financial condition and results of operations. Potential increases in interest rates can lead to increased capitalization rates over time which could adversely affect commercial property appraisals and collateral value. Residential property values may be similarly adversely impacted. Pandemic impacts on the supply of and demand for commercial and residential properties have caused unusual valuation changes in many markets, which may not be sustained if market conditions normalize.

As of December 31, 2023, commercial real estate loans comprised approximately 49% of our loan portfolio. Commercial real estate mortgage loans generally involve a greater degree of credit risk than residential real estate mortgage loans because they typically have larger balances and are more affected by adverse conditions in the economy. Because payments on loans secured by commercial real estate often depend upon the successful operation and management of the properties and the businesses which operate from within them, repayment of such loans may be affected by factors outside the borrower’s control, such as adverse conditions in the real estate market or the economy or changes in government regulations or changes in the level of interest rates. In recent years, commercial real estate markets have been particularly impacted by the economic disruption resulting from the COVID-19 pandemic. The COVID-19 pandemic has also been a catalyst for the evolution of various remote work options which could impact the long-term performance of some types of office properties within our commercial real estate portfolio. Accordingly, the federal banking regulatory agencies have issued advisories on managing commercial real estate concentrations in a challenging economic environment. Failures in our risk management policies, procedures and controls could adversely affect our ability to manage this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio, which, accordingly, could have a material adverse effect on our business, financial condition and results of operations.

The Company’s Emphasis on Commercial Lending May Expose the Company to Increased Lending Risks, Which Could Hurt Profits.

The Company emphasizes commercial lending, which generally exposes the Company to a greater risk of nonpayment and loss because repayment of such loans often depends on the successful operations and income stream of the borrowers. Commercial loans are historically more susceptible to delinquency, default, fraud, and loss during economic downturns. Commercial lending involves larger loan sizes and larger relationship exposures, with greater potential impact on profits in the event of adverse loan performance. The majority of the Company’s commercial loans are secured by real estate and subject to the previously discussed real estate risk factors, as well as risks specific to individual properties and property types.

The Company is Subject to a Variety of Risks in Connection With Any Sale of Loans it May Conduct.

The Company routinely sells newly originated residential mortgage loans and SBA guaranteed business loans, and may also sell other loans or loans portfolios. It may make certain representations and warranties to the purchaser concerning the loans sold and the procedures under which those loans have been originated and serviced. If any of these representations and warranties are invalid, the Company may be required to refund premiums, indemnify the purchaser for any related costs or losses, or it may be required to repurchase part or all of the affected loans. The Company may also be required to repurchase loans as a result of borrower fraud or in the event of early payment default by the borrower on a loan it has sold. The Company's ability to maintain seller/servicer relationships with government agencies and government backed entities may be jeopardized in the event of the emergence of one or more of the above risks. Demand for the Company's loans in the secondary markets could also be affected by these risks, which could lead to a reduction in related business activities.

The Company is Exposed to Risk of Environmental Liability When It Takes Title to Property.
In the course of its business, the Company may foreclose on and take title to real estate. As a result, the Company could be subject to environmental liabilities with respect to these properties for property damage, personal injury, investigation and clean-up costs. The costs associated with investigation or remediation activities could be substantial. The Company may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property.

Operating Risks
Effects of conditions in the financial markets and economic conditions generally, including macroeconomic pressures such as inflation, supply chain issues, and geopolitical risks associated with international conflict, and general economic conditions, either nationally or in our market areas, that are worse than expected.
Generally, our financial performance, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of the collateral securing those loans, as well as demand for loans and other products and services we offer, is very dependent on the business environment in the markets we operate in and the United States as a whole. Adverse economic conditions may result from a variety of factors, including domestic and global economic and political developments, including plateauing or decreasing economic growth and business activity, recessions, interest rates, inflation, pressures on the commercial real estate market, uncertainty regarding the U.S. government's debt limit, a potential U.S. government shutdown, recent stress in the banking sector, international conflict, civil unrest. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, low unemployment, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence; high unemployment, natural disasters; increases in inflation or interest rates; limitations on the availability or increases in the cost of credit and capital; or a combination of these or other factors. The occurrence of any of these conditions could have a material adverse effect on our financial condition and results of operations.

The Effects of any Public Health Emergencies and Pandemic Disease, Natural Disaster, War, Acts of Terrorism, Accident, or Similar Action or Event (Collectively, "an Event") May Adversely Affect, the Company's Business, Financial Condition, Liquidity, and Results of Operations.
Some of the risks the Company faces from an Event include, but are not limited to: the health and availability of our colleagues, the supply of labor, inflationary impacts on operating costs, the financial condition of our clients and the demand for our products and services, changes in interest rates, recognition of credit losses and increases in the allowance for credit losses, impacts if customers draw on their lines of credit or draw down deposits or seek additional loans to help finance their businesses, and a significant deterioration of business conditions in our markets. Sustained adverse effects may also increase our cost of capital, prevent us from satisfying our minimum regulatory capital ratios and other supervisory requirements, or result in downgrades in our credit rating. The extent to which an Event impacts our business, financial condition, liquidity and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of an Event, the continued effectiveness of our business continuity plan, the direct and indirect impact of an Event on our customers, colleagues, counterparties and service providers, and actions taken by governmental authorities and other third parties in response to an Event.

The length of a pandemic and the effectiveness of the measures being put in place to address it are unknown and we face possible continued impacts on liquidity, operating revenues, and credit performance. To the extent a pandemic adversely affects our business, financial condition, liquidity, or results of operations, it may also have the effect of heightening many of the other risks described in this Annual Report on Form 10-K.

The Company is Subject to Security and Operational Risks Relating to the Use of Technology that Could Damage the Company's Reputation and Business.

Security breaches of sensitive information in our technology platforms could expose the Company to possible liability and damage its reputation. Any compromise of data security could also deter customers from using the Company's services. The Company relies on industry standard internet security and authentication systems to effect secure transmission of data. These precautions may not protect the Company's security systems from compromises or breaches and could result in damage to its reputation and business. The Company utilizes third party core banking software, in addition to other outsourced data processing. If third party providers encounter difficulties or if the Company has difficulty in communicating and/or transmitting with such third parties, it could significantly affect its ability to adequately process and account for customer transactions, which could significantly affect its business operations. The Company interfaces with electronic payments systems which are subject to security and operational risks. The Company utilizes file encryption in designated internal systems and networks and is subject to certain state and federal regulations regarding how the Company manages data security. The Company's enterprise governance risk and compliance function includes a framework of controls, policies and technologies to monitor and protect information from cyberattacks, mishandling, and loss, together with safeguards related to the confidentiality, integrity, and availability of information. Natural disasters and disaster recovery risks could affect its operating systems, which could affect its reputation. The Company's business continuity program addresses crisis management, business impact, and data and systems recovery. Potential problems with the management of technology security and operational risks may affect regulatory compliance, which could affect operating costs and expansion plans. Implementation of certain new technologies, such as those related to artificial intelligence, automation and algorithms, may have unintended consequences due to their limitations, potential manipulation, or our failure to use them effectively.

The Company Faces Cybersecurity Risks, Including Denial of Service Attacks, Ransomware, Hacking and Identity Theft that Could Result in the Disclosure of Sensitive Information or the Creation of Unauthorized Transactions, Which Could Adversely Affect the Company's Business or Reputation and Create Significant Legal and Financial Exposure.

Increased levels of remote access resulting from more work from home employees may create additional opportunities for cybercriminals to exploit vulnerabilities, and employees may be more susceptible to phishing and social engineering attempts due to work responsibilities at home. In addition, technological resources may be strained due to the number of remote users.

The Company's computer systems and network infrastructure are subject to security risks and could be susceptible to cyber-attacks, such as denial of service attacks, hacking, terrorist activities or identity theft. Financial services institutions and companies engaged in data processing have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to sensitive information, destroy data, steal financial assets, disable or degrade service, or sabotage systems, often through the introduction of computer viruses or malware, cyber-attacks and other means. Denial of service attacks have been launched against a number of large financial services institutions. As a growing regional bank, the Company may be subject to similar attacks in the future. Hacking and identity theft risks could cause serious reputational harm and possible financial loss to the Company. Cyber threats are rapidly evolving and the Company may not be able to anticipate or prevent all such attacks. Advancements in the use of artificial intelligence could lead to adversarial attacks by exploiting vulnerabilities to manipulate model outputs or bypass security controls.

The Company may incur increasing costs in an effort to minimize these risks and could be held liable for any security breach or loss. Despite efforts to ensure the integrity of its systems, the Company will not be able to anticipate all security breaches of these types, and the Company may not be able to implement effective preventive measures against such security breaches. The techniques used by cyber criminals change frequently and can originate from a wide variety of sources, including outside groups such as external service providers, organized crime affiliates, terrorist organizations or hostile foreign governments. Those parties may also attempt to fraudulently induce employees, customers or other users of the Company's systems to disclose sensitive information in order to gain access to its data or that of its clients or to conduct unauthorized financial transactions.

These risks may increase in the future as the Company continues to increase its mobile-payment and other internet-based product offerings and expands its internal usage of web-based products and applications. A successful penetration or circumvention of system security could cause serious negative consequences to the Company, including significant disruption of operations, misappropriation of sensitive information of the Company or that of its customers, or damage to computers or systems of the Company or those of its customers and counterparties. A security breach could result in violations of applicable privacy and other laws, financial loss to the Company or to its customers, loss of confidence in the Company's security measures, significant litigation exposure, and harm to the Company's reputation, all of which could have a material adverse effect on the Company.

Counterparties and Correspondents Expose the Company to Risks.
The Company's use of derivative financial instruments exposes us to financial and contractual risks with counterparties. The Company maintains correspondent bank relationships, purchase loans, manages certain loan participations, engage in securities and funding transactions, and undergo other activities with financial counterparties that are customary to its industry. The Company also utilizes services from major vendors of technology, telecommunications, and other essential operating services. There is financial, reputational, and operational risk in these relationships, which the Company seeks to manage through internal controls and procedures, but there are no assurances that the Company will not experience loss or interruption of its business as a result of unforeseen events with these providers. The Company's mortgage banking operations have exposed us to counterparty transactions including the use of third parties to participate in the management of interest rate risk and mortgage sales and hedging, as well as mortgage servicing. Financial, reputational, and operational risks are inherent in these counterparty and correspondent relationships. The Company could experience losses if there are failures in the controls or accounting, including those related to derivatives activities or if there are performance failures by any counterparties. The risk of loss is increased when interest rates change suddenly and if the intended hedging objectives are not achieved as a result of market or counterparty behaviors.

The Company's Business is Reliant on Outside Vendors.
The Company's business is highly dependent on the use of certain outside vendors for its day-to-day operations. The Company's operations and reputation are exposed to risk that a vendor may not perform in accordance with established performance standards required in its agreements for any number of reasons including a change in their senior management, their financial condition, their product line or mix and how they support existing customers, or a simple change in their strategic focus. While the Company has comprehensive programs, policies and procedures in place to mitigate risk at all phases of vendor management from selection, to performance monitoring and renewals, the failure of a vendor to perform in accordance with contractual agreements could be disruptive to its business, which could have a material adverse effect on its financial condition, strategic objectives, and results of operations.

Tailoring The Bank's Retail Delivery Model to Respond to Consumer Preferences in Banking May Negatively Affect Earnings.
The Company's branch network continues to be a very significant source of new business generation, however, consumers continue to migrate much of their routine banking to self-service channels. In recognition of this shift in consumer patterns, we regularly review the branch network, which has resulted in branch consolidation accompanied by the enhancement of the Bank's capabilities to serve its customers through alternate delivery channels. The benefits of this strategy will depend on our ability to realize expected benefits without experiencing significant customer attrition, unexpected costs, or unanticipated disruptions to operations.

Development of New Products and Services May Impose Additional Costs on the Company and May Expose It to Increased Operational Risk.
The Company's financial performance depends, in part, on its ability to develop and market new and innovative services and to adopt or develop new technologies that differentiate its products or provide cost efficiencies, while avoiding increased related expenses. This dependency is exacerbated in the current "FinTech" environment, where financial institutions are investing significantly in evaluating new technologies, such as "Blockchain," and developing potentially industry-changing new products, services and industry standards. The introduction of new products and services can entail significant time and resources, including regulatory approvals. Substantial risks and uncertainties are associated with the introduction of new products and services, including technical and control requirements that may need to be developed and implemented, rapid technological change in the industry, the Company's ability to access technical and other information from its clients, the significant and ongoing investments required to bring new products and services to market in a timely manner at competitive prices and the preparation of marketing, sales and other materials that fully and accurately describe the product or service and its

underlying risks. The Company's failure to manage these risks and uncertainties also exposes it to enhanced risk of operational lapses which may result in the recognition of financial statement liabilities. Regulatory and internal control requirements, capital requirements, competitive alternatives, vendor relationships and shifting market preferences may also determine if such initiatives can be brought to market in a manner that is timely and attractive to the Company's clients. Products and services relying on internet and mobile technologies may expose the Company to fraud and cybersecurity risks. Failure to successfully manage these risks in the development and implementation of new products or services could have a material adverse effect on the Company's business and reputation, as well as on its consolidated results of operations and financial condition.

The soundness of other financial institutions could adversely affect us.

Financial services institutions are interrelated as a result of clearing, trading, counterparty, or other relationships. We have exposure to many different counterparties and industries, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due us. Any such losses could have a material adverse effect on our financial condition and results of operations.

Additionally, in early 2023, the failures of Silicon Valley Bank, Signature Bank, and First Republic Bank resulted in decreased confidence in banks among depositors, other counterparties and investors. Such events and developments could materially and adversely affect our business or financial condition, including through declines in deposits, increased costs of funds, potential liquidity pressures, increased regulation, and declines and volatility in the price of our common stock.

Legal and regulatory proceedings and related matters could adversely affect us and the banking industry in general.

The Company has been, and in the future could be, subject to various regulatory and legal proceedings, including class action litigation. It is inherently difficult to gauge the result of these matters, and there can be no guarantee that we will prevail in any litigation or proceeding. Legal and regulatory matters of any degree of significance could result in significant costs and diversion of our efforts could have a material adverse effect on our financial condition and operating results.

As disclosed in Part I, Item 3, "Legal Proceedings," we currently have ongoing proceedings. If we settle these claims or the litigation is not resolved in our favor, we could suffer reputational damage, incur legal costs, and settlements or judgments that may exceed amounts covered by our existing insurance policies. We cannot provide assurances that our insurer will cover all legal costs, settlements or judgments we incur. If we are not successful in defending ourselves from these claims, or if our insurer does not cover the full amount of legal costs we incur, the outcome could materially adversely affect our business, results of operations and financial condition. Furthermore, adverse determinations in such matters could result in actions by our regulators that could materially adversely affect our business, financial condition or results of operations. There can be no assurance that other proceedings, which may have a material adverse effect on our business, results of operations or financial condition will not arise in the near or long-term future.

Loss of key employees could disrupt relationships with certain customers.

Our customer relationships are crucial to the success of our business, and the loss of key employees with significant customer relationships could lead to the loss of business if the customers were to follow that employee to a competitor. While we believe our relationships with key personnel are strong, we cannot guarantee that all of our key personnel will remain with us, which could result in the loss of some customers, which may have a negative impact on our business, financial condition, and results of operations.

Mergers, acquisitions and dispositions involve numerous risks and uncertainties.
The Company has in the past and may in the future pursue mergers, acquisitions and disposition opportunities involving financial institutions and financial services companies. Mergers, acquisitions and dispositions involve a number of risks and challenges. Acquisition related risks include the expenses involved; potential diversion of management’s attention from other strategic matters; integration of branches and operations acquired; outflow of customers from the acquired branches; retention of personnel from acquired companies or branches; competing effectively in geographic areas not previously served; managing growth resulting from the transaction; and dilution in the acquirer's book and tangible book value per share. The Company continually looks to optimize its branch network and real estate. The disposition of branches or business operations could result in the loss of some customers or unanticipated costs related to deconversion and transfer. Such dispositions may have an unanticipated adverse impact on operations, earnings or liquidity.

Interest Rate Risks
Market Interest Rate Conditions Could Adversely Affect Results of Operations and Financial Condition

Net interest income is the Company's largest source of income. Changes in interest rates can affect the amount of interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings, which may affect our net interest margins and other elements of net income. The Company’s interest rate sensitivity is discussed in more detail in Item 7A of this report and is the primary market risk to its condition and operations.

Changes in interest rates can also affect the demand for the Company’s products and services, supply conditions in the U.S. financial and capital markets, loan prepayments, the Company’s ability to originate loans, the value of its assets, its ability to realize gains from the sale of assets, and loan delinquencies and defaults, all of which ultimately affect earnings. Changes in interest rates may also affect the market value of the Company’s investment securities portfolio, which may affect the level and adequacy of its regulatory capital.

During 2022 and 2023, in response to accelerated inflation, the Federal Reserve implemented monetary tightening policies, resulting in significantly increased interest rates.. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. In a rising rate environment, demand for loans may decrease and loans with adjustable interest rates are more likely to experience a higher rate of default. Conversely, if the interest rates received on loans and other investments decline faster than rates paid on deposits and other borrowings, our net interest income, and therefore earnings, could be similarly adversely affected. Changes in interest rates also affect the fair value of the securities portfolio. Generally, the value of securities moves inversely with changes in interest rates.

In addition, in a rate environment where the Federal Reserve held the federal reference rate near 0.00%, accelerated loan repayments may result in a delay between when we receive the prepayment and when we are able to redeploy the funds into new interest-earning assets, and in a decrease in the amount of interest income we are able to earn on those assets.

Any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet.

Liquidity Risks
Liquidity is essential to the Company’s business and a lack of liquidity could adversely affect the Company’s financial condition and results of operations.
Liquidity is essential to the Company’s business. The Company relies on its ability to generate deposits and effectively manage the repayment of its liabilities to ensure that there is adequate liquidity to fund operations. An inability to raise funds through deposits, borrowings, the sale and maturities of loans and securities and other sources could have a substantial negative effect on liquidity. The Company’s most important source of funds is its deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk adjusted return, which are strongly influenced by such external factors as the direction of interest rates, local and national economic conditions and the availability and attractiveness of alternative investments. Further, the demand for deposits may be reduced due to a variety of factors such as negative trends in the banking sector, the level of

and/or composition of our uninsured deposits, demographic patterns, changes in customer preferences, reductions in consumers' disposable income, the monetary policy of the Federal Reserve or regulatory actions that decrease customer access to particular products. If customers move money out of bank deposits and into other investments such as money market funds, the Company would lose a relatively low-cost source of funds, which would increase its funding costs and reduce net interest income. Any changes made to the rates offered on deposits to remain competitive with other financial institutions may also adversely affect profitability and liquidity. Other primary sources of funds consist of cash flows from operations, maturities and sales of investment securities and/or loans, brokered deposits, borrowings from the FHLB and/or and the Federal Reserve Bank of Boston discount window, and unsecured borrowings. The Company also may borrow funds from third-party lenders, such as other financial institutions. The Company's access to funding sources in amounts adequate to finance or capitalize its activities, or on terms that are acceptable, could be impaired by factors that affect the Company directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry, a decrease in the level of the Company's business activity as a result of a downturn in markets or by one or more adverse regulatory actions against the Company or the financial sector in general. Any decline in available funding could adversely impact the Company's ability to originate loans, invest in securities, meet expenses, or to fulfill obligations such as meeting deposit withdrawal demands, any of which could have a material adverse impact on its liquidity, business, financial condition and results of operations.

Bank failures and stresses may lead to negative depositor confidence in depository institutions. Systemic impacts may have a material adverse effect on our financial condition and results of operations and stock price.

In 2023, several large banks failed due to deposit runs.These banks also had elevated levels of uninsured deposits, which may be less likely to remain at the bank over time and less stable as a source of funding than insured deposits. These failures led to volatility and declines in the market for bank stocks and questions about depositor confidence in depository institutions. In 2024, elevated commercial real estate losses at a large bank led to industry stock price declines.

Recent events have led to a greater focus by institutions, investors and regulators on the on-balance sheet liquidity of and funding sources for financial institutions, the composition of its deposits, including the amount of uninsured deposits, the amount of accumulated other comprehensive loss, capital levels and interest rate risk management. Impacts on our liquidity, deposits, capital levels and interest rate risk may have a material adverse effect on our financial condition and results of operations.

The premiums of the FDIC's deposit insurance program are subject to increases based on claims on the fund related to bank failures. Banking regulators have signaled further review of regulatory requirements and the potential for changes to laws or regulations governing banks and bank holding companies. Changes resulting from these events could include increased regulatory oversight, higher capital requirements or changes in the way regulatory capital is calculated, and the impositions of additional restrictions through regulatory changes or supervisory or enforcement activities, each of which could have a material impact on our business.

The Company's Wholesale Funding Sources May Prove Insufficient to Replace Deposits at Maturity and Support Operations and Future Growth.

The Company must maintain sufficient funds to respond to the needs of depositors and borrowers. As a part of its liquidity management, the Company uses a number of funding sources in addition to deposit growth and cash flows from loans and investments. These sources include Federal Home Loan Bank advances, issuance of Brokered CDs, proceeds from the sale of loans, and liquidity resources at the holding company. The Company's financial flexibility will be severely constrained if the Company is unable to maintain access to wholesale funding or if adequate financing is not available to accommodate future growth at acceptable costs. Turbulence in the capital and credit markets may adversely affect liquidity and financial condition and the willingness of certain counterparties and customers to do business with the Company.

The Company's Ability to Service Our Debt, Pay Dividends, and Otherwise Pay Obligations as They Come Due Is Substantially Dependent on Capital Distributions from the Bank, and These Distributions Are Subject to Regulatory Limits and Other Restrictions. The Company's Stock Repurchase Program is also Dependent on These Distributions.

A substantial source of holding company income is the receipt of dividends from the Bank, from which the Company services debt, pays obligations, and pays shareholder dividends. The availability of dividends from the Bank is limited by various statutes and regulations. It is possible, depending upon the financial condition of the Bank and other factors, that the applicable regulatory authorities could assert that payment of dividends from the Bank to the Company or other types of payments are considered an unsafe or unsound practice. If the Bank is unable to pay dividends, the Company may not be able to service debt, pay debt obligations, or pay dividends on its common stock. The Company may also be unable to repurchase common stock under a then outstanding stock repurchase program.

Secondary Mortgage Market Conditions Could Have a Material Impact on the Company's Financial Condition and Results of Operations.

In addition to being affected by interest rates, the secondary mortgage markets are also subject to investor demand for residential mortgage loans and increased investor yield requirements for these loans. These conditions may fluctuate or worsen in the future. As a result, a prolonged period of secondary market illiquidity may reduce the Company's loan production volumes and operating results.

Secondary markets are significantly affected by Fannie Mae, Freddie Mac and Ginnie Mae (collectively, the "Agencies") for loan purchases that meet their conforming loan requirements. These agencies could limit purchases of conforming loans due to capital constraints, a change in the criteria for conforming loans or other factors. Proposals to reform mortgage finance could affect the role of the Agencies and the market for conforming loans which comprise the majority of the Company's mortgage lending and related originations income.

Interest Rate Risks

Market Interest Rate Conditions Could Adversely Affect Results of Operations and Financial Condition

Net interest income is the Company's largest source of income. Changes in interest rates can affect the amount of interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings, which may affect our net interest margins and other elements of net income. The Company's interest rate sensitivity is discussed in more detail in Item 7A of this report and is the primary market risk to its condition and operations.

Changes in interest rates can also affect the demand for the Company's products and services, supply conditions in the U.S. financial and capital markets, loan prepayments, the Company's ability to originate real estate loans, the value of its assets, its ability to realize gains from the sale of assets, and loan delinquencies and defaults, all of which ultimately affect earnings. Changes in interest rates may also affect the market value of the Company's investment securities portfolio, which may affect the level and adequate of its regulatory capital.

During 2022 and 2023, in response to accelerated inflation, the Federal Reserve implemented monetary tightening policies, resulting in significantly increased interest rates. The Federal Reserve has signaled that further tightening is anticipated. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. In a rising rate environment, demand for loans may decrease and loans with adjustable interest rates are more likely to experience a higher rate of default. Additionally, changes in interest rates also affect the fair value of the securities portfolio. Generally, the value of securities moves inversely with changes in interest rates.

Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. In addition, in a falling rate environment or the recent pandemic-related environment where the Federal Reserve held the federal reference rate near 0.00%, loans may be prepaid sooner than we expect, which could result in a delay between when we receive the prepayment and when we are able to redeploy the funds into new interest-earning assets and in a decrease in the amount of interest income we are able to earn on those assets.

Any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet.

Securities Market Values

Declines in the Value of Certain Investment Securities Could Require Write-Downs, Which Would Reduce Earnings.
Declines in the value of investment securities due to market conditions and/or issuer impairment could result in losses that can reduce capital and earnings. Such declines can result from changes in interest rates and inflation. The Company’s investment in equity securities and non-investment grade or unrated debt securities present heightened credit and price risks. Under applicable accounting standards, equity gains and losses are recorded to current period operating results. The Company has an investment in the stock of the Federal Home Loan Bank of Boston ("FHLBB") which could result in write-down in the event of impairment.

Regulatory Matters

Legislative and Regulatory Initiatives May Affect Business Activities and Increase Operating Costs.
New federal or state laws and regulations could affect lending, funding practices, capital, and liquidity standards. New laws, regulations, and other regulatory changes may also increase compliance costs and affect business and operations. Moreover, the FDIC sets the cost of FDIC insurance premiums, which can affect profitability.

Regulatory capital requirements and their impact on the Company may change. The Company may need to raise additional capital in the future to support operations and continued growth. The Company's ability to raise capital, if needed, will depend on its condition and performance, and on market conditions.

New laws, regulations, and other regulatory changes, along with negative developments in the financial industry and the domestic and international credit markets, may significantly affect the markets in which the Company does business, the markets for and value of its loans and investments, and ongoing operations, costs and profitability. For more information, see “Regulation and Supervision” in Item 1 of this report.

With total assets over $10 billion, the Company and the Bank are subject to closer supervision by their primary regulators and, as to compliance with consumer protection laws and regulations, the Consumer Financial Protection Bureau. The Company and the Bank are subject to capital stress testing expectations which require significant resources and infrastructure. If the Company’s compliance with the enhanced supervision and requirements is insufficient, there can be significant negative consequences for its operations, profitability, and ability to further pursue its strategic growth plan.

Provisions of the Company's Certificate of Incorporation, Bylaws, and Delaware Law, as Well as State and Federal Banking Regulations, Could Delay or Prevent a Takeover of Us by a Third Party.
Provisions in the Company's certificate of incorporation and bylaws, the corporate law of the State of Delaware, and state and federal regulations could delay, defer or prevent a third party from acquiring us, despite the possible benefit stockholders, or otherwise adversely affect the price of its common stock. These provisions include: limitations on voting rights of beneficial owners of more than 10 percent of common stock; supermajority voting requirements for certain business combinations; the election of directors to terms of one year; and advance notice requirements for nominations for election to the Company's Board of Directors and for proposing matters that stockholders may act on at stockholder meetings. In addition, the Company is subject to Delaware laws, including one that prohibits engaging in a business combination with any interested stockholder for a period of three years from the date the person became an interested stockholder unless certain conditions are met. These provisions may discourage potential takeover attempts, discourage bids for the Company's common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, its common stock. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors other than the candidates nominated by the Board.

Changes in tax laws and accounting policies and practices.
We are subject to income taxes and complex tax regimes in the United States. We cannot predict future changes in the tax regulations that we are subject to, and any changes could have a material impact on our tax liability or result in increased costs of our tax compliance obligations. Additionally, from time to time, the regulatory agencies and other authoritative bodies, such as the Financial Accounting Standards Board ("FASB"), change the financial accounting and reporting standards that govern the preparation of the Company's financial statements. These

changes can be hard to predict and can materially impact how management records and reports the Company's financial condition and results of operations.

Significant Accounting Estimates

Various Factors May Cause our Allowance for Credit Losses on Loans to Increase.

The Company has an allowance for current expected credit losses on loans maintained through a provision for credit losses charged to expense. This represents our estimate of current expected credit losses based on an evaluation of risks within the portfolio of loans. The level of the allowance represents management's estimate of current expected credit losses over the contractual life of the existing loan portfolio. The determination of the appropriate level of the allowance inherently involves a degree of subjectivity and requires that we make significant estimates of current credit risks and current trends and reasonable and supportable forecasts of future economic conditions, all of which may undergo frequent and material changes. Changes in economic and other conditions affecting borrowers, including inflation and interest rates, along with new information regarding existing loans other factors, may indicate the need for a future increase in the allowance.

Fair Value Measurements May Be Affected by Inherent Uncertainties

The Company uses fair value measurements to determine fair value disclosures and to record fair value adjustments to certain assets and liabilities, such as interest rate swaps, securities available for sale, and derivatives. Additionally, from time to time, the Company may be required to record certain assets at fair value on a non-recurring basis, such as individually evaluated loans held for investment and capitalized servicing rights. Whenever there is no readily available market data, management uses its best estimate and assumptions in determining fair value, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if other assumptions had been used, our recorded earnings or disclosures could have been materially different from those reflected in these financial statements.

Trading of the Company's Common Stock

The Trading History of the Company's Common Stock is Characterized By Low Trading Volume. The Value of Shareholder Investments May be Subject to Sudden Decreases Due to the Volatility of the Price of the Common Stock.

The level of interest and trading in the Company's stock depends on many factors beyond the Company's control. The market price of the Company's common stock may be highly volatile and subject to wide fluctuations in response to numerous factors, including, but not limited to, the factors discussed in other risk factors and the following: actual or anticipated fluctuations in operating results; changes in interest rates and inflation; changes in the legal or regulatory environment; press releases, announcements or publicity relating to the Company or its competitors or relating to trends in its industry; changes in expectations as to future financial performance, including financial estimates or recommendations by securities analysts and investors; future sales of its common stock; changes in economic conditions in the marketplace, general conditions in the U.S. economy, financial markets or the banking industry; and other developments. These factors may adversely affect the trading price of the Company's common stock, regardless of actual operating performance, and could prevent stockholders from selling their common stock at a desirable price.

In the past, stockholders have brought securities class action litigation against a company following periods of volatility in the market price of their securities. The Company could be the target of similar litigation in the future, which could result in substantial costs and divert management's attention and resources.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

The Company maintains a robust Information Security Program that sets forth the Company’s commitment to the continual review and improvement of policies, processes, procedures, and standards for evaluating electronic and physical methods of accessing, collecting, storing, using, transmitting, disposing, and protecting sensitive information including customer information under guidelines established as part of the Gramm Leach-Bliley Act (GLBA). The Company uses or adheres to relevant standards and frameworks from the Federal Financial Institutions Examination Council (FFIEC) and National Institute of Standards and Technology (NIST), among others, to assess information security risks and controls, as well as to assess the maturity and effectiveness of the Information Security Program.

The Board of Directors and Executive Management are responsible for ensuring that the Information Security Program within Enterprise Risk Management identifies, measures, monitors, controls, and reports risk according to significance. If risks are determined to be undesired and beyond stated and aggregated Risk Appetites, the Board of Directors and Executive Management take appropriate action to ensure that excessive risk is mitigated or eliminated, which may include reducing risk exposure. The Board of Directors has final responsibility, after consultation with management, for ensuring the Information Security Program aligns with the overall business strategy and provides oversight to protect the Company from ongoing and emerging threats, including those related to cybersecurity.

The Information Security Program is overseen by the Company’s Chief Information Security Officer (CISO), who reports directly to the Chief Risk Officer. The CISO is responsible for the implementation, maintenance, and enforcement of the Information Security Program and related policies and standards. The program is evaluated and adjusted at least annually based on the results of testing, monitoring, and the adoption of best practices. Reporting occurs annually on the status of the Information Security Program to the Board’s Risk Management, Capital & Compliance Committee. Reporting includes the overall status of the program, material matters related to the program, Key Risk Indicators ("KRIs"), cyber risk assessments results, emerging risks, risk management and control decisions, control testing results, third party security assessments, penetration test results, security breaches or violations, and recommendations for changes to the program.

The Company maintains a robust Third-Party Risk Management program to manage risks related to third-party relationships in a manner that is consistent with the Company’s strategic goals, organizational objectives, and risk appetite. This includes comprehensive risk and control assessments to ensure sensitive information is safeguarded appropriately.

The Company has a dedicated internal Security Operations Center ("SOC") and a Managed Detection and Response ("MDR") third party service that provides 24/7/365 monitoring of its environment to investigate and respond to security alerts. Log sources are mapped to the MITRE ATT&CK framework to ensure appropriate security monitoring and gap analysis to detect and respond to attacks. Threat intelligence is used with contextual risk approaches to identify threats and prioritize response. Threat hunts operate both proactively and reactively to look for relevant behaviors and indicators of compromise from cybersecurity events or zero-day vulnerabilities. An Incident Response Plan is in place to ensure the timely and effective handing of security incidents. This includes providing the Company with a detailed outline of how to respond to a security incident, team responsibilities, contact information for key resources, definitions for determining the severity and escalation of security incidents, and pre-built playbooks to respond to the most common types of security incidents including ransomware. Incident response and escalation plans are tested and reviewed for improvements at least annually. An incident response retainer with an approved third party is contracted to assist in responding to security incidents and to conduct forensic investigations involving the potential compromise of sensitive data or information assets. All employees are required to complete privacy and information security awareness training upon joining the Company and on an annual basis. This includes incident response training on how to communicate potential or actual incidents.

The Company continues to face risks from cybersecurity threats that could have a material adverse effect on its business, financial condition, results of operations, or reputation. Although such risks have not materially affected us, we have experienced threats to and breaches of our data, including breaches caused by human error or breaches affecting third parties of the Company. For more information about the cybersecurity risks we face, see Item 1A-RISK FACTORS.

ITEM 2. PROPERTIES

The Company's headquarters are located at 60 State Street in leased property in Boston, MA. The Bank's headquarters are located in owned and leased facilities located in Pittsfield, MA. The Company also owns or leases other facilities within its primary market areas: Greater Boston (including Worcester, MA); Pioneer Valley (Springfield area), Massachusetts; Berkshire County, Massachusetts; Southern Vermont; the Capital Region (Albany area), New York; Central New York; Central and Eastern Connecticut; and Southern Rhode Island. As of December 31, 2023 the Company had 96 full-service financial centers in Massachusetts, New York, Connecticut, Rhode Island, and Vermont.

The Company also has regional locations which are full-service commercial offices located in Boston, MA.; Pittsfield, MA.; Springfield, MA.; Albany, N.Y.; East Syracuse, N.Y.; Glastonbury, CT.; Willimantic, CT. Worcester, MA.; Burlington, MA, and Providence RI. The Bank's 44 Business Capital lending division is headquartered in Blue Bell, Pennsylvania.

The Bank has made its workplace more flexible as certain designated functions are approved for telecommuting arrangements. As a result of its efficiency initiatives, the Bank has been in the process of identifying and reducing real estate utilized for its operations.

Due to the pandemic, the Company adapted its infrastructure and protocols to accommodate the shift of back office operations out of the office and continues to support this expanded capability and flexibility in pursuit of its strategies and human capital management.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2023, neither the Company nor the Bank was involved in any pending legal proceedings believed by management to be material to the Company's financial condition or results of operations. Periodically, there have been various claims and lawsuits involving the Bank, such as claims to enforce liens, condemnation proceedings on properties in which the Bank holds security interests, claims involving the making and servicing of real property loans, and other issues incident to the Bank's business. A summary of certain legal matters involving unsettled litigation or pertaining to pending transactions are as follows:

On February 4, 2020, the Bank filed a complaint in the New York State Supreme Court for the County of Albany against Pioneer Bank ("Pioneer") seeking damages of approximately $16.0 million. The complaint alleges that Pioneer is liable to the Bank for a credit loss of approximately $16.0 million suffered by the Bank in the third quarter of 2019 as a result of Pioneer's breaches of a series of loan participation agreements executed in 2017, 2018 and 2019 in which it served as the lead bank, as well as constructive fraud, fraudulent concealment and/or negligent misrepresentation. Pioneer filed a motion to dismiss aspects of the Bank's complaint, which motion was allowed in part by the court to dismiss the Bank's negligent misrepresentation claim, and denied in part by the court to allow all other claims by the Bank to proceed. The Company wrote down the underlying credit loss in its entirety in the third quarter of 2019, but recognized a partial recovery of $1.7 million early in the second quarter of 2020. The Company has not accrued for any additional anticipated recovery at this time. Extensive discovery has taken place in this action. On November 30, 2022, the Bank filed an amended complaint in its action against Pioneer setting forth more detailed allegations of Pioneer's breaches of the loan participation agreements and stating additional claims for fraudulent inducement to cause Berkshire to join the loan participation agreements, constructive fraud and fraudulent concealment. On January 30, 2023, as part of its response to the Bank's amended complaint, Pioneer filed a counterclaim against the Bank alleging (i) certain breaches by the Bank of the 2019 loan participation agreement stemming from actions that the Bank took to protect its interests after it learned of the facts and circumstances that caused the underlying credit loss, and (ii) that as a result of accepting the partial recovery of approximately $1.7 million in Q2 2020 the Bank should be deemed to have ratified the 2019 loan participation agreement and mooted its claims against Pioneer. Further discovery is continuing between the parties.

On or about August 10, 2020, a former employee of the Bank's subsidiary First Choice Loan Services Inc. ("FCLS") filed a complaint in the Court of Common Pleas, Bucks County Pennsylvania against FCLS and two of its former senior corporate officers generally alleging wrongful termination as a result of purported whistleblower retaliation and other violations of New Jersey state employment law. The complaint also purports to name the Bank and the Company as additional defendants, even though neither entity ever employed, paid wages to or contracted with the plaintiff. On November 16, 2020, the plaintiff filed a First Amended Complaint reiterating the same claims against the same defendants. The Company's liability insurer has provided outside litigation counsel to defend the Company and the Bank in this matter, as well as FCLS and its former senior corporate officers. On December 7, 2020, defense counsel filed Preliminary Objections on behalf of the Company, the Bank, FCLS and FCLS's former senior corporate officers denying the plaintiff's claims and seeking dismissal of the case and an order that the plaintiff's claims must proceed through arbitration in accordance with contractual obligations set forth in plaintiff's previous employment agreement with FCLS. On June 30, 2021, the court dismissed the plaintiff's complaint without prejudice in support of FCLS's petition to compel arbitration. The parties have mutually agreed on an arbitrator to hear the case and are preparing for arbitration proceedings that are expected to occur in the second or third quarter of 2024. Discovery is continuing between the parties.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The common shares of the Company trade on the New York Stock Exchange under the symbol "BHLB".

The Company had approximately 3,661 holders of record of common stock at February 23, 2024.

Dividends

The Company intends to pay regular cash dividends to common shareholders; however, there is no assurance as to future dividends because they are dependent on the Company's future earnings, capital requirements, financial condition, and regulatory environment. Dividends from the Bank have been a source of cash used by the Company to pay its dividends, and these dividends from the Bank are dependent on the Bank's future earnings, capital requirements, and financial condition. Dividends from the Bank are allowed within statutory limits under Massachusetts statutes and are currently subject to approval by the FDIC. Further information about dividend restrictions is disclosed in Note 17 - Shareholders' Equity and Earnings per Common Share of the Consolidated Financial Statements.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

The Company occasionally issues unregistered shares of common stock to vendors or as consideration in contracts for the purchase of assets, services, or operations. During 2023 and 2022, there were no shares transferred.

Purchases of Equity Securities by the Issuer and Affiliated Purchases

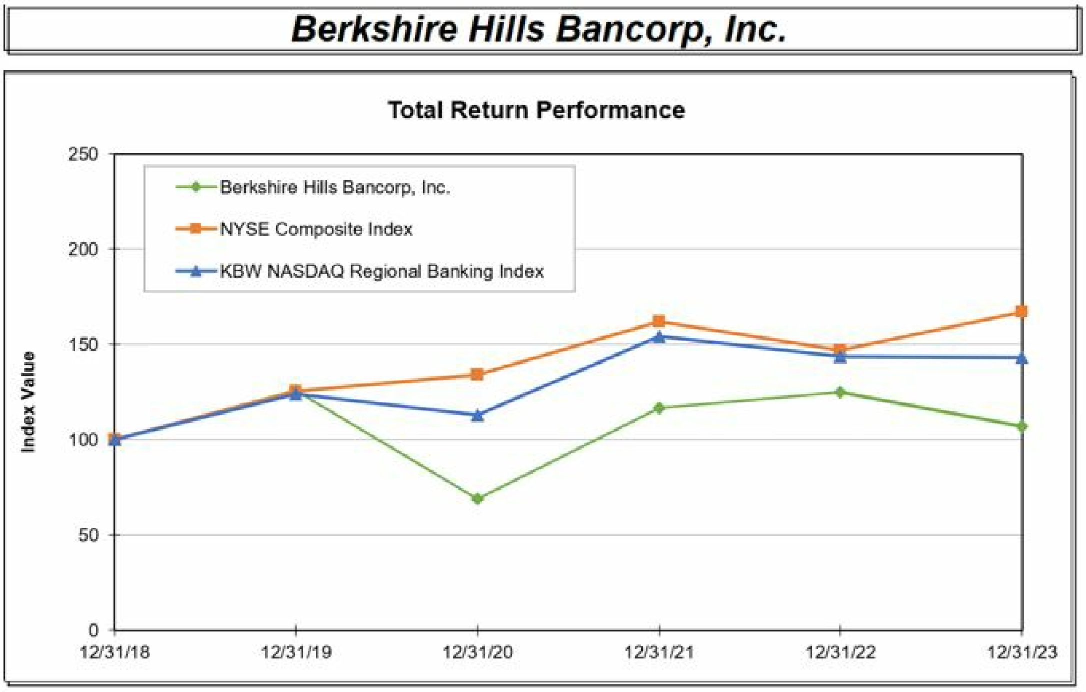
On January 25, 2023, the Company announced that its Board of Directors approved a stock repurchase program pursuant to which the Company is authorized to repurchase shares of Company common stock at a total cost of up to $50 million through December 31, 2023. This program expired at year-end 2023.

On January 25, 2024, the Company announced that its Board of Directors approved a stock repurchase program pursuant to which the Company is authorized to repurchase shares of Company common stock at a total cost of up to $40 million through December 31, 2024.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
October 1-31, 2023	151,027	$ 19.16	151,027	1,055,914
November 1-30, 2023	124,090	20.38	124,090	931,824
December 1-31, 2023	52,831	22.43	52,831	—
Total	327,948	$ 20.15	327,948	—

Common Stock Performance Graph
The performance graph compares the Company's cumulative shareholder return on its common stock over the last five years to the cumulative return of the NYSE Composite Index and the KBW NASDAQ Regional Banking Index. Total shareholder return is measured by dividing total dividends (assuming dividend reinvestment) for the measurement period plus share price change for a period by the share price at the beginning of the measurement period. The Company's cumulative shareholder return over a five-year period is based on an initial investment of $100 on December 31, 2018. The performance graph represents past performance and should not be considered to be an indication of future performance.

Information used on the graph and table was obtained from a third party provider, a source believed to be reliable, but the Company is not responsible for any errors or omissions in such information.



	Period Ending					
Index	**12/31/18**	**12/31/19**	**12/31/20**	**12/31/21**	**12/31/22**	**12/31/23**
Berkshire Hills Bancorp, Inc.	100.00	125.69	68.86	116.51	124.86	106.96
NYSE Composite Index	100.00	125.51	134.28	162.04	146.89	167.12
KBW NASDAQ Regional Banking Index	100.00	123.81	113.03	154.45	143.75	143.17

Source: S&P Global Market Intelligence

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SELECTED FINANCIAL DATA

The following summary data is based in part on the Consolidated Financial Statements and accompanying notes, and other schedules appearing elsewhere in this Form 10-K. Historical data is also based in part on, and should be read in conjunction with, prior filings with the SEC.

	At or For the Years Ended December 31,				
(In thousands, except per share data)	**2023**	**2022**	**2021**	**2020**	**2019**
Per Common Share Data:					
Net earnings/(loss), diluted - continuing operations	$ 1.60	$ 2.02	$ 2.39	$ (10.21)	$ 2.05
Net (loss), diluted - discontinued operations	—	—	—	(0.39)	(0.08)
Net earnings/(loss), diluted	$ 1.60	$ 2.02	$ 2.39	$ (10.60)	$ 1.97
Total book value per common share	23.27	21.51	24.30	23.37	34.65
Dividends	0.72	0.54	0.48	0.72	0.92
Common stock price:					
High	31.52	31.78	29.16	33.04	33.72
Low	18.07	23.62	16.35	8.55	26.02
Close	24.83	29.90	28.43	17.12	32.88
Performance Ratios: (1)					
Return on assets	0.59 %	0.82 %	0.98 %	(4.15)%	0.75 %
Return on equity, including unrealized losses on AFS securities	7.07	8.70	9.96	37.15	5.73
Return on equity, excluding unrealized losses on AFS securities	5.68	7.76	10.18	(37.50)	5.75
Return on tangible common equity, including unrealized losses on AFS securities (2)	7.60	9.29	10.57	(46.88)	9.31
Return on tangible common equity, excluding unrealized losses on AFS securities (2)	6.07	8.26	10.80	(48.60)	9.36
Net interest margin, fully taxable equivalent ("FTE") (3)	3.27	3.26	2.60	2.72	3.17
Growth Ratios:					
Total commercial loans	5.66 %	12.99 %	(12.09)%	(4.58)%	9.19 %
Total loans	8.45	22.11	(15.54)	14.95	5.08
Total deposits	2.96	2.57	(1.44)	(1.16)	15.07
Earnings per share, (compared to prior year)	(20.79)	(15.48)	122.55	(638.07)	(13.97)
Selected Financial Data:					
Total assets	$ 12,430,821	$ 11,662,864	$ 11,554,913	$ 12,838,013	$ 13,215,970
Total earning assets	11,704,515	10,913,069	10,899,109	12,089,939	11,916,007
Securities	1,607,496	2,033,436	2,548,590	2,223,417	1,769,878
Total loans	9,039,686	8,335,309	6,825,847	8,081,519	9,502,428
Allowance for credit losses	(105,357)	(96,270)	(106,094)	(127,302)	(63,575)
Total intangible assets	19,664	24,483	26,619	34,819	599,377
Total deposits	10,633,384	10,327,269	10,068,953	10,215,808	10,335,977
Total borrowings	506,586	125,509	110,844	571,637	827,550
Total shareholders' equity	1,012,221	954,062	1,182,435	1,187,773	1,758,564

	At or For the Years Ended December 31,				
	2023	2022	2021	2020	2019
Selected Operating Data:					
Total interest and dividend income	$ 576,299	$ 387,257	$ 329,065	$ 409,782	$ 509,513
Total interest expense	207,252	42,660	37,899	93,000	144,255
Net interest income	369,047	344,597	291,166	316,782	356,258
Fee income	65,281	63,995	84,462	69,990	76,824
All other non-interest income/(loss)	(22,499)	4,942	58,786	(3,683)	7,178
Total net revenue	411,829	413,534	434,414	383,089	449,260
Provision for credit losses	31,999	11,000	(500)	75,878	35,419
Total non-interest expense	301,508	288,716	285,893	840,239	289,857
Income/(loss) from continuing operations before income taxes	78,322	113,818	149,021	(533,028)	123,984
Income tax expense/(benefit) from continuing operations	8,724	21,285	30,357	(19,853)	22,463
Net income/(loss) from continuing operations	69,598	92,533	118,664	(513,175)	101,521
(Loss)/income from discontinued operations before income taxes	—	—	—	(26,855)	(5,539)
Income tax (benefit)/expense from discontinued operations	—	—	—	(7,013)	(1,468)
Net (loss)/income from discontinued operations	—	—	—	(19,842)	(4,071)
Net income/(loss)	$ 69,598	$ 92,533	$ 118,664	$ (533,017)	$ 97,450
Basic earnings/(loss) per common share:					
Continuing operations	$ 1.61	$ 2.03	$ 2.41	$ (10.21)	$ 2.06
Discontinued operations	—	—	—	(0.39)	(0.08)
Total basic earnings/(loss) per share	$ 1.61	$ 2.03	$ 2.41	$ (10.60)	$ 1.98
Diluted earnings/(loss) per common share:					
Continuing operations	$ 1.60	$ 2.02	$ 2.39	$ (10.21)	$ 2.05
Discontinued operations	—	—	—	(0.39)	(0.08)
Total diluted earnings/(loss) per share	$ 1.60	$ 2.02	$ 2.39	$ (10.60)	$ 1.97
Weighted average common shares outstanding - basic	43,288	45,564	49,240	50,270	49,263
Weighted average common shares outstanding - diluted	43,504	45,914	49,554	50,270	49,421
Dividends per preferred share	$ —	$ —	$ —	$ 1.20	$ 1.84
Dividends per common share	$ 0.72	$ 0.54	$ 0.48	$ 0.72	$ 0.92
Asset Quality and Condition Ratios: (4)					
Net loans charged-off/average loans	0.26 %	0.27 %	0.29 %	0.41 %	0.35 %
Allowance for credit losses/total loans	1.17	1.15	1.55	1.58	0.67
Loans/deposits	85	81	68	79	92
Capital Ratios:					
Tier 1 capital to average assets - Company	9.65 %	10.18 %	10.49 %	9.38 %	9.33 %
Total capital to risk-weighted assets - Company	14.36	14.60	17.32	16.10	13.73
Tier 1 capital to risk-weighted assets - Company	12.27	12.60	15.30	14.06	12.30
Shareholders' equity/total assets	8.14	8.18	10.23	9.25	13.31

(1) All performance ratios are annualized and are based on average balance sheet amounts, where applicable.

(2) Non-GAAP financial measure. Refer to "Reconciliation of Non-GAAP Financial Measures" for additional information.

(3) Fully taxable equivalent considers the impact of tax advantaged investment securities and loans.

(4) For periods prior to 2020, generally accepted accounting principles require that loans acquired in a business combination be recorded at fair value, whereas loans from business activities are recorded at cost. The fair value of loans acquired in a business combination includes expected credit losses, and there is no loan loss allowance recorded for these loans at the time of acquisition. Accordingly, the ratio of the loan loss allowance to total loans is reduced as a result of the existence of such loans, and this measure is not directly comparable to prior periods. Similarly, net loan charge-offs are normally reduced for loans acquired in a business combination since these loans are recorded net of expected credit losses. Therefore, the ratio of net loan charge-offs to average loans is reduced as a result of the existence of such loans, and this measure is not directly comparable to prior periods. Other institutions may have loans acquired in a business combination, and therefore there may be no direct comparability of these ratios between and among other institutions.

Average Balances, Interest and Average Yields/Cost

The following table presents an analysis of average rates and yields on a fully taxable equivalent basis for the years presented. Tax exempt interest revenue is shown on a tax-equivalent basis for proper comparison.

Item 7 - Table 1 - Average Balance, Interest and Average Yields / Costs

	2023			2022			2021		
(Dollars in millions)	**Average Balance**	**Interest**	**Average Yield/ Rate**	**Average Balance**	**Interest**	**Average Yield/ Rate**	**Average Balance**	**Interest**	**Average Yield/ Rate**
Assets									
Loans: (1)(2)									
Commercial real estate	$ 4,326.8	$ 272.5	6.30 %	$ 3,836.2	$ 167.6	4.37 %	$ 3,600.2	$ 124.4	3.46 %
Commercial and industrial loans	1,455.9	107.9	7.41	1,435.3	74.7	5.20	1,527.6	71.8	4.70
Residential loans	2,512.3	98.1	3.91	1,784.2	63.3	3.55	1,560.4	58.4	3.75
Consumer loans	518.5	37.8	7.29	556.8	32.1	5.77	569.1	22.0	3.87
Total loans	8,813.5	516.3	5.86	7,612.5	337.7	4.44	7,257.3	276.6	3.81
Investment securities (2)(3)	2,186.6	50.8	2.32	2,489.7	51.2	2.06	2,283.6	49.4	2.16
Short-term investments and loans held for sale (4)	372.4	17.1	4.59	569.1	4.9	0.86	1,619.4	2.3	0.58
Mid-Atlantic region loans held for sale	—	—	—	—	—	—	179.5	7.1	3.97
Total interest-earning assets	11,372.5	584.2	5.14	10,671.3	393.8	3.69	11,339.8	335.4	2.60
Intangible assets	21.9			26.8			32.0		
Other non-interest earning assets (4)	443.2			518.2			708.8		
Total assets	$ 11,837.6			$ 11,216.3			$ 12,080.6		
Liabilities and shareholders' equity									
Deposits:									
Non-interest-bearing demand deposits	$ 2,584.6	$ —	— %	$ 2,914.9	$ —	— %	$ 2,817.4	$ —	— %
NOW and other	1,048.9	14.9	1.42 %	1,416.7	6.1	0.43 %	1,340.2	1.0	0.07 %
Money market	2,727.3	65.6	2.40	2,809.1	13.8	0.49	2,749.7	5.3	0.19
Savings	1,067.2	6.1	0.57	1,114.8	0.4	0.03	1,067.7	0.5	0.05
Certificates of deposit	2,275.8	72.4	3.18	1,541.7	13.1	0.85	1,978.9	18.6	0.94
Total deposits	9,703.8	159.0	1.64	9,797.2	33.4	0.34	9,953.9	25.4	0.26
Borrowings and notes (4)	913.6	48.3	5.29	176.1	9.2	5.24	320.2	10.7	3.34
Mid-Atlantic region interest-bearing deposits	—	—	—	—	—	—	335.1	1.8	0.54
Total funding liabilities	10,617.4	207.3	1.95	9,973.3	42.6	0.43	10,609.2	37.9	0.35
Other non-interest-bearing liabilities	236.3			180.1			280.9		
Total liabilities	10,853.7			10,153.4			10,890.1		
Total shareholders' equity	983.9			1,062.9			1,190.5		
Total liabilities and equity	$ 11,837.6			$ 11,216.3			$ 12,080.6		
Net interest margin (5)			3.27			3.26			2.60
Supplementary data									
Net Interest Income, non FTE	$ 369.0			$ 344.6			$ 291.2		
FTE income adjustment (6)	7.9			6.6			6.3		
Net Interest Income, FTE	376.9			351.2			297.5		

Notes:

(1) The average balances of loans include nonaccrual loans, and deferred fees and costs.

(2) The yield on tax-exempt loans and securities is computed on a fully tax-equivalent basis using a tax rate of 27%.

(3) The average balance of investment securities is based on amortized cost.

(4) The average balances of borrowings and notes include the finance lease obligation presented under other liabilities on the consolidated balance sheet.

(5) Purchase accounting accretion totaled $0.7 million, $2.0 million, and $6.7 million for the years-ended December 31, 2023, 2022, and 2021, respectively. The effect of purchase accounting accretion on the net interest margin was an increase in all years, which is shown sequentially as follows beginning with the most recent year and ending with the earliest year: 0.01%, 0.02%, and 0.09%.

Rate/Volume Analysis

The following table presents the effects of rate and volume changes on the fully taxable equivalent net interest income. Tax exempt interest revenue is shown on a tax-equivalent basis for proper comparison. For each category of interest-earning assets and interest-bearing liabilities, information is provided with respect to changes attributable to (1) changes in rate (change in rate multiplied by prior year volume), (2) changes in volume (change in volume multiplied by prior year rate), and (3) changes in volume/rate (change in rate multiplied by change in volume) have been allocated proportionately based on the absolute value of the change due to the rate and the change due to volume. There are no out-of-period adjustments included in the rate/volume analysis in the following table.

Item 7 - Table 2 - Rate Volume Analysis

	2023 Compared with 2022			2022 Compared with 2021		
	(Decrease) Increase Due to			(Decrease) Increase Due to		
(In thousands)	**Rate**	**Volume**	**Net**	**Rate**	**Volume**	**Net**
Interest income:						
Commercial real estate	$ 81,238	$ 23,568	$ 104,806	$ 34,681	$ 8,582	$ 43,263
Commercial and industrial loans	32,105	1,086	33,191	7,397	(4,501)	2,896
Residential loans	6,883	27,931	34,814	(3,179)	8,061	4,882
Consumer loans	8,004	(2,329)	5,675	10,572	(482)	10,090
Total loans	128,230	50,256	178,486	49,471	11,660	61,131
Investment securities	6,239	(6,628)	(389)	(2,468)	4,316	1,848
Short-term investments and loans held for sale (1)	14,416	(2,244)	12,172	4,968	(2,335)	2,633
Mid-Atlantic region loans held for sale	—	—	—	—	(7,120)	(7,120)
Total interest income	$ 148,885	$ 41,384	$ 190,269	$ 51,971	$ 6,521	$ 58,492
Interest expense:						
NOW accounts	$ 6,380	$ 2,324	$ 8,704	$ 5,053	$ 62	$ 5,115
Money market accounts	59,450	(7,713)	51,737	8,402	116	8,518
Savings accounts	5,299	453	5,752	(204)	23	(181)
Certificates of deposit	60,555	(1,271)	59,284	(1,593)	(3,839)	(5,432)
Total deposits	131,684	(6,207)	125,477	11,658	(3,638)	8,020
Borrowings	8	39,111	39,119	4,568	(6,010)	(1,442)
Mid-Atlantic region interest-bearing deposits	—	—	—	—	(1,820)	(1,820)
Total interest expense	$ 131,692	$ 32,904	$ 164,596	$ 16,226	$ (11,468)	$ 4,758
Change in net interest income	$ 17,193	$ 8,480	$ 25,673	$ 35,745	$ 17,989	$ 53,734

NON-GAAP FINANCIAL MEASURES

This document contains certain non-GAAP financial measures in addition to results presented in accordance with Generally Accepted Accounting Principles (“GAAP”). These non-GAAP measures are intended to provide the reader with additional supplemental perspectives on operating results, performance trends, and financial condition. Non-GAAP financial measures are not a substitute for GAAP measures; they should be read and used in conjunction with the Company’s GAAP financial information. A reconciliation of non-GAAP financial measures to GAAP measures is provided below. In all cases, it should be understood that non-GAAP measures do not depict amounts that accrue directly to the benefit of shareholders. An item which management excludes when computing non-GAAP operating earnings can be of substantial importance to the Company’s results for any particular quarter or year. The Company’s non-GAAP operating earnings information set forth is not necessarily comparable to non-GAAP information which may be presented by other companies. Each non-GAAP measure used by the Company in this report as supplemental financial data should be considered in conjunction with the Company’s GAAP financial information.

The Company utilizes the non-GAAP measure of operating earnings in evaluating operating trends, including components for operating revenue and expense. These measures exclude amounts which the Company views as unrelated to its normalized operations. These items primarily include securities gains/losses, merger costs, and restructuring costs.

In 2023, adjustments were primarily related to branch consolidations, severance charges related to a workforce reduction, and loss on sale of AFS securities. Starting in 2023, fair value adjustments on securities are included in operating income.

In 2022, the restructuring expense adjustment primarily related to the termination of leasehold interests and the write-down of related right of use assets and leasehold improvements in conjunction with branch consolidations and real estate reductions.

In 2021, the Company recorded a net gain of $52 million on the sale of the operations of the insurance subsidiary and the Mid-Atlantic branch operations. Expense adjustments in 2021 were primarily related to branch consolidations, borrowings prepayment costs, and restructuring charges for efficiency initiatives in operation areas including write-downs on real estate and severance related to staff reductions.

The Company calculates certain profitability measures based on its operating revenue, expenses, and earnings. The Company also calculates operating earnings per share based on its measure of adjusted earnings. The Company views these amounts as important to understanding its operating trends, particularly due to the impact of accounting standards related to merger and acquisition activity. Analysts also rely on these measures in estimating and evaluating the Company’s performance. Management also believes that the computation of non-GAAP operating earnings and operating earnings per share may facilitate the comparison of the Company to other companies in the financial services industry.

Due to the anticipated earnings volatility resulting from loan loss provisions reflecting changes in estimates of uncertain future economic conditions under the CECL accounting standard, many users of bank financial statements are focusing on Pre-Provision Net Revenue (“PPNR”). This is a measure of revenue less expenses, and is calculated before the loan loss provision and income tax expense. This measure gives clearer visibility of the operations of the company during the periods presented in the income statements, without the impact of period-end estimates of future uncertain events. This measure also enhances comparisons of operations across different banks, which might have significantly different period-end estimates of uncertain future economic conditions that affect the loan loss provision. Consistent with its previous practices measuring results on an adjusted basis before the impacts of acquisitions, divestitures, and other designated items, the Company has introduced the measure of Operating Pre-Provision Net Revenue (“Operating PPNR”) which measures PPNR excluding adjustments for items not viewed as related to ongoing operations. This measure is now integral to the Company’s analysis of its operations, and is not viewed as a substitute for GAAP measures of net income. Analysts also use this measure in assessing the Company’s operations and in making comparisons across banks. The Company and analysts also measure Operating PPNR/Assets in order to utilize the PPNR measure in assessing its comparative operating profitability. This measure primarily relies on the measures of operating revenue and operating expense already used in the Company’s calculation of its efficiency ratio.

The Company also adjusts certain equity related measures to exclude intangible assets due to the importance of these measures to the investment community.

The following table summarizes the reconciliation of non-GAAP items recorded for the time periods indicated:

	At or For the Years Ended		
(Dollars in thousands)	**December 31, 2023**	**December 31, 2022**	**December 31, 2021**
GAAP Net income	$ 69,598	$ 92,533	$ 118,664
Non-GAAP measures			
Adj: Fair value adjustments on securities (1)	—	2,037	787
Adj: Loss/(gain) on sale of AFS securities	25,057	(6)	—
Adj: Net gains on sale of business operations	—	—	(52,942)
Adj: Acquisition, restructuring, conversion, and other related expenses(2)	6,261	8,909	5,781
Adj: Income taxes	(7,723)	(2,940)	11,696
Net non-operating charges	23,595	8,000	(34,678)
Operating net income (non-GAAP)	$ 93,193	$ 100,533	$ 83,986
GAAP Total revenue from continuing operations	$ 411,829	$ 413,534	$ 434,414
Adj: Fair value adjustments on securities	—	2,037	787
Adj: Loss/(gain) on sale of AFS securities	25,057	(6)	—
Adj: Net gains on sale of business operations	—	—	(52,942)
Operating revenue (non-GAAP)	$ 436,886	$ 413,528	$ 382,259
GAAP Total non-interest expense from continuing operations	$ 301,508	$ 288,716	$ 285,893
Less: Total non-operating expense (see above)	(6,261)	(8,909)	(5,781)
Operating non-interest expense (non-GAAP)	$ 295,247	$ 279,807	$ 280,112
Pre-tax, pre-provision net revenue (PPNR)	$ 110,321	$ 124,818	$ 148,521
Operating pre-tax, pre-provision net revenue (PPNR)	141,639	135,758	102,147
(in millions, except per share data)			
Total average assets	$ 11,838	$ 11,216	$ 12,081
Total average shareholders' equity, including unrealized losses on AFS securities	984	1,063	1,191
Total average shareholders' equity, excluding unrealized losses on AFS securities	1,226	1,193	1,166
Total average tangible shareholders' equity, including unrealized losses on AFS securities	962	1,036	1,159
Total average tangible shareholders' equity, excluding unrealized losses on AFS securities	1,204	1,166	1,134
Total tangible shareholders’ equity, period-end	993	930	1,153
Total tangible assets, period-end	12,411	11,638	11,525
Total common shares outstanding, period-end (thousands)	43,501	44,361	48,667
Average diluted shares outstanding *(thousands)*	43,504	45,914	49,554
Earnings per share, diluted	$ 1.60	$ 2.02	$ 2.39
Plus: Net adjustments per share, diluted	0.54	0.17	(0.70)
Operating earnings per share, diluted	2.14	2.19	1.69
Book value per common share, period-end	23.27	21.51	24.30
Tangible book value per common share, period-end	22.82	20.95	23.69
Total shareholders' equity/total assets	8.14	8.18	10.23
Total tangible shareholders' equity/total tangible assets	8.00	7.99	10.00

(Dollars in thousands)	At or For the Years Ended December 31, 2023	December 31, 2022	December 31, 2021
Performance Ratios			
Return on equity, including unrealized losses on AFS securities	7.07 %	8.70 %	9.96 %
Return on equity, excluding unrealized losses on AFS securities	5.68	7.76	10.18
Operating return on equity, including unrealized losses on AFS securities	9.47	9.46	7.05
Operating return on equity, excluding unrealized losses on AFS securities	7.60	8.43	7.20
Return on tangible common equity, including unrealized losses on AFS securities(3)	7.60	9.29	10.57
Return on tangible common equity, excluding unrealized losses on AFS securities(3)	6.07	8.26	10.80
Operating return on tangible common equity, including unrealized losses on AFS securities(3)	10.05	10.07	7.58
Operating return on tangible common equity, excluding unrealized losses on AFS securities(3)	8.03	8.94	7.74
Return on assets	0.59	0.82	0.98
Operating return on assets	0.79	0.90	0.70
Efficiency ratio (4)	63.88	64.31	69.96
Supplementary Data *(in thousands)*			
Tax benefit on tax-credit investments	$ 9,863	$ 4,880	$ 4,372
Non-interest income charge on tax-credit investments	(8,018)	(3,508)	(3,445)
Net income on tax-credit investments	1,845	1,372	928
Intangible amortization	4,820	5,134	5,200
Fully taxable equivalent income adjustment	7,870	6,644	6,344

(1) Starting in 2023, fair value adjustments on securities are included in operating income.
(2) Acquisition, restructuring, conversion, and other related expenses included no merger and acquisition expenses for the years ended December 31, 2023, 2022 and 2021.
(3) Amortization of intangible assets is adjusted assuming a 27% marginal tax rate.
(4) Efficiency ratio is computed by dividing total core tangible non-interest expense by the sum of total net interest income on a fully taxable equivalent basis and total core non-interest income adjusted to include tax credit benefit of tax shelter investments. The Company uses this non-GAAP measure to provide important information regarding its operational efficiency.

GENERAL

This discussion is intended to assist readers in understanding the financial condition and results of operations of Berkshire Hills Bancorp, Inc. (“Berkshire” or the “Company"), the changes in key items in the Company’s Consolidated Financial Statements (“financial statements”) from year to year, and the primary reasons for those changes.

The objectives of this section are:

- To provide a narrative explanation of the Company’s financial statements that enables investors to see the company through the eyes of management;
- To enhance the financial disclosure and provide the context within which financial information should be analyzed; and
- To provide information about the quality of, and potential future variability of, the Company’s earnings and cash flow.

This discussion includes the following sections:

- Comparison of Operating Results for the Years Ended December 31, 2023 and 2022
- Comparison of Financial Condition at December 31, 2023 and 2022
- Liquidity and Cash Flows
- Capital Resources
- Application of Critical Accounting Policies
- Enterprise Risk Management

- LIBOR Transition
- Corporate Responsibility and Sustainability

The following discussion and analysis should be read in conjunction with the Company’s financial statements and the notes thereto appearing in Item 8 of this document. In the following discussion, income statement comparisons are against the previous year and balance sheet comparisons are against the previous fiscal year-end, unless otherwise noted. Operating results discussed herein are not necessarily indicative of the results for the year 2024 or any future period. In management’s discussion and analysis of financial condition and results of operations, certain reclassifications have been made to make prior periods comparable. Tax-equivalent adjustments are the result of increasing income from tax-advantaged loans and securities by an amount equal to the taxes that would be paid if the income were fully taxable based on a 27% marginal rate (including state income taxes net of federal benefit). In the discussion, unless otherwise specified, references to earnings per share and "EPS" refer to diluted earnings per common share.

Berkshire is a Delaware corporation headquartered in Boston and the holding company for Berkshire Bank (“the Bank”) Established in 1846, the Bank operates as a commercial bank under a Massachusetts trust company charter.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
Summary

Berkshire reported 2023 net income of $69.6 million, or $1.60 per diluted share, compared to $92.5 million, or $2.02, per share in 2022. Net income in 2023 included net pre-tax non-operating charges totaling $31.3 million ($23.6 million after-tax), or $0.54 per share. Net income in 2022 included net pre-tax non-operating charges totaling $10.9 million ($8.0 million after-tax), or $0.17 per share. Non-operating charges included restructuring charges in both years and a $25.1 million loss on the sale of securities in the fourth quarter of 2023. Due to this loss, the Company reported a net loss of $1 million in the fourth quarter of 2023.

The Company’s 2023 non-GAAP measure of operating income totaled $93.2 million, or $2.14 per diluted share, compared to $100.5 million, or $2.19 per share, for 2022. Year-over-year, higher net interest income was more than offset by higher loan loss provision expense and operating non-interest expense. Per share results benefited from share repurchases.

Berkshire’s 2023 return on average assets was 0.59% (0.79% on an operating basis) compared to 0.82% (0.90% on an operating basis) for 2022. Return on average tangible common equity including unrealized loss on AFS securities was 7.60% (10.05% on an operating basis) in 2023 compared to 9.29% (10.07% on an operating basis) in 2022. Return on average tangible common equity excluding unrealized loss on AFS securities was 6.07% (8.03% on an operating basis) in 2023 compared to 8.26% (8.94% on an operating basis) in 2022.

Compared to 2022, fully taxable equivalent ("FTE") net interest income increased $25.7 million to $376.9 million. The net interest margin was little changed, increasing one basis point to 3.27%. Average total earning assets increased year-over-year by $701 million, reflecting a $1.20 billion increase in average loans, partially offset by a $303 million decrease in average securities and a $197 million decrease in average short-term investments and HFS loans. Average total funding liabilities increased year-over-year by $644 million compared to the year-ago average, reflecting a $738 million increase in average borrowings, partially offset by a $93 million decrease in average deposits.

Year-over-year, non-interest income excluding losses/gains decreased $3.6 million and total non-interest expense increased $12.8 million. The efficiency ratio was 63.88% in 2023 compared to 64.31% in 2022.

The provision for credit losses on loans was $32.0 million in 2023, compared to $11.0 million in 2022. The allowance for credit losses on loans was $105.4 million, or 1.17% of total loans, at December 31, 2023, compared to $96.3 million, or 1.15% of total loans at December 31, 2022.

Berkshire’s total shareholders’ equity was $1.01 billion at December 31, 2023 compared to $954 million at December 31, 2022. The year-end common equity Tier 1 capital ratio was 12.0% in 2023 and 12.4% in 2022. Tangible common equity as a percentage of tangible assets was 8.0% at both of those dates.

Net Interest Income

Net interest income and net interest margin may be affected by many factors, including: changes in average balances; interest rate fluctuations and the slope of the yield curve; sales of loans and securities; residential mortgage loan and mortgage-backed security prepayment rates; product pricing; competitive forces; the relative mix, repricing characteristics and maturity of interest-earning assets and interest-bearing liabilities; non-interest-bearing sources of funds; hedging activities; and asset quality.

In response to persistent high inflation, the Federal Reserve Board increased the target federal funds rate during 2022 and 2023. The average maximum target Federal Funds rate increased from 0.25% in the first quarter of 2022 to 5.50% in the fourth quarter of 2023, increasing in each sequential quarter, with the largest quarterly increases occurring in the second and third quarters of 2022.

The net interest margin increased by one basis point to 3.27% in 2023. Net interest income increased year-over-year by $24 million, or 7%, due to a 7% increase in average earning assets funded by higher average borrowings. Total interest income increased $189 million and total interest expense increased $165 million. The FTE interest adjustment increased $1 million.

Full year total average earning assets increased $701 million in 2023 compared to 2022, primarily reflecting an increase of $1.20 billion in average loans offset by decreases of $303 million in average securities and $197 million in short-term investments and loans HFS. The increase in average loans was primarily due to a $491 million increase in average commercial real estate loans and a $728 million increase in average residential mortgages, reflecting growth in originations staff and expansionary economic conditions supporting market demand for commercial loans.

Average total loans, average securities and average short-term investments and loans held for sale comprised 78%, 19% and 3%, respectively, of average total earning assets in 2023, compared to 72%, 23% and 5%, respectively, in 2022. In 2023, the yields on these portfolios were 5.86%, 2.32%, and 4.59% respectively, compared to 4.44%, 2.06%, and 0.86% in 2022.

The 145 basis point year-over-year increase in the full year yield on average earning assets reflected higher market interest rates. The loan yield increased by 142 basis points, the securities yield increased by 26 basis points, and the yield on short-term investments and loans held for sale increased 373 basis points. Higher loans yields included increases of 193 basis points in commercial real estate, 221 basis points in commercial and industrial loans, 36 basis points in residential mortgages, and 152 basis points in consumer loans.

Average total funding liabilities increased $644 million, reflecting a $738 million increase in average borrowings which was partially offset by a $93 million reduction in average deposits. The increase in borrowings was primarily due to higher borrowings from the Federal Home Loan Bank of Boston.

Compared to the prior year, average non-interest bearing deposits decreased $330 million, average NOW and other interest-bearing transaction accounts decreased $368 million, average money market deposits decreased $82 million, and average savings deposits decreased $48 million. Average time deposits increased $734 million. Deposit shifts reflected the migration of some balances from lower yielding accounts to higher yielding accounts in and out of the Bank, as well as the spend-down by customers of liquidity accumulated during the pandemic. Time deposit growth included higher utilization of brokered deposits.

Average total deposits comprised 91% and 98% of average total funding liabilities in 2023 and 2022, respectively. As a percentage of 2023 average deposits, average non-interest bearing deposits measured 27%, average NOW and other interest-bearing transaction accounts measured 11%, average money market deposits were 28%, average savings accounts were 11%, and average time deposits were 23%. The comparable percentages in the year-ago quarter were 30%, 14%, 29%, 11%, and 16% respectively.

The 152 basis point increase to 1.95% in the rate paid on average total funding liabilities in 2023 compared to 2022 primarily reflects the impact of the increase in market interest rates and increased borrowings. The rate paid on average total deposits increased 130 basis points, reflecting higher interest rates paid and the shift in the mix of deposits. Higher deposit costs included increases of 99 basis points in the cost of NOW and other interest-bearing transaction deposits, 191 basis points in the cost of money market deposits, 54 basis points in the cost of savings deposits, and 233 basis points in the cost of time deposits.

Non-Interest Income

Total non-interest income decreased $26.2 million in 2023 compared to 2022 due primarily to a $25.1 million loss recorded on the sale of AFS securities near-year end, with proceeds used to pay down higher cost borrowings. The Company views this loss as non-operating. SBA loan sale revenue decreased by $2.2 million, reflecting margin and volume changes in the rising interest rate environment. The category of other non-interest income decreased $4.9 million due to a $4.5 million increase in charges for the amortization of tax credit investments, reflecting higher balances of these investments in 2023 as projects progressed following prior pandemic related delays. These charges are more than offset by credits to income tax expense. Total deposit and loan related fees increased $3.3 million, or 8%, due to improved volume and pricing conditions.

Provision for Credit Losses

The provision totaled $32.0 million in 2023 compared to $11.0 million in 2022. Provision expense in 2023 primarily reflected growth in the loan portfolio and increased uncertainty related to commercial real estate market conditions. The ratio of the allowance for credit losses to loans increased to 1.17% from 1.15%. The provision in 2022 reflected lower pandemic-related expected credit losses near the end of the pandemic public health emergency.

Non-Interest Expense

Total non-interest expense increased year-over-year by $12.8 million, or 4%. Restructuring and other non-operating expense decreased to $6.3 million from $8.9 million. Restructuring expense in 2023 was primarily due to the consolidation of four branches and severance related to a cross-company workforce reduction in the fourth quarter. Restructuring expense in 2022 was primarily due to the consolidation of six branch offices. The Company's non-GAAP measure of operating non-interest expense increased year-over-year by $15.4 million, or 6%. This was primarily due to a $6.5 million, or 4%, increase in compensation expense and a $6.3 million, or 18%, increase in technology related expense. Expense growth reflected the impact of inflation, together with the Company's strategy of investing in frontline bankers and digital innovation targeted to support future growth of revenues and deposits. Occupancy expense decreased by $1.9 million, or 5%, due to consolidation of branches and office premises. FDIC insurance expense increased $3.9 million due to higher premiums charged to the industry. The efficiency ratio improved slightly year-over-year to 63.9% from 64.3% as higher net interest income offset lower operating fee income and higher operating expenses. Quarterly operating revenue peaked in the fourth quarter of 2022 and has declined in consecutive quarters as the net interest margin has declined over these periods, with funding cost increases catching up with the higher initial sensitivity of variable rate interest earning assets to the rapid increase in market interest rates in 2022. The fourth quarter efficiency ratio measured 67.8% in 2023, compared to 58.3% in 2022.

Income Tax Expense

The Company's effective income tax rate was 11.1% in 2023 compared to 18.7% in 2022. This reduction was primarily due to the higher proportional benefit of tax advantaged income compared to pre-tax income, which declined by $35.5 million, or 31%, due to the loss on sale of AFS securities and the increase in credit loss provision expense. Differences arising between Berkshire's effective income tax rate and the U.S. federal statutory rate of 21% are generally attributable to: (i) tax-exempt interest earned on certain investments; (ii) tax-exempt income from BOLI; (iii) tax credit investment benefits; and (iv) state income taxes. The Company's tax credit investment program contributed $0.04 to earnings per share in 2023, compared to $0.03 in 2022.

COMPARISON OF FINANCIAL CONDITION AT DECEMBER 31, 2023 AND DECEMBER 31, 2022

General

Total assets at December 31, 2023 were $12.4 billion, a $768 million increase from December 31, 2022, primarily reflecting a $704 million increase in total loans and a $515 million increase in short-term investments, partially offset by a decrease of $426 million in investment securities. Loan growth primarily consisted of a $398 million increase in commercial real estate loans and a $448 million increase in residential mortgages. The increase in short-term investments was primarily due to higher short-term deposits at year-end 2023. The decrease in investment securities was primarily due to the sale of $267 million of available for sale securities near year-end 2023, and also included amortizations and maturities of securities during the year.

Nonaccrual loans totaled $21.4 million at December 31, 2023, a $9.7 million decrease from December 31, 2022 across most major loan categories. The allowance for credit losses on loans totaled $105.4 million at December 31, 2023, compared to $96.3 million at December 31, 2022. At December 31 2023, the allowance as a percentage of total loans was 1.17% and as a percentage of nonaccrual loans was 492%, compared to 1.15% and 309%, respectively, at December 31, 2022.

At December 31, 2023, total liabilities were $11.4 billion, a $710 million increase from December 31, 2022, primarily reflecting a $306 million increase in deposits and a $381 million increase in total borrowings.

Berkshire's total shareholders' equity was $1.01 billion at December 31, 2023, a $58 million increase from December 31, 2022. As a percentage of total assets, shareholders' equity was 8.1% and 8.2% at December 31, 2023 and December 31, 2022, respectively. Tangible common equity equaled 8.0% both at December 31, 2023 and December 31, 2022.

Berkshire's (consolidated) Tier 1 Leverage capital ratio and its Common Equity Tier 1 ("CET 1"), Tier 1 and Total risk-based capital ratios were 9.6%, 12.0%, 12.3% and 14.4%, respectively, at December 31, 2023, compared to 10.2%, 12.4%, 12.6% and 14.6%, respectively, at December 31, 2022. The Bank's Tier 1 Leverage capital ratio and its CET 1, Tier 1 and Total risk-based capital ratios were 9.6%, 12.2%, 12.2% and 13.3%, respectively, at December 31, 2023, compared to 10.2%, 12.6%, 12.6% and 13.6%, respectively, at December 31, 2022.

Securities

Total securities measured $1.6 billion at December 31, 2023, decreasing $426 million during 2023. This decrease was primarily due to the sale of available for sale securities valued at $267 million near year-end, with proceeds used to paydown higher costing short-term borrowings. The decrease in securities from this sale and from amortization and payoffs in 2023 was mostly in agency mortgage-related instruments including collateralized mortgage obligations, mortgage-backed securities, and commercial mortgage-backed securities.

Loans

Total loans at period-end are categorized in the financial statement in accordance with regulatory reporting.
Total loans measured $9.0 billion at December 31, 2023, increasing $704 million during 2023. At December 31, 2023, commercial loans measured 65% of total loans and retail loans measured 35% of total loans. In comparison, at December 31, 2022, commercial loans measured 66% of total loans and retail loans measured 34% of total loans.

Total commercial loans increased by $312 million to $5.8 billion during 2023 and were comprised of commercial real estate loans and commercial and industrial loans. Commercial real estate loans (which include construction loans and multifamily loans) totaled $4.5 billion and increased by $398 million during 2023. Construction loans increased by $321 million. Commercial and industrial loans totaled $1.4 billion and decreased by $86 million. Nonaccrual commercial loans totaled $13.1 million at December 31, 2023, and measured 0.22% of total commercial loans. At December 31, 2022, nonaccrual commercial loans totaled $19.4 million, measuring 0.35% of total commercial loans. Potential problem loans, which are adversely classified loans which remain in an accrual status, totaled $132 million, or 2.26% of total commercial loans at December 31, 2023, compared to $89 million, or 1.61% of total commercial loans at December 31, 2022.

Total retail loans increased by $392 million to $3.2 billion during 2023. Retail loans include residential mortgage loans and consumer loans. At December 31, 2023, residential mortgages totaled $2.8 billion and increased by $448 million during 2023. Consumer loans totaled $446 million and decreased by $56 million for this period, due primarily to planned run-off of unsecured consumer balances. Nonaccrual retail loans totaled $8.3 million at December 31, 2023, measuring 0.26% of total retail loans. At December 31, 2022, nonaccrual retail loans totaled $11.7 million, measuring 0.42% of total retail loans.

Allowance for Credit Losses on Loans

The allowance totaled $105.4 million at December 31, 2023, an increase of $9.1 million from December 31, 2022, primarily reflecting growth in the loan portfolio together with an increase in the qualitative reserve for non-owner occupied commercial real estate loans due to uncertain market conditions. The ratio of the allowance to total loans decreased to 1.17% from 1.15% for these respective dates.

For the commercial loan portfolio, the allowance for credit losses as a percentage of commercial loans was 1.23% at December 31, 2023, compared to 1.15% at December 31, 2022. The commercial allowance for credit losses represented 548% of nonaccrual commercial loans at December 31, 2023 compared to 326% at December 31, 2022.

For the retail loan portfolio, the allowance for credit losses as a percentage of retail loans was 1.05% at December 31, 2023 compared to 1.17% at December 31, 2022. The retail allowance for credit losses represented 404% of nonaccrual retail loans at December 31, 2023 compared to 282% at December 31, 2022.

Deposits and Borrowings

Total deposits were $10.6 billion at December 31, 2023, a $306 million increase from year-end 2022. Most categories of deposits decreased except for higher cost time deposits as customers sought higher rate deposits in the environment of higher interest rates. Non-interest bearing deposits totaled $2.5 billion at December 31, 2023, a $383 million decrease from December 31, 2022. Non-maturity interest-bearing deposits totaled $5.5 billion, a $363 million decrease from year-end 2022. Period-end time deposits totaled $2.7 billion, increasing $1.1 billion during the year. Borrowings totaled $385 million at period-end, increasing $381 million from year-end 2022. The increase was due to the utilization of Federal Home Loan Bank of Boston advances primarily to fund loan growth.

Derivative Financial Instruments

The notional amount of derivative financial instruments totaled $4.8 billion at period-end, increasing $263 million from year-end 2022. The net fair value of these instruments at December 31, 2023 was a liability of $30 million, compared to a liability of $43 million at December 31, 2022.

Shareholders’ Equity and Dividends

Total shareholders’ equity was $1.01 billion at December 31, 2023, a $58 million increase from December 31, 2022.This primarily reflects net income of $70 million and other comprehensive income of $38 million partially offset by $32 million in common stock dividends at $0.72 per share and share repurchases totaling $24 million for the repurchase of 103,000 shares. Other comprehensive income reflected a decrease in the after-tax net unrealized losses on available for sale debt securities and derivative hedges primarily due to the $25 million realized loss on the sale of securities near year-end 2023.

LIQUIDITY AND CASH FLOWS

Liquidity is defined as the ability to generate sufficient cash flows to meet all present and future funding requirements at reasonable costs for the Company, including the Bank. Liquidity management addresses both the Company’s ability to fund new loans and investments as opportunities arise, to meet customer deposit withdrawals and to repay borrowings and subordinated notes as they mature. In the first quarter of 2023, the banking industry faced heightened focus on liquidity following the failure of several large banks. In response, the Company increased borrowings and short-term investments and also increased its off-balance sheet liquidity sources primarily by increasing its assets qualified for pledging against borrowings. The Company views its liquidity as satisfactory for current conditions as well as for stressed scenarios in its liquidity testing models.

At December 31, 2023, cash and equivalents totaled $1.2 billion and securities available for sale totaled $1.0 billion. Unused borrowing capacity at that date from the Federal Home Loan Bank of Boston “FHLBB” and the Federal Reserve Bank of Boston (“FRB”) totaled $4.0 billion, compared to $2.1 billion at year-end 2022. Borrowings from these sources are supported by collateral, to the extent utilized. The increase in borrowing capacity in 2023 was primarily due to the Company’s strategic focus to improve collateral efficiency, which began in early 2023 before market conditions worsened due to bank failures.

During 2023, growth of time deposits was the primary source of funds and the primary uses were loan growth and net outflows of non-maturity deposits. At year-end 2023, money market deposits and short-term investments were elevated due to short-term commercial deposit balances held at period-end.

CAPITAL RESOURCES

Please see the “Shareholders’ Equity” section of the Comparison of Financial Condition for a discussion of shareholders’ equity together with the note on Shareholders' Equity in the consolidated financial statements.

Additional information about capital resources and regulatory capital is contained in the notes to the consolidated financial statements and in Item 1 of this report.

The Company's goal is to maintain sound capitalization and use capital generation to support organic growth and shareholder distributions in the form of dividends and stock repurchases. The Company's goal is to maintain a "well-capitalized" regulatory designation under projected and stressed financial projections.

In recent periods, the Company has returned excess capital to shareholders through stock repurchases. Additionally, the Company increased the quarterly dividend by 50% in the fourth quarter of 2022. The Company's long-term goal is to maintain an efficient capital structure and to provide a return in excess of the cost of its common equity capital.

As a result of rising interest rates, available for sale bond portfolios in banks are subject to unrealized losses which result in charges against other comprehensive income ("AOCI") and reduce the book value of shareholders' equity. Like many of its peers, the Company utilizes an option in reporting its regulatory equity which excludes changes in AOCI in the calculation of regulatory capital.

Reductions in bond valuations due to changes in market interest rates are reversed as bonds approach maturity. These reversals are accreted to AOCI over time, restoring the book value of equity. Tangible common equity totaled $993 million at period-end and was net of an accumulated other comprehensive loss totaling $143 million.

While the Company monitors the book value of equity and related metrics, it primarily manages capital based on regulatory capital measures, with a focus on the common equity Tier 1 capital ratio. The Company continues to view itself as having excess capital which it plans to utilize in accordance with its capital management objectives. During the fourth quarter of 2023, the company sold $267 million of available for sale securities at a $25 million loss, which was recorded as a reduction in accumulated other comprehensive loss and in retained earnings. This had no impact on the total book value of equity but did reduce regulatory capital.

As of December 31, 2023 unrealized gains and losses, net of tax, are included in average equity and in average non-interest earning assets. Prior period balances and financial metrics have been updated to reflect the current presentation. Performance measures related to return on average equity, including related non-GAAP performance measures, are presented both based on the updated averages as well as based on measures which exclude these unrealized gains and losses, net of tax. These unrealized gains and losses are primarily related to the fair values of available-for-sale securities.

In acting as a source of strength for the Bank, the Company relies in the long term on capital distributions from the Bank in order to provide operating and capital service for the Company, which in turn can access national financial markets to provide financial support to the Bank. Capital distributions from the Bank to the parent company presently require approval by the FDIC.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies and modifications to significant accounting policies made during the year are described in Note 1 to the financial statements. The preparation of the financial statements is in accordance with GAAP and general practices applicable to the financial services industry. This preparation requires management to make estimates, assumptions, and judgements that affect the amounts reported in the financial statements and accompanying notes. The judgment and assumptions made are based upon historical experience, future forecasts, or other factors that management believes to be reasonable under the circumstances. Actual results could differ from those estimates, assumptions, and judgements.

Not all significant accounting policies require management to make difficult, subjective or complex judgments. Certain estimates inherently have a greater reliance on the use of assumptions and judgments and, as such, have a greater possibility of producing results that could be materially different than originally reported. The following significant accounting policies are considered most critical in that they are important to the Company's financial condition and results, and they require management's subjective and complex judgment as a result of the need to make estimates about the effects of matters that are inherently uncertain. Both of these most critical accounting policies were significant in determining income and financial condition based on events in 2023.

Allowance for Credit Losses on Loans
The allowance for credit losses on loans (“ACLL”) represents management’s estimate of expected credit losses over the expected contractual life of our loan portfolio. Determining the appropriateness of the ACLL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan portfolio, in light of the factors then prevailing, may result in significant changes in the ACLL in those future periods.

The appropriateness of the ACLL could change significantly because current economic conditions and forecasts can change and future events are inherently difficult to predict. It is difficult to estimate how potential changes in any one economic factor or input might affect the overall allowance because a wide variety of factors and inputs are considered in estimating the allowance and changes in those factors and inputs considered may not occur at the same rate and may not be consistent across all product types. Additionally, changes in factors and inputs may be directionally inconsistent, such that improvement in one factor may offset deterioration in others. One of the most significant judgments used in determining the allowance for credit losses is the macroeconomic forecast provided by a third party. Changes in the macroeconomic forecast, especially for the national unemployment rate, could significantly impact the calculated estimated credit losses.

While management utilizes its best judgment and information available, the ultimate adequacy of our ACLL is dependent upon a variety of factors beyond our control, including the performance of our portfolios, the economy, and changes in interest rates. For detailed information on the ACLL see Note 1- Summary of Significant Accounting Policies and Note 6 – Loans and Allowance for Credit Losses.

Fair Value Measurements
The Company uses fair value measurements to determine fair value disclosures and to record fair value adjustments to certain assets and liabilities, such as interest rate swaps, individually evaluated loans, securities available for sale, and derivatives. Our fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, from time to time, the Company may be required to record certain assets at fair value on a non-recurring basis, such as certain individually evaluated loans held for investment and capitalized servicing rights. These non-recurring fair value adjustments typically involve write-downs of individual assets due to application of lower-of-cost or market accounting or other accounting standards.

Management has established and documented a process for determining fair value. The use of observable inputs is maximized and the use of unobservable inputs is minimized when developing fair value measurements. Whenever there is no readily available market data, management uses its best estimate and assumptions in determining fair value, but these estimates involve inherent uncertainties and the application of management’s judgment. As a result, if other assumptions had been used, our recorded earnings or disclosures could have been materially different from those reflected in these financial statements. For detailed information on our use of fair value measurements and our related valuation methodologies, see Note 1 – Summary of Significant Accounting Policies and Note 21 – Fair Value Measurements for more information.

ENTERPRISE RISK MANAGEMENT
Other sections of this report on Form 10-K include discussion of market risk and risk factors. Risk management is overseen by the Company’s Chief Risk Officer, who reports directly to the CEO. This position oversees risk management policy, credit, loan review, compliance, and information security. Enterprise risk assessments are brought to the Company’s Enterprise Risk Management Committee, and then are reported to the Board’s Risk Management, Capital & Compliance Committee.

The Company includes recessionary/inflationary risk overlays on all of the material business risks to capture the uncertainties of the economic environment. The Company has also developed recession toolkits and playbooks that outline mitigating factors and actions that strive to minimize losses under such scenarios. Both of these items are addressed throughout the assessments and dashboards provided to the above Committees.

The high level corporate risk assessment focuses on the following material business risks: credit risk, interest rate risk, price risk, liquidity risk, operational risk, compliance risk, strategic risk, and reputation risk, with the credit risk category having the highest weighting. For all material business risks, residual risk was viewed as medium/low to medium due to mitigating controls functioning in the Company. In 2023, price risk remained elevated in relation to the corporate appetite due to the impact of higher interest rates on the behavior and value of various interest sensitive instruments and operations. Residual price risk was viewed as medium including the impact of mitigating factors and management actions in the risk management environment.

LIBOR TRANSITION

In 2023, the Company completed the transition away from the use of LIBOR based instruments in the context of the industry-wide transition program. The Company had in excess of $5 billion in notional balances of LIBOR based instruments related primarily to its commercial banking operations. These include loan interest rate indices as well as interest rate swap contracts based on LIBOR. The Company has transitioned to indices based on SOFR.

CORPORATE RESPONSIBILITY & SUSTAINABILITY

Berkshire's Approach
Since its founding in 1846, Berkshire remains a purpose-driven and values-guided institution working to achieve its vision of becoming a high-performing, relationship-driven, community-focused bank. Berkshire empowers the financial potential of its stakeholders by delivering industry-leading financial expertise and a full suite of tailored banking solutions through its consumer banking, commercial banking and wealth management divisions to clients in New England and New York. For more than 175 years, Berkshire has provided strength, stability and trusted advice to create a positive impact for its clients and communities while upholding equitable, ethical, responsible and sustainable business practices.

Berkshire's longstanding commitment to operating equitably, responsibly and sustainably is interwoven into the company's vision, mission, business practices, and strategic goals. Berkshire's integrated approach to managing the environmental, social and governance externalities helps reduce risk and unlock new business opportunities to create an ecosystem of positive impact and value, which in turn drives Berkshire's commercial performance, creating capacity to invest more in its business, employees, customers, shareholders and communities.

Oversight and Reporting
The management of material environmental, social and governance factors is integral to Berkshire's business practices, risk management program, competitive positioning and its ability to deliver on its strategic priorities and vision. Berkshire was one of the first banks in the country to establish a dedicated committee of its Board of Directors to oversee corporate culture, diversity and sustainability and are a leader among community banks in integrating these practices into its business strategy and operations.

The Company maintains a strong foundation of governance systems, including:

- Board level oversight of Company Culture, Sustainability, Social Responsibility, Climate Change, and Diversity
- Corporate Responsibility & Culture Committee of its Board of Directors
- Environmental, Social and Governance (ESG) Committee
- Diversity Equity & Inclusion (DEI) Committee
- Responsible & Sustainable Business Policy
- Climate Risk Management Program
- Lending, credit, deposit and investment policies which incorporate environmental and social considerations along with due diligence requirements
- Active involvement from business unit leaders and front lines in managing externalities and risks
- Senior leadership for corporate responsibility and sustainability

The Board of Directors including its Corporate Responsibility & Culture Committee ("CRCC") has ultimate oversight responsibility for environmental, social and governance matters. The CRCC meets quarterly to review performance and approve relevant policies. In addition, the company established management Committees comprised of executives and senior leaders throughout the organization to assist in the management and oversight of ESG and DEI activities. Berkshire's comprehensive approach ensures that the board receives regular reports from management on environmental and social dimensions of its business such as human capital management, diversity, stakeholder relations, climate change, community impact, and cybersecurity. It allows the board to develop a sufficient understanding of the Company's impacts, management's programs to mitigate those risks and capture opportunities. It helps inform strategic planning, create accountability and, along with management committees and senior leaders, provides visibility throughout the organization.

Berkshire regularly engages directly with its stakeholders to share information about the progress it's made in its performance, including through its website, corporate annual report, and proxy statement. Additionally, Berkshire's annual Corporate Responsibility & Sustainability Report, which is aligned with Sustainability Accounting Standards Board ("SASB") and Task Force on Climate-Related Financial Disclosure ("TCFD") disclosure standards, details the Company's programs and performance.

BEST Community Comeback
Berkshire launched the BEST Community Comeback in late 2021, a transformational commitment to empower its stakeholders' financial potential. The plan focuses on four areas critical to the long-term vibrancy and success of its communities: fueling small businesses; community financing and philanthropy; financial access and empowerment; and environmental sustainability. Through this far-reaching initiative, Berkshire aims to help create more businesses and jobs, help more families achieve the dream of owning a home, and aid communities in becoming more environmentally efficient and eco-friendly. Berkshire has made steady progress towards achieving its goal of deploying $5 billion to support its communities by the end of 2024. As of year-end and since launching the program, Berkshire has deployed more than $2.5 billion into low-moderate income neighborhoods, $591 million to support low-carbon projects, increased its lending to underrepresented homebuyers and transitioned its own electricity supply to 100% renewables.

Sustainable Finance & Impact Investments
Berkshire became the first public U.S. community bank holding company with under $150 billion in assets to issue a Sustainability Bond with a $100 million issuance last year. In 2023, Berkshire allocated the proceeds from its inaugural sustainability bond to projects resulting in the creation of 330 units of affordable and workforce housing along with more than 200,000 square feet of green building development. Proceeds from the bond were allocated in alignment with Berkshire's Sustainable Financing Framework. Sustainalytics, a Morningstar Company, and the global leader in high-quality ESG research, ratings, and data, independently verified that Berkshire's Sustainable Financing Framework "is credible and impactful and aligns with the International Capital Market Association's ("ICMA") Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021." The subordinated Sustainability Bond issuance also received an investment grade rating of Baa3 from Moody's Investors Service. Berkshire's Sustainability Bond Report further details how proceeds were allocated to support affordable housing, workforce housing, green building and financial access and inclusion projects in communities across New England and New York.

Beyond its sustainability bond, Berkshire looks for innovative ways to advance its business priorities through sustainable finance and impact investing. As a result, Berkshire makes targeted impact investments in Small Business Investment Companies ("SBIC") and other strategically aligned assets that are within risk appetite and drive a competitive rate of return. The Company also has a strong tax-credit business whereby it makes targeted investments in low-income housing tax credits ("LIHTC"), historic tax credits ("HTC") and solar tax credits to further Berkshire's goals and strengthen its Community Reinvestment Act ("CRA") performance. These investments help bring to life important economic development, revitalization and renewable energy projects while providing an appropriate return to the bank consistent with its capital and tax strategies.

Climate Change
Climate Change manifesting in the form of both physical or transition risks could adversely, either directly or indirectly, affect Berkshire's operations, businesses, customers, communities, and its stakeholders. As the transition to a low-carbon economy accelerates, new policy emerges, and market dynamics shift, Berkshire expects that its efforts to manage its environmental footprint, mitigate the risks associated with climate change, and support the transition will allow it to strengthen its competitive positioning. The Company continues to evolve its practices to align with its mission, current and expected regulations as well as the size, scope, and complexity of its operations.

The physical risks of climate change over short, medium and long-term horizons include weather-related events, such as flooding and tornados, and longer-term shifts in climate patterns, such as extreme heat, rising sea levels and more severe droughts. Such events could disrupt Berkshire's operations, impact customers, or third parties on which Berkshire relies, including through direct damage to physical assets and indirect impacts from supply chain disruption and market volatility. This could impact borrowers' ability to repay obligations, devalue physical assets resulting in uncertain residual values and affect third-parties ability to deliver on service expectations. In turn, this could lead to operational disruptions, loan losses and an inability to fully recoup funds due to uncertain residual values over long-term horizons.

Transition risks over short, medium and long-term horizons can include changes in consumer preferences, additional regulatory requirements or policy such as taxes, and use of new technologies. Such developments could increase Berkshire, its customers and third-parties operating costs, reduce demand for services from select customer segments and impact current strategies. Reputation and customer relationships could be damaged as a result of Berkshire's practices related to climate change mitigation as well as through its or its customers direct or indirect involvement with industries or projects with heighten climate related risks. Over the long-term, transition risks could also manifest in potential credit impacts affecting borrowers' ability to repay obligations, increasing operating costs, creating stranded assets, uncertainty of residual values and potential loan losses.

Collectively these physical and transition risks are managed through a formal Climate Risk Management Program which outlines roles and responsibilities for the board, management and all employees, definitions, along with procedures for identifying, measuring and assessing climate risk. The program also lays out Berkshire's system of controls which include governance mechanisms, formal policies, due diligence and insurance requirements, exclusionary criteria, business continuity planning, external relations, and employee education. Finally, the program sets expectations for responses to risk events or elevated risk levels, reporting and external disclosure. Ultimately the program helps identify, assess, mitigate and control climate risks protecting the Company, its stakeholders, communities and preserving shareholder value.

The Company's Board of Directors Corporate Responsibility & Culture Committee provides oversight of sustainability and climate change. Management and the board evaluate climate related risks and opportunities and incorporate the results of risk assessments and discussions into strategic planning, product development, programming and relevant risk mitigating measures. All business risks are also integrated into our Enterprise Risk Management program and discussed by other applicable Board Committees including the Risk Management, Capital & Compliance Committee. Both Committees report into the full board. Beyond board level oversight of climate matters, Berkshire maintains an Environmental, Social and Governance Committee comprised of senior executives throughout the Company. Business lines identify base-tier climate risks and Berkshire also completes an annual climate change risk assessment to assess the bank's operations and lending activities for potential exposure to transition and physical risks as well as evaluate its related controls. The results of the risk assessment guide Berkshire's forward climate management and environmental sustainability strategies to ensure its actively managing the risks and opportunities.

As Berkshire looks to further strengthen its management of climate related risks and opportunities, it expects to mature its climate risk management program and Greenhouse Gas (GHG) emissions strategies, in addition to its existing sustainable finance and renewable electricity goals. As the Company moves further along in its climate journey, it will look to enhance its disclosures, including scope 3 emissions, programs, mitigating controls and initiatives to minimize risk, reduce its emissions as well as capitalize on the many business opportunities arising from the transition to a lower-carbon economy. Further details on Berkshire's governance, risk management, strategy, metrics & targets and next steps can be found in its most recent Corporate Responsibility & Sustainability Report.

Ratings, Awards & Recognition
Berkshire is proud to be recognized for its performance with local, regional, national, and international awards as well as leading third party ESG ratings* including:

- Top 20% aggregated ESG rating, achieving one of five major BEST goals
- MSCI ESG- A
- ISS ESG Quality Score - Environment: 3, Social: 2, Governance: 2
- Bloomberg ESG Disclosure- 62.81
- Sustainalytics Rated
- Communitas Award for Leadership in Corporate Social Responsibility
- Boston Business Journal Top Charitable Contributor
- America's Most Trustworthy Companies – Newsweek
- America's Best Regional Banks - Newsweek
- Forbes America's Best Midsize Employers
- Bloomberg Gender-Equality Index

- Human Rights Campaign Corporate Equality Index

**As of December 31, 2023*

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss to earnings and the economic values of certain assets and liabilities resulting from changes in interest rates. The only significant market risk exposure for the Company is Interest Rate Risk (“IRR”). This is a result of the Company’s core business activities of making loans and accepting deposits.

The effective management of IRR is essential to achieving the Company’s financial objectives. The Company’s goal is to support the net interest margin and net interest income (“NII”) over entire interest rate cycles regardless of changes in either short- or long-term interest rates. The Company manages IRR through simulations of NII and equity at risk (“EVE”). These two measurements are complementary and provide both short-term and long-term risk profiles of the Company.

NII Sensitivity is used to measure the potential NII exposure to changes in market rates over a period of time, such as 12 or 24 months. This simulation captures underlying product behaviors, such as asset and liability repricing dates, interest rate indices and spreads, and rate caps and floors, and it applies appropriate behavioral attributes such as prepayment assumptions. Combined, these assumptions can be inherently uncertain, and as a result, actual results may differ from IRR modeling due to the timing, magnitude and frequency of interest rate changes, future business conditions, as well as unanticipated changes in management strategies.

The Company uses two sets of standard scenarios to measure NII Sensitivity. Parallel shock scenarios assume instantaneous parallel movements in the yield curve compared to a flat yield curve scenario, while twist scenarios assume the shape of the curve flattens or steepens instantaneously.

The following tables set forth the estimated percent change in the Company’s NII Sensitivity over one-year simulation periods beginning December 31, 2023 and December 31, 2022.

ITEM 7 - 7A TABLE 3 - QUALITATIVE ASPECTS OF MARKET RISK

	Estimated Percent Change in Net Interest Income	
Parallel Interest Rate Shock (basis points)	**December 31, 2023**	**December 31, 2022**
+200	0.5 %	1.8 %
+100	0.3	0.8
-100	(0.6)	(1.6)
-200	(2.1)	(5.2)
Yield Curve Twist Interest Rate Shock	**December 31, 2023**	**December 31, 2022**
Short End +100	(0.5) %	0.1 %
Short End -100	(0.5)	(1.3)
Long End +100	1.1	1.0
Long End -100	(1.1)	(1.2)

NII Sensitivity results indicate that the Company’s asset sensitivity has declined at year-end 2023 compared to year-end 2022. This change reflected several factors, including continued growth of the residential mortgage portfolio, increased utilization of short-term borrowings, further deposit mix shift towards interest-bearing, and less flooring on non-maturity deposits in downward modeled scenarios.

EVE Sensitivity is conducted to ascertain a longer-term view of the Company’s exposure to changes in interest rates. As with NII modeling, EVE Sensitivity captures product characteristics such as loan resets, repricing terms, maturity dates, rate caps and floors. Key assumptions include loan prepayment speeds, deposit pricing elasticity and non-maturity deposit attrition rates.

Base case EVE Sensitivity is calculated by estimating the net present value of all future cash flows from existing assets and liabilities using current interest rates. The current spot interest rate curve is shocked up and down to generate new interest rate curves for parallel rate shock scenarios. These new curves are then used to recalculate EVE Sensitivity for rate shock scenarios.

The following table sets forth the estimated percent change in the Company’s EVE Sensitivity, assuming various instantaneous parallel shocks in interest rates.

	Estimated Percent Change in Economic Value of Equity	
Parallel Shock Rate Change (basis points	**December 31, 2023**	**December 31, 2022**
+200	(3.9) %	— %
+100	(1.8)	—
-100	1.2	(1.5)
-200	1.3	(5.4)

The Company’s EVE Sensitivity profile indicates that at December 31, 2023 the balance sheet has remained largely neutral compared to December 31, 2022. EVE was impacted by the same factors that affected NII sensitivity discussed above, particularly the increase in residential mortgages and short-term borrowings.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements and supplementary data required by this item are presented elsewhere in this report beginning on page F-1, in the order shown below:

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 and 15(d) -15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) as of December 31, 2023. Based upon their evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of that date, 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.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company evaluated changes in its internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that occurred during the last fiscal quarter. The Company determined that there were no changes that materially affected, or were reasonably likely to materially affect, the Company’s internal control over financial reporting. Management’s report on internal control over financial reporting and the independent registered public accounting firm’s report on the Company’s internal control over financial reporting are contained in “Item 8 — Consolidated Financial Statements and Supplementary Data.”

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

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PART III

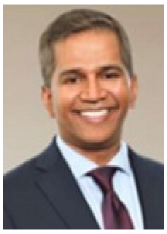
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

For information concerning the directors of the Company, the information contained under the sections captioned “Proposal 1 - Election of Directors for a One-Year Term” in Berkshire’s Proxy Statement for the 2024 Annual Meeting of Stockholders (“Proxy Statement”) is incorporated by reference. The following table sets forth certain information regarding the executive officers of the Company.

Name	Age	Position
Nitin J. Mhatre	53	President and Chief Executive Officer of the Company; Chief Executive Officer - Berkshire Bank; Director of Berkshire Hills Bancorp and Berkshire Bank
Sean A. Gray	47	Senior Executive Vice President, Chief Operating Officer; President - Berkshire Bank
David Rosato	62	Senior Executive Vice President, Chief Financial Officer
James Brown	58	Senior Executive Vice President, Head of Commercial Banking
Jacqueline Courtwright	60	Senior Executive Vice President, Chief Human Resources and Culture Officer
Ashlee Flores	39	Executive Vice President, Chief Compliance Officer
Philip Jurgeleit	54	Executive Vice President, Chief Credit Officer
Gregory D. Lindenmuth	56	Senior Executive Vice President, Chief Risk Officer
Andrew Plumridge	51	Executive Vice President, Chief Internal Audit Officer
Wm. Gordon Prescott	62	Senior Executive Vice President, General Counsel and Corporate Secretary
Sumant Pustake	39	Executive Vice President, Chief Transformation & Strategy Officer
Ellen Steinfeld	62	Senior Executive Vice President, Head of Consumer Lending & Payments
Jason T. White	48	Senior Executive Vice President, Chief Information Officer – Berkshire Bank

The executive officers are elected annually and hold office until their successors have been elected and qualified or until they are removed or replaced.

BIOGRAPHICAL INFORMATION



Nitin J. Mhatre. Age 53. Mr. Mhatre was appointed to the role of President and Chief Executive Officer of the Company and Chief Executive Officer of the Bank in January 2021. He was also appointed as a Director of the Company and the Bank. Prior to joining the Company, Mr. Mhatre was Executive Vice President, Community Banking, at Webster Bank, where he led consumer and business banking businesses. Before joining Webster in 2009, Mr. Mhatre spent 13 years at Citi Group in various leadership roles across consumer-related businesses globally.

Sean A. Gray. Age 47. Mr. Gray was appointed to the role of Senior Executive Vice President, Chief Operating Officer; President of the Bank in November 2018. He was previously Senior Executive Vice President of the Company and Chief Operating Officer of the Bank since 2015. Mr. Gray joined the Company in retail banking in 2007 and attained the position of Executive Vice President, Retail Banking. Previously, he was Vice President and Consumer Market Manager at Bank of America, in Waltham, Massachusetts.

David Rosato. Age 62. Mr. Rosato joined the Company in February 2023 as Senior Executive Vice President, Chief Financial Officer. He spent the last 15 years with People's United Financial, Inc., eight of which as Chief Financial Officer. Prior to joining People's United, Mr. Rosato worked at Webster Financial Corporation, including serving as its Treasurer, and M&T Bank Corporation. Mr. Rosato is a former board member of the Federal Home Loan Bank of Boston.

James Brown. Age 58. Mr. Brown joined the Company in January 2023 as Senior Executive Vice President, Commercial Banking. Mr. Brown is responsible for all aspects of commercial banking operations, including the middle-market, business banking and asset based lending teams. Previously, he spent more than 20 years at Boston Private Bank & Trust Company in multiple senior executive roles including Co-President, EVP, Head of Commercial Banking and Credit Administration, and Chief Lending Officer. He served with Silicon Valley Bank as Head of Specialty Commercial within the Private Bank, following the acquisition of Boston Private in 2021.

Jacqueline Courtwright. Age 60. Ms. Courtwright is Senior Executive Vice President, Chief Human Resources and has served as Culture Officer since September 2020. She had been appointed as Senior Vice President, Chief Human Resources Officer in July 2019. Prior to joining Berkshire in 2012, Ms. Courtwright was VP, Human Resources Business Partner at Citizen Bank and also held senior human resource roles during her 20 years at KeyBank.

Ashlee Flores. Age 39. Ms. Flores was promoted to Executive Vice President, Chief Compliance Officer in September 2022. She oversees all aspects of the compliance risk management program, including compliance with the Bank Secrecy Act, Community Reinvestment Act, consumer protection laws and regulations, as well as the Security and Fraud Investigations functions. Ms. Flores previously served as SVP, Compliance, where she oversaw Berkshire Bank's compliance program. Prior to joining Berkshire Bank, Ms. Flores was a compliance officer at Hampden Bank in Springfield, MA where she managed the compliance and audit program.

Philip Jurgeleit. Age 54. Mr. Jurgeleit joined the Company in January 2023 as Executive Vice President, Chief Credit Officer. He oversees all aspects of the company's credit underwriting, policy, and approval processes. Mr. Jurgeleit most recently served as SVP and Senior Director of Credit Risk at Santander Bank where he was responsible for all aspects of credit risk management including credit approval, asset quality, underwriting guidelines, and credit policies for the Middle Market, Mid-Corporate, Asset Based Lending, and Healthcare/Not-for-Profit business units. He also held senior leadership roles at Citizens Bank, Webster Bank and Bank of America.

Gregory D. Lindenmuth. Age 56. Mr. Lindenmuth is Senior Executive Vice President, Chief Risk Officer of the Bank, a position he was promoted to in October 2018. Mr. Lindenmuth joined Berkshire in 2016 from the FDIC where he was employed for 24 years and held multiple positions including Senior Risk Examiner for the Division of Risk Management Supervision and Acting Regional Manager for the Division of Insurance and Research. With the FDIC, Mr. Lindenmuth was also a Capital Markets, Mortgage Banking, and Fraud Specialist.

Andrew Plumridge. Age 51. Mr. Plumridge joined the Company in July 2023 as Executive Vice President, Chief Internal Audit Officer. He reports to the Audit Committee of the Board and administratively to the CEO. Mr. Plumridge previously served as Senior Vice President and General Auditor of Boston Private Financial Holdings, Inc. Prior to joining Boston Private, Plumridge held senior audit and consulting positions with State Street Corporation and PwC.

Wm. Gordon Prescott, Age 62. Mr. Prescott is Senior Executive Vice President, General Counsel and Corporate Secretary, a position he was promoted to in October 2018. Mr. Prescott joined Berkshire in 2008 as VP, General Counsel and Corporate Secretary. Mr. Prescott has 30 plus years of experience in the legal profession, including extensive experience as in-house corporate counsel, most recently with KB Toys Inc. prior to joining the Bank.

Sumant Pustake. Age 39. Mr. Pustake was promoted to Executive Vice President in February 2023 and has served as Chief Transformation and Strategy Officer since June 2021. Mr. Pustake previously oversaw Berkshire's corporate development efforts, where he served as the development leader and helped define and realize Berkshire's vision and growth strategy. Prior to joining Berkshire Bank, he served as Vice President, Head of Corporate Credit for Commerce Bank and Trust at the time of its acquisition by Berkshire in 2017.

Ellen Steinfeld, Age 62. Ms. Steinfeld is Senior Executive Vice President and Head of Consumer Lending & Payments. She is responsible for Mortgage Banking sales and operations, Home Equity, Consumer Lending and Payments. Prior to joining Berkshire in September 2021, she was President of Innovative Lending Strategic Solutions LLC. Before her consulting role, she was Managing Director and US Consumer Lending Executive for TIAA-CREF, where she managed Mortgage Lending, Small Business Lending, Consumer Lending. She has also held management positions at Hudson City Savings, Citizens Bank, RBC Wealth Management, and E*TRADE Financial. (Note: Ms. Steinfeld's stock ownership reports to the SEC are filed under her legal name of Ellen Tulchiner).

Jason T. White, Age 48. Mr. White is Senior Executive Vice President and was named Chief Information Officer of Berkshire Bank in November 2020. He previously served as Senior Vice President, Chief Technology Officer since May 2019 when he joined the Bank following the acquisition of Savings Institute Bank & Trust, where he served as Chief Information Officer and Information Security Officer.

Reference is made to the cover page of this report and to the section captioned “Additional Information - Other Information Relating to Directors and Executive Officers - Delinquent Section 16(a) Reports” in the Proxy Statement for information regarding compliance with Section 16(a) of the Exchange Act. For information concerning the audit committee and the audit committee financial expert, reference is made to the section captioned “Proposal 1 - Election of Directors for a One-Year Term", "Proposal 1 - Election of Directors for One Year Term - Corporate Governance - Committees of the Board of Directors”, and “Proposal 1 - Election of Directors for a One Year Term - Board Committees and Responsibilities" in the Proxy Statement.

For information concerning the Company’s code of ethics, the information contained under the section captioned “Proposal 1 - Election of Directors for a One Year Term - Corporate Governance - Code of Business Conduct and Anonymous Reporting Line Policy” in the Proxy Statement is incorporated herein by reference.

A copy of the Company’s code of ethics is available to stockholders on the Company’s website at: berkshirebank.com under the Investor Relations tab.

ITEM 11. EXECUTIVE COMPENSATION

For information regarding executive compensation, the sections captioned “Proposal 1 - Election of Directors for a One-Year Term”, “Proposal 1 - Election of Directors of a One Year Term - Corporate Governance - Committees of the Board of Directors”, and “Proposal 1 - Election of Directors for a One Year Term - Board Committees and Responsibilities” in the Proxy Statement are incorporated herein by reference.

For information regarding the Compensation Committee Report, the section captioned “Compensation Discussion and Analysis” in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

(a) Security Ownership of Certain Beneficial Owners
Information required by this item is incorporated herein by reference to the section captioned “Additional Information - Stock Ownership” in the Proxy Statement.

(b) Security Ownership of Management
Information required by this item is incorporated herein by reference to the section captioned “Additional Information - Stock Ownership” in the Proxy Statement.

(c) Changes in Control
Management of Berkshire knows of no arrangements, including any pledge by any person of securities of Berkshire, the operation of which may at a subsequent date result in a change in control of the registrant.

(d) Equity Compensation Plan Information
The following table sets forth information, as of December 31, 2023, about Company common stock that may be issued upon exercise of options under stock-based benefit plans maintained by the Company, as well as the number of securities available for issuance under equity compensation plans:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	49,200	$ 26.46	1,158,196
Equity compensation plans not approved by security holders	—	—	—
Total	49,200	$ 26.46	1,158,196

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the sections captioned “Additional Information - Other Information Relating to Directors and Executive Officers - Transactions with Related Persons" and “Additional Information - Other Information Relating to Directors and Executive Officers - Procedures Governing Related Persons Transactions” in the Proxy Statement. Information regarding director independence is incorporated herein by reference to the section “Proposal 1 - Election of Directors for a One Year Term” in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated herein by reference to the section captioned “Proposal 3 — Ratification of the Appointment of the Independent Registered Public Accounting Firm” in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) [1] **Consolidated Financial Statements**

The Consolidated Financial Statements required to be filed in our Annual Report on Form 10-K are included in Part II, Item 8 hereof.

[2] **Financial Statement Schedules**

All financial statement schedules are omitted because the required information is either included or is not applicable.

[3]	**Exhibits**
3.1	Amended Certificate of Incorporation of Berkshire Hills Bancorp, Inc. (1)
3.2	Amended and Restated Bylaws of Berkshire Hills Bancorp, Inc. (2)
3.4	Certificate of Designations of the Series B Non-Voting Preferred Stock (3)
4.1	Form of Common Stock Certificate of Berkshire Hills Bancorp, Inc. (1)
4.2	Note Subscription Agreement by and among Berkshire Hills Bancorp, Inc. and certain subscribers dated September 20, 2012 (5)
4.3	Description of Berkshire Hills Bancorp, Inc. Securities (6)
10.1	Three-Year Employment Agreement by and among Berkshire Hills Bancorp, Inc., Berkshire Bank and Nitin J. Mhatre (7)
10.2	Berkshire Bank Supplemental Executive Retirement Agreement entered into with Nitin J. Mhatre (8)
10.3	Amended and Restated Three Year Change in Control Agreement by and among Berkshire Hills Bancorp, Inc., Berkshire Bank and Sean A. Gray (9)
10.4	Supplemental Executive Retirement Agreement between Berkshire Bank and Sean A. Gray (10)
10.5	Three Year Executive Change in Control Agreement by and among Berkshire Hills Bancorp, Inc. Berkshire Bank and George F. Bacigalupo (11)
10.6	Berkshire Bank Enhanced Change in Control Severance Plan Gregory D. Lindenmuth and Brett Brbovic (12)
10.7	Form of Split Dollar Agreement entered into with Sean A. Gray (13)
10.8	Berkshire Bank Executive Long-Term Care Insurance Plan (14)
10.9	Berkshire Hills Bancorp, Inc. 2018 Equity Incentive Plan (15)
10.10	Senior Executive Short Term Incentive Plan (16)
10.11	Berkshire Hills Bancorp, Inc. 2022 Equity Incentive Plan (17)
21.0	Subsidiary Information
23.1	Consent of Crowe LLP
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97	Berkshire Hills Bancorp, Inc. Clawback Policy
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income/(Loss), (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements tagged as blocks of text and in detail

(1) Incorporated herein by reference from the Exhibits to Form 10-Q as filed on August 9, 2018
(2) Incorporated herein by reference from the Exhibits to the Form 8-K as filed on June 26, 2017.
(3) 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.
(4) Incorporated herein by reference from the Exhibits to the Form 8-K as filed on October 16, 2017.
(5) Incorporated herein by reference from the Exhibits to the Form 8-K as filed on September 26, 2012.
(6) Incorporated herein by reference from Exhibit 4.3 to the Form 10-K as filed on February 28, 2020.
(7) Incorporated herein by reference from the Exhibit to the Form 8-K as filed on January 26, 2021.
(8) Incorporated herein by reference from the Exhibit to the Form 8-K as filed on April 2, 2021.
(9) Incorporated herein by reference from the Exhibits to the Form 10-K as filed on March 16, 2011.
(10) Incorporated herein by reference from the Exhibits to the Form 8-K as filed on February 22, 2019.
(11) Incorporated herein by reference from the Exhibits to the Form 10-K as filed on March 17, 2014.
(12) Incorporated herein by reference from the Exhibits to the Form 10-K as filed on February 28, 2020.
(13) Incorporated herein by reference from the Exhibit to the Form 8-K as filed on January 19, 2011.
(14) Incorporated herein by reference from the Exhibits to the Form 8-K as filed on January 23, 2015.
(15) Incorporated herein by reference from the Appendix to the Proxy Statement as filed on April 6, 2018.
(16) Incorporated herein by reference from the Exhibits to the Form 10-Q as filed on May 10, 2019.
(17) Incorporated herein by reference from the Appendix to the Proxy Statement as filed on April 8, 2022.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.
Date: February 28, 2024	By:	/s/ Nitin J. Mhatre
		Nitin J. Mhatre
		President & Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Nitin J. Mhatre	Director, President, & Chief Executive Officer	February 28, 2024
Nitin J. Mhatre	(principal executive officer)	
/s/ R. David Rosato	Senior Executive Vice President, Chief Financial Officer	February 28, 2024
R. David Rosato	(principal financial officer)	
/s/ David M. Brunelle	Chairperson	February 28, 2024
David M. Brunelle		
/s/ Baye Adofo-Wilson	Director	February 28, 2024
Baye Adofo-Wilson		
/s/ Mary Anne Callahan	Director	February 28, 2024
Mary Anne Callahan		
/s/ Nina A. Charnley	Director	February 28, 2024
Nina A. Charnley		
/s/ Mihir A. Desai	Director	February 28, 2024
Mihir A. Desai		
/s/ William H. Hughes, III	Director	February 28, 2024
William H. Hughes, III		
/s/ Jeffrey W. Kip	Director	February 28, 2024
Jeffrey W. Kip		
/s/ Sylvia Maxfield	Director	February 28, 2024
Sylvia Maxfield		
/s/ Laurie Norton Moffatt	Director	February 28, 2024
Laurie Norton Moffatt		
/s/ Karyn Polito	Director	February 28, 2024
Karyn Polito		
/s/ Eric S. Rosengren	Director	February 28, 2024
Eric S. Rosengren		
/s/ Michael A. Zaitzeff	Director	February 28, 2024
Michael A. Zaitzeff		

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is a process designed under the supervision of the Company’s Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s Consolidated Financial Statements for external reporting purposes in accordance with generally accepted accounting principles.

As of December 31, 2023, management conducted an assessment of the effectiveness of the Company’s internal control over financial reporting based on the framework established in Internal Control—Integrated Framework issued in 2013, by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company’s internal control over financial reporting as of December 31, 2023 was effective.

The Company’s internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2023 has been audited by Crowe LLP, an independent registered public accounting firm, as stated in their report, which follows. This report expresses an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting as of December 31, 2023.

/s/ Nitin J. Mhatre	/s/ R. David Rosato
Nitin J. Mhatre	R. David Rosato
President & Chief Executive Officer	Senior Executive Vice President & Chief Financial Officer
February 28, 2024	February 28, 2024

Crowe LLP
Independent Member Crowe Global

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors
of Berkshire Hills Bancorp, Inc.
Boston, Massachusetts

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Berkshire Hills Bancorp, Inc. (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income/(loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses on loans

The estimate of expected credit losses is based on relevant information about current conditions, past events, and reasonable and supportable forward-looking forecasts regarding collectability of the reported amounts. In order to estimate the expected credit losses for loans evaluated on a pooled basis, the Company utilizes a static pool migration methodology which calculates a historical loss rate for each of the identified loan segments. The historical loss rates are then adjusted for current and asset specific characteristics (also referred to as qualitative adjustments) and for expected changes to current conditions over the reasonable and supportable forecast period (also referred to as forecast). Each of these key components of the allowance for credit loss calculation is complex and requires a high volume of data input.

Auditing the allowance for credit losses was especially challenging and identified by us as a critical audit matter given the high volume of data inputs and judgements made by management. Auditing the allowance for credit loss calculation involved significant audit effort, including the involvement of experienced audit personnel.

The primary procedures we performed to address this critical audit matter included:

Testing the effectiveness of internal controls over management's allowance for credit loss calculation including the design and operating effectiveness to address:

- Completeness and accuracy of the reports utilized within the allowance for credit loss calculation.
- The mathematical accuracy of the allowance for credit loss calculation.
- The accuracy of application of information within the allowance for credit loss calculation.
- Significant assumptions and judgements applied within the allowance for credit loss calculation.

Substantively testing management’s process to estimate the allowance for credit loss calculation included:

- Testing the completeness and accuracy of the underlying internal data utilized to prepare the calculation.
- Evaluating the relevance and reliability of the underlying external data utilized to prepare the calculation.
- Testing the mathematical accuracy, including the application of data and assumptions, of the allowance for credit loss calculation.
- The reasonableness of the significant judgements and assumptions utilized within the allowance for credit loss calculation.

/s/ Crowe LLP

We have served as the Company's auditor since 2017.

New York, New York
February 28, 2024

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	December 31, 2023	December 31, 2022
Assets		
Cash and due from banks	$ 148,148	$ 145,342
Short-term investments	1,055,096	540,013
Total cash and cash equivalents	1,203,244	685,355
Trading security	6,142	6,708
Marketable equity securities, at fair value	13,029	12,856
Securities available for sale, at fair value	1,022,285	1,423,200
Securities held to maturity (fair values of $ 476,228 in 2023 and $ 507,464 in 2022)	543,351	583,453
Federal Home Loan Bank stock and other restricted securities	22,689	7,219
Total securities	1,607,496	2,033,436
Less: Allowance for credit losses on investment	(68)	(91)
Net Securities	1,607,428	2,033,345
Loans held for sale	2,237	4,311
Total loans	9,039,686	8,335,309
Less: Allowance for credit losses on loans	(105,357)	(96,270)
Net loans	8,934,329	8,239,039
Premises and equipment, net	68,915	85,217
Other intangible assets	19,664	24,483
Cash surrender value of bank-owned life insurance	242,309	238,919
Other assets	341,757	348,935
Assets held for sale	10,938	3,260
Total assets	$ 12,430,821	$ 11,662,864
Liabilities		
Demand deposits	$ 2,469,164	$ 2,852,127
NOW and other deposits	858,644	1,054,596
Money market deposits	3,565,516	3,723,570
Savings deposits	1,053,810	1,063,269
Time deposits	2,686,250	1,633,707
Total deposits	10,633,384	10,327,269
Short-term debt	260,000	—
Long-term Federal Home Loan Bank advances	125,223	4,445
Subordinated notes	121,363	121,064
Total borrowings	506,586	125,509
Other liabilities	278,630	256,024
Total liabilities	11,418,600	10,708,802

(continued)

(In thousands, except share data)	December 31, 2023		December 31, 2022	
Shareholders’ equity				
Common stock ($ 0.01 par value; 100,000,000 shares authorized and 51,903,190 shares issued and 43,500,872 shares outstanding in 2023; 100,000,000 shares authorized; 51,903,190 shares issued, and 44,361,222 shares outstanding in 2022)	$	528	$	528
Additional paid-in capital - common stock		1,423,273		1,424,183
Unearned compensation		(10,109)		(8,598)
Retained (deficit)		(33,136)		(71,428)
Accumulated other comprehensive (loss)		(143,016)		(181,052)
Treasury stock, at cost (8,402,318 shares in 2023 and 7,541,968 shares in 2022)		(225,319)		(209,571)
Total shareholders’ equity		1,012,221		954,062
Total liabilities and shareholders’ equity	$	12,430,821	$	11,662,864

The accompanying notes are an integral part of these consolidated financial statements.

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
(In thousands)	2023	2022	2021
Interest and dividend income			
Loans	$ 512,535	$ 335,312	$ 282,164
Securities and other	63,764	51,945	46,901
Total interest and dividend income	576,299	387,257	329,065
Interest expense			
Deposits	158,913	33,437	27,236
Borrowings and subordinated notes	48,339	9,223	10,663
Total interest expense	207,252	42,660	37,899
Net interest income	369,047	344,597	291,166
Non-interest income			
Deposit related fees	34,155	32,026	29,813
Loan related fees	10,595	9,467	16,427
Gain on SBA loan sales	10,334	12,494	20,689
Insurance commissions and fees	—	—	7,003
Wealth management fees	10,197	10,008	10,530
Total fee income	65,281	63,995	84,462
Other	2,045	6,973	6,631
Fair value adjustments on securities	513	(2,037)	(787)
(Loss)/gain on sale of AFS securities	(25,057)	6	—
Gain on sale of business operations and assets, net	—	—	52,942
Total non-interest income	42,782	68,937	143,248
Total net revenue	411,829	413,534	434,414
Provision expense/(benefit) for credit losses	31,999	11,000	(500)
Non-interest expense			
Compensation and benefits	159,281	152,741	150,589
Occupancy and equipment	35,718	37,638	41,782
Technology and communications	41,878	35,586	33,803
Marketing and promotion	5,377	5,103	2,749
Professional services	11,643	12,043	15,860
FDIC premiums and assessments	7,019	3,105	3,759
Other real estate owned and foreclosures	15	36	17
Amortization of intangible assets	4,820	5,134	5,200
Merger, restructuring and conversion related expenses	6,261	8,909	5,781
Other	29,496	28,421	26,353
Total non-interest expense	301,508	288,716	285,893
Income before income taxes	78,322	113,818	149,021
Income tax expense	8,724	21,285	30,357
Net income	$ 69,598	$ 92,533	$ 118,664
Basic earnings per share	$ 1.61	$ 2.03	$ 2.41
Diluted earnings per share	$ 1.60	$ 2.02	$ 2.39
Weighted average common shares outstanding:			
Basic	43,288	45,564	49,240
Diluted	43,504	45,914	49,554

The accompanying notes are an integral part of these consolidated financial statements.

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

	Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Net income	$ 69,598	$ 92,533	$ 118,664
Other comprehensive income/(loss), before tax:			
Changes in unrealized gains and losses on securities available-for-sale	47,960	(235,081)	(46,794)
Changes in unrealized gains and losses on cash flow hedges	2,402	(6,667)	—
Changes in unrealized gains and losses on pension	316	1,674	993
Total other comprehensive income/(loss), before tax	50,678	(240,074)	(45,801)
Income taxes related to other comprehensive income/(loss):			
Changes in unrealized gains and losses on securities available-for-sale	(11,928)	60,922	11,937
Changes in unrealized gains and losses on cash flow hedges	(630)	1,789	—
Changes in unrealized gains and losses on pension	(84)	(446)	(250)
Total income tax (expense)/benefit related to other comprehensive income/(loss)	(12,642)	62,265	11,687
Total other comprehensive income/(loss)	38,036	(177,809)	(34,114)
Total comprehensive income/(loss)	$ 107,634	$ (85,276)	$ 84,550

The accompanying notes are an integral part of these consolidated financial statements.

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands, except per share data)	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Unearned compensation	Retained (deficit) earnings	Accumulated other comprehensive (loss) income	Treasury stock	Total
Balance at January 1, 2021	50,833	$ 528	$ 1,427,239	$ (6,245)	$ (233,344)	$ 30,871	$ (31,276)	$ 1,187,773
Comprehensive income:								
Net income	—	—	—	—	118,664	—	—	118,664
Other net comprehensive (loss)	—	—	—	—	—	(34,114)	—	(34,114)
Total comprehensive income	—	—	—	—	(118,664)	(34,114)	—	84,550
Cash dividends declared on common shares ($ 0.48 per share)	—	—	—	—	(24,553)	—	—	(24,553)
Treasury stock purchased	(2,500)	—	—	—	—	—	(68,712)	(68,712)
Forfeited shares	(113)	—	90	2,644	—	—	(2,734)	—
Exercise of stock options	20	—	—	—	(150)	—	567	417
Restricted stock grants	476	—	(3,898)	(9,625)	—	—	13,523	—
Stock-based compensation	—	—	—	4,170	—	—	—	4,170
Other, net	(49)	—	14	—	—	—	(1,224)	(1,210)
Balance at December 31, 2021	48,667	$ 528	$ 1,423,445	$ (9,056)	$ (139,383)	$ (3,243)	$ (89,856)	$ 1,182,435
Comprehensive (loss):								
Net income	—	—	—	—	92,533	—	—	92,533
Other net comprehensive (loss)	—	—	—	—	—	(177,809)	—	(177,809)
Total comprehensive (loss)	—	—	—	—	92,533	(177,809)	—	(85,276)
Cash dividends declared on common shares ($ 0.54 per share)	—	—	—	—	(24,527)	—	—	(24,527)
Treasury stock purchased	(4,485)	—	—	—	—	—	(124,519)	(124,519)
Forfeited shares	(98)	—	189	2,560	—	—	(2,749)	—
Exercise of stock options	12	—	—	—	(51)	—	321	270
Restricted stock grants	328	—	537	(9,440)	—	—	8,903	—
Stock-based compensation	—	—	—	7,338	—	—	—	7,338
Other, net	(63)	—	12	—	—	—	(1,671)	(1,659)
Balance at December 31, 2022	44,361	$ 528	$ 1,424,183	$ (8,598)	$ (71,428)	$ (181,052)	$ (209,571)	$ 954,062
Comprehensive income:								
Net income	—	—	—	—	69,598	—	—	69,598
Other net comprehensive income	—	—	—	—	—	38,036	—	38,036
Total comprehensive income	—	—	—	—	69,598	38,036	—	107,634
Impact of ASU No. 2022-02 Adoption	—	—	—	—	401	—	—	401
Cash dividends declared common shares ($ 0.72 per share)	—	—	—	—	(31,707)	—	—	(31,707)
Treasury stock purchased	(1,135)	—	—	—	—	—	(23,844)	(23,844)
Forfeited shares	(103)	—	(184)	2,657	—	—	(2,473)	—
Exercise of stock options	—	—	—	—	—	—	—	—
Restricted stock grants	446	—	(568)	(11,666)	—	—	12,234	—
Stock-based compensation	—	—	—	7,498	—	—	—	7,498
Other, net	(68)	—	(158)	—	—	—	(1,665)	(1,823)
Balance at December 31, 2023	43,501	$ 528	$ 1,423,273	$ (10,109)	$ (33,136)	$ (143,016)	$ (225,319)	$ 1,012,221

The accompanying notes are an integral part of these consolidated financial statements.

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BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended December 31, 2023	2022	2021
Cash flows from operating activities:			
Net income	$ 69,598	$ 92,533	$ 118,664
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision expense/(benefit) for credit losses	31,999	11,000	(500)
Net amortization of securities	1,451	2,886	1,939
Change in unamortized net loan origination costs and premiums	764	3,312	(1,918)
Premises and equipment depreciation and amortization expense	8,445	9,576	11,035
Stock-based compensation expense	7,498	7,338	4,170
Accretion of purchase accounting entries, net	(716)	(1,637)	(6,577)
Amortization of other intangibles	4,820	5,134	5,200
Income from cash surrender value of bank-owned life insurance policies	(5,392)	(5,540)	(5,561)
Securities losses/(gains), net	24,544	2,031	787
(Gain) on SBA loan sales	(10,334)	(12,494)	(20,689)
Net change in loans held-for-sale	2,074	5,168	5,775
Loss on disposition of assets	—	—	2,811
Loss on sale of real estate	—	—	6
Amortization of interest in tax-advantaged projects	8,018	3,508	3,444
Gain on sale of business operations and other assets	—	—	(52,942)
Prepayment penalties on repayment of Federal Home Loan Bank advances	—	—	862
Net change in other	14,387	(12,076)	18,282
Net cash provided by operating activities	$ 157,156	$ 110,739	$ 84,788
Cash flows from investing activities:			
Net decrease in trading security	860	818	776
Proceeds from sales of marketable equity securities	—	—	2,880
Purchases of securities available for sale	(44,586)	(478,940)	(804,616)
Proceeds from sales of securities available for sale	267,199	149,994	—
Proceeds from maturities, calls, and prepayments of securities available for sale	201,624	548,423	575,538
Purchases of securities held to maturity	(700)	(807)	(219,470)
Proceeds from maturities, calls, and prepayments of securities held to maturity	39,193	51,961	46,061
Net change in loans	(716,591)	(1,546,518)	1,283,210
Net change in Mid-Atlantic region loans held for sale	—	—	50,914
Proceeds from surrender of bank-owned life insurance	2,002	2,311	2,566
Purchase of Federal Home Loan Bank stock	(494,159)	(124,331)	—
Proceeds from sales of Federal Home Loan Bank stock	478,689	127,912	24,078
Net investment in limited partnership tax credits	(16,172)	(14,537)	(2,878)
Purchase of premises and equipment, net	(1,820)	(1,495)	(1,606)
Proceeds from sales of seasoned commercial loan portfolios	—	24,323	16,417
Proceeds from sales of other real estate owned	—	—	187
Cash outflows from sale of business operations and other assets	—	—	(352,814)
Net cash (used)/provided by investing activities	$ (284,461)	$ (1,260,886)	$ 621,243

(Continued)

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONCLUDED)

	Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Cash flows from financing activities:			
Net increase in deposits	$ 306,115	$ 258,316	$ (154,052)
Net change in Mid-Atlantic region deposits held for sale	—	—	20,953
Proceeds from Federal Home Loan Bank advances and other borrowings	10,450,979	51,275	—
Repayments of Federal Home Loan Bank advances and other borrowings	(10,070,200)	(60,196)	(462,059)
Proceeds from issuance of subordinated debt	—	98,032	—
Repayment from calling of subordinated debt	—	(75,000)	—
Purchase of treasury stock	(23,844)	(124,519)	(68,712)
Exercise of stock options	—	270	417
Common and preferred stock cash dividends paid	(31,707)	(24,527)	(24,553)
Settlement of derivative contracts with financial institution counterparties	13,851	84,044	51,907
Net cash provided/(used) by financing activities	$ 645,194	$ 207,695	$ (636,099)
Net change in cash and cash equivalents	517,889	(942,452)	69,932
Cash and cash equivalents at beginning of year	685,355	1,627,807	1,557,875
Cash and cash equivalents at end of year	1,203,244	685,355	1,627,807
Supplemental cash flow information:			
Interest paid on deposits	$ 148,313	$ 32,782	$ 29,606
Interest paid on borrowed funds	46,584	9,043	11,385
Income taxes paid, net	12,307	28,439	14,816
Other non-cash changes:			
Other net comprehensive income/(loss)	$ 38,036	$ (177,809)	$ (34,114)
Impact to retained earnings from adoption of ASU 2022-02	401	—	—
Premises and equipment reclassified to held-for-sale	8,714	1,380	4,577
Mid-Atlantic loans held-for-sale reclassified to portfolio loans, net	—	—	29,418
Mid-Atlantic deposits held-for-sale reclassified to deposits, net	—	—	7,197
Seasoned loan portfolios reclassified to held-for-sale, net	—	3,369	11,660
Held-for-sale loans reclassified to held-for-investment, net	—	606	—
Premium payable on cash flow hedges	—	2,296	—

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023, 2022, and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The Consolidated Financial Statements (the “financial statements”) of Berkshire Hills Bancorp, Inc. and its subsidiaries (the “Company” or “Berkshire”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Company is a Delaware corporation, headquartered in Boston, Massachusetts, and the holding company for Berkshire Bank (the “Bank”), a Massachusetts-chartered trust company headquartered in Pittsfield, Massachusetts. These financial statements include the accounts of the Company, its wholly-owned subsidiaries and the Bank’s consolidated subsidiaries. In consolidation, all significant intercompany accounts and transactions are eliminated. The results of operations of companies or assets acquired are included only from the dates of acquisition. All material wholly-owned and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date these financial statements were issued.

Reclassification

Certain items in prior financial statements have been reclassified to conform to the current presentation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash and Cash equivalents

Cash and cash equivalents include cash, balances due from banks, and short-term investments, all of which had an original maturity within 90 days. Due to the nature of cash and cash equivalents and the near term maturity, the Company estimated that the carrying amount of such instruments approximated fair value. The nature of the Bank’s business requires that it maintain amounts due from banks which at times, may exceed federally insured limits. The Bank has not experienced any losses on such amounts and all amounts are maintained with well-capitalized institutions.

Trading Security

The Company accounts for a tax advantaged economic development bond originated in 2008 at fair value, in accordance with Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 320. The bond has been designated as a trading account security and is recorded at fair value, with changes in unrealized gains and losses recorded through earnings each period as part of non-interest income.

Securities
Debt securities that management has the intent and ability to hold to maturity are classified as held to maturity and carried at amortized cost. All other debt securities are classified as available for sale and carried at fair value, with unrealized gains and losses reported as a component of other net comprehensive income. Equity securities are carried at fair value, with changes in fair value reported in net income. Management determines the appropriate classification of securities at the time of purchase. Restricted equity securities, such as stock in the Federal Home Loan Bank of Boston ("FHLBB") are carried at cost. There are no quoted market prices for the Company's restricted equity securities. The Bank is a member of the FHLBB, which requires that members maintain an investment in FHLBB stock, which may be redeemed based on certain conditions. The Bank reviews for impairment based on the ultimate recoverability of the cost bases in the FHLBB stock.

Purchase premiums and discounts are recognized in interest income using the interest method, without anticipating prepayments, except mortgage-backed securities where prepayments are anticipated, over the terms of the securities. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

The Company measures expected credit losses on held to maturity debt securities on a collective basis. Accrued interest receivable on held to maturity debt securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The Company evaluates available for sale debt securities in an unrealized loss position by first assessing whether it intends to sell or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available for sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating of security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Loans Held for Sale
Loans originated with the intent to be sold in the secondary market are accounted for under the fair value option. Non-refundable fees and direct loan origination costs related to residential mortgage loans held for sale are recognized in non-interest income or non-interest expense as earned or incurred. Fair value is primarily determined based on quoted prices for similar loans in active markets. Gains and losses on sales of residential mortgage loans (sales proceeds minus carrying value) are recorded in non-interest income.

Loans that were previously held for investment that the Company has an active plan to sell are transferred to loans held for sale at the lower of cost or market (fair value). The market price is primarily determined based on quoted prices for similar loans in active markets or agreed upon sales prices. Gains are recorded in non-interest income at sale to the extent that the sale price of the loan exceeds carrying value. Any reduction in the loan's value, prior to being transferred to loans held for sale, is reflected as a charge-off of the recorded investment in the loan resulting in a new cost basis, with a corresponding reduction in the allowance for credit losses. Further decreases in the fair value of the loan are recognized in non-interest expense.

Loans

Loans are reported at their amortized cost. Amortized cost is the principal balance outstanding, net of the unamortized balance of any deferred fees or costs and the unamortized balance of any premiums or discounts on loans purchased or acquired through mergers. Interest income is accrued on the unpaid principal balance. Interest income includes net accretion or amortization of deferred fees or costs and of premiums or discounts. Direct loan origination costs, net of any origination fees, in addition to premiums and discounts on loans, are deferred and recognized as an adjustment of the related loan yield using the interest method. Interest on loans, excluding automobile and unsecured consumer loans, is generally not accrued on loans which are ninety days or more past due unless the loan is well-secured and in the process of collection. Past due status is based on contractual terms of the loan. Automobile and unsecured consumer loans generally continue accruing until one hundred and twenty days delinquent, at which time they are charged off. All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income, except for certain loans designated as well-secured. The interest on nonaccrual loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Purchase Credit Deteriorated ("PCD") Loans

Loans that the Company acquired in acquisitions include some loans that have experienced more than insignificant credit deterioration since origination. PCD loans are recorded at the amount paid. An allowance for credit losses is determined using the same methodology as other loans held for investment. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through provision expense.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans (“ACLL”) is comprised of the allowance for credit losses on loans. The ACLL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed. Accrued interest receivable is excluded from the estimate of credit losses.

The level of the ACLL represents management's estimate of expected credit losses over the expected life of the loans at the balance sheet date. The Company uses a static pool migration analysis method, applying expected historical loss trend and observed economic metrics. The level of the ACLL is based on management's ongoing review of all relevant information, from internal and external sources, relating to past and current events, utilizing a 7 quarter reasonable and supportable forecast period with a 1 year reversion period. The ACLL reserve is overlaid with qualitative factors based upon:

- the existence and growth of concentrations of credit;
- the volume and severity of past due financial assets, including nonaccrual assets;
- the institutions lending and credit review as well as the experience and ability of relevant management and staff and;
- the effect of other external factors such as regulatory, competition, regional market conditions, legal and technological environment and other events such as natural disasters;
- the effect of other economic factors such as economic stimulus and customer forbearance programs.

The allowance for unfunded commitments is maintained at a level by the Company to be sufficient to absorb expected lifetime losses related to unfunded credit facilities (including unfunded loan commitments and letters of credit).) The Company's allowance for credit losses on unfunded commitments is recognized as a liability (other liability on the Consolidated Balance Sheets), with adjustments to the reserve recognized in other noninterest expense in the Consolidated Statements of Operations.

The ACLL is measured on a collective (pool) basis when similar risk characteristics exist. The Company evaluates its risk characteristics of loans based on regulatory call report code with sub-segmentation based on underlying collateral for certain loan types. Risk characteristics relevant to each portfolio segment are as follows:

Construction – Loans in this segment primarily include real estate development loans for which payment is derived from sale of the property or long term financing at completion. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Commercial real estate multifamily, owner occupied and non-owner – Loans in this segment are primarily owner-occupied or income-producing properties throughout New England and Northeastern New York. The underlying cash flows generated by the properties may be more adversely affected by conditions in the real estate markets or in the general economy, which in turn, will have an effect on the credit quality in this segment. Management monitors the cash flows of these loans.

Commercial and industrial loans – Loans in this segment are made to businesses and are generally secured by assets of the business such as accounts receivable, inventory, marketable securities, other liquid collateral, equipment and other business assets. Repayment is expected from the cash flows of the business. Loans in this segment include asset based loans which generally have no scheduled repayment which are closely monitored against formula based collateral advance ratios. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality of this segment.

Residential real estate – All loans in this segment are collateralized by residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Home equity and other consumer loans – Loans in this segment are primarily home equity lines of credit, automobile loans and other consumer loans. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Loans that do not share risk characteristics are evaluated on an individual basis and are not also included in the collective evaluation. Estimates of specific allowance may be determined by the present value of anticipated future cash flows or the loan’s observable fair market value, or the fair value of the collateral less costs to sell, if the loan is collateral dependent. However, for collateral dependent loans, the amount of the amortized cost in a loan that exceeds the fair value of the collateral is charged-off against the allowance for credit losses on loans in lieu of an allocation of a specific allowance amount when such an amount has been identified definitively as uncollectible.

Bank-Owned Life Insurance

Bank-owned life insurance policies are reflected on the Consolidated Balance Sheets at the amount that can be realized under the insurance contract at the balance sheet date which is the cash surrender value. Changes in the net cash surrender value of the policies, as well as insurance proceeds received, are reflected in non-interest income on the Consolidated Statements of Operations and are not subject to income taxes.

Foreclosed and Repossessed Assets

Other real estate owned is comprised of real estate acquired through foreclosure proceedings or acceptance of a deed in lieu of foreclosure. Repossessed collateral is primarily comprised of taxi medallions. Both other real estate owned and repossessed collateral are held for sale and are initially recorded at the fair value less estimated costs to sell at the date of foreclosure or repossession, establishing a new cost basis. The shortfall, if any, of the loan balance over the fair value of the property or collateral (excluding taxi medallions), less cost to sell, at the time of transfer from loans to other real estate owned or repossessed collateral is charged to the allowance for credit losses on loans. Subsequent to transfer, the asset is carried at lower of cost or fair value less cost to sell and periodically evaluated for impairment. The shortfall, if any, of the loan balance over the fair value of the collateral comprised of taxi medallions at the time of transfer from loans to repossessed collateral is charged to non-interest income. Subsequent impairments in the fair value of other real estate owned and repossessed collateral are charged to expense in the period incurred. Net operating income or expense related to other real estate owned and repossessed collateral is included in operating expenses in the accompanying Consolidated Statements of Income. Because of changing market conditions, there are inherent uncertainties in the assumptions with respect to the estimated fair value of other real estate owned and repossessed collateral. Because of these inherent uncertainties, the amount ultimately realized on other real estate owned and repossessed collateral may differ from the amounts reflected in the financial statements.

Capitalized Servicing Rights

Capitalized servicing rights are included in “other assets” in the Consolidated Balance Sheets. Servicing assets are initially recognized as separate assets at fair value when rights are acquired through purchase or through sale of financial assets with servicing retained.

The Company's servicing rights accounted for under the fair value method are carried on the Consolidated Balance Sheets at fair value with changes in fair value recorded in income in the period in which the change occurs. Changes in the fair value of servicing rights are primarily due to changes in valuation assumptions, such as discount rates and prepayment speeds, and the collection and realization of expected cash flows.

The Company’s servicing rights accounted for under the amortization method are initially recorded at fair value. Under that method, capitalized servicing rights are charged to expense in proportion to and over the period of estimated net servicing income. Fair value of the servicing rights is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, prepayment speeds and default rates and losses. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the capitalized amount for the tranches. If the Company later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income.

Premises and Equipment
Land is carried at cost. Buildings, improvements, and equipment are carried at cost less accumulated depreciation and amortization computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized on the straight-line method over the shorter of the lease term, plus optional terms if certain conditions are met, or the estimated useful life of the asset.

Other Intangibles
Intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability.

The fair values of these assets are generally determined based on appraisals and are subsequently amortized on a straight-line basis or an accelerated basis over their estimated lives. Management assesses the recoverability of these intangible assets at least annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If the carrying amount exceeds fair value, an impairment charge is recorded to income.

Transfers of Financial Assets
Transfers of an entire financial asset, group of entire financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets.

Income Taxes
Deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable for future years to differences between financial statement and tax bases of existing assets and liabilities. The effect of tax rate changes on deferred taxes is recognized in the income tax provision in the period that includes the enactment date. A tax valuation allowance is established, as needed, to reduce net deferred tax assets to the amount expected to be realized. In the event it becomes more likely than not that some or all of the deferred tax asset allowances will not be needed, the valuation allowance will be adjusted.

In the ordinary course of business there is inherent uncertainty in quantifying the Company’s income tax positions. Income tax positions and recorded tax benefits are based upon management’s evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have determined the amount of the tax benefit to be recognized by estimating the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is more-likely-than-not that a tax benefit will not be sustained, no tax benefit has been recognized in the financial statements. Where applicable, associated interest and penalties have also been recognized. We recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Insurance Commissions

Commission revenue is recognized as of the effective date of the insurance policy or the date the customer is billed, whichever is later, net of return commissions related to policy cancellations. Policy cancellation is a variable consideration that is not deemed significant and thus, does not impact the amount of revenue recognized.

In addition, the Company may receive additional performance commissions based on achieving certain sales and loss experience measures. Such commissions are recognized when determinable, which is generally when such commissions are received or when the Company receives data from the insurance companies that allows the reasonable estimation of these amounts.

On September 1, 2021, the Company completed the sale of substantially all of the assets, and the assumption of certain liabilities, of Berkshire Insurance Group, Inc. (“BIG”) to Brown & Brown of Massachusetts, LLC ("Buyer"), a Massachusetts limited liability company. This sale was made pursuant to the Asset Purchase Agreement dated August 24, 2021. The Buyer paid BIG an aggregate purchase price of $ 41.5 million, minus $ 1.6 million for executive goodwill purchase price payments paid by the Buyer at the Closing to certain executives of BIG. The Company recorded a $ 37.2 million pre-tax gain related to this sale in 2021, which is included in gain on sale of business operations and assets on the Consolidated Statements of Income.

Stock-Based Compensation
The Company measures and recognizes compensation cost relating to share-based payment transactions based on the grant-date fair value of the equity instruments issued. The fair value of restricted stock is recorded as unearned compensation. The deferred expense is amortized to compensation expense based on one of several permitted attribution methods over the longer of the required service period or performance period. For performance-based restricted stock awards, the Company estimates the degree to which performance conditions will be met to determine the number of shares that will vest and the related compensation expense. Compensation expense is adjusted in the period such estimates change.

Income tax benefits and/or tax deficiencies related to stock compensation determined as the difference between compensation cost recognized for financial reporting purposes and the deduction for tax, are recognized in the income statement as income tax expense or benefit in the period in which they occur.

Wealth Management
Wealth management assets held in a fiduciary or agent capacity are not included in the accompanying Consolidated Balance Sheets because they are not assets of the Company.

Wealth management fees is primarily comprised of fees earned from consultative investment management, trust administration, tax return preparation, and financial planning. The Company's performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based on the daily accrual of the market value of the investment accounts and the applicable fee rate.

Derivative Instruments and Hedging Activities
The Company enters into interest rate swap agreements as part of the Company's interest rate risk management strategy for certain assets and liabilities and not for speculative purposes. Based on the Company's intended use for the interest rate swap at inception, the Company designates the derivative as either an economic hedge of an asset or liability or a hedging instrument subject to the hedge accounting provisions of ASC 815, "Derivatives and Hedging."

Interest rate swaps designated as economic hedges are recorded at fair value within other assets or liabilities. Changes in the fair value of these derivatives are recorded directly through earnings.

For interest rate swaps that management intends to apply the hedge accounting provisions of ASC 815, the Company formally documents at inception all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking the various hedges. Additionally, the Company uses dollar offset or regression analysis at the hedge's inception and for each reporting period thereafter, to assess whether the derivative used in its hedging transaction is expected to be and has been highly effective in offsetting changes in the fair value or cash flows of the hedged item. The Company discontinues hedge accounting when it is determined that a derivative is not expected to be or has ceased to be highly effective as a hedge, and then reflects changes in fair value of the derivative in earnings after termination of the hedge relationship.

The Company enters into commitments to lend with borrowers, and forward commitments to sell loans or to-be-announced mortgage-backed bonds to investors to hedge against the inherent interest rate and pricing risk associated with selling loans. The commitments to lend generally terminate once the loan is funded, the lock period expires or the borrower decides not to contract for the loan. The forward commitments generally terminate once the loan is sold, the commitment period expires or the borrower decides not to contract for the loan. These commitments are considered derivatives which are accounted for by recognizing their estimated fair value on the Consolidated Balance Sheets as either a freestanding asset or liability. See Note 14 - Derivative Instruments and Hedging Activities to the financial statements for more information on commitments to lend and forward commitments.

Off-Balance Sheet Financial Instruments
In the ordinary course of business, the Company enters into off-balance sheet financial instruments, consisting primarily of credit related financial instruments. These financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Fair Value Hierarchy
The Company groups assets and liabilities that are measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using unobservable techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Employee Benefits
The Company maintains an employer sponsored 401(k) plan to which participants may make contributions in the form of salary deferrals and the Company provides matching contributions in accordance with the terms of the plan. Contributions due under the terms of the defined contribution plans are accrued as earned by employees.

Due to the Rome Bancorp acquisition in 2011, the Company inherited a noncontributory, qualified, defined benefit pension plan for certain employees who met age and service requirements; as well as other post-retirement benefits, principally health care and group life insurance. The Rome pension plan and postretirement benefits that were acquired in connection with the whole-bank acquisition were frozen prior to the close of the transaction. The pension benefit in the form of a life annuity is based on the employee’s combined years of service, age, and compensation. The Company also has a long-term care post-retirement benefit plan for certain executives where upon disability, associated benefits are funded by insurance policies or paid directly by the Company.

In order to measure the expense associated with the Plans, various assumptions are made including the discount rate, expected return on plan assets, anticipated mortality rates, and expected future healthcare costs. The assumptions are based on historical experience as well as current facts and circumstances. The Company uses a December 31 measurement date for its plans. As of the measurement date, plan assets are determined based on fair value, generally representing observable market prices. The projected benefit obligation is primarily determined based on the present value of projected benefit distributions at an assumed discount rate.

Net periodic pension benefit costs include interest costs based on an assumed discount rate, the expected return on plan assets based on actuarially derived market-related values, and the amortization of net actuarial losses. Net periodic postretirement benefit costs include service costs, interest costs based on an assumed discount rate, and the amortization of prior service credits and net actuarial gains. Differences between expected and actual results in each year are included in the net actuarial gain or loss amount, which is recognized in other comprehensive income. The net actuarial gain or loss in excess of a 10% corridor is amortized in net periodic benefit cost over the average remaining service period of active participants in the Plans. The prior service credit is amortized over the average remaining service period to full eligibility for participating employees expected to receive benefits.

The Company recognizes in its consolidated balance sheets an asset for a plan’s overfunded status or a liability for a plan’s underfunded status. The Company also measures the Plans’ assets and obligations that determine its funded status as of the end of the fiscal year and recognizes those changes in other comprehensive income/(loss), net of tax.

Due to the SI Financial acquisition in 2019, the Company inherited a tax-qualified defined benefit pension plan. The plan was frozen effective September 6, 2013. The plan is a single plan under the Internal Revenue Code and, as a result, all of the assets stand behind all of liabilities. Accordingly, contributions made by a participating employer may be used to provide benefits to participants of other participating employers.

Operating Segments
The Company operates as one consolidated reportable segment. The chief operating decision-maker evaluates consolidated results and makes decisions for resource allocation on this same data. Management periodically reviews and redefines its segment reporting as internal reporting practices evolve and components of the business change. The financial statements reflect the financial results of the Company's one reportable operating segment.

Recently Adopted Accounting Principles
Effective January 1, 2023, the Company adopted ASU No. 2022-02, “Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.” The adoption did not have a material impact on the Company’s Consolidated Financial Statements.

The ASU eliminates the troubled debt restructuring (“TDR”) accounting model that was adopted with Topic 326, “Financial Instruments – Credit Losses” and enhances disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. The ASU requires prospective disclosure of current-period gross write-offs by year of origination. Refer to Note 5 – Loans and Related Allowance for Credit Losses for the new financial statement disclosures applicable under this update.

Future Application of Accounting Pronouncements
In March 2023, the FASB issued ASU No. 2023-02, “Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force).” The guidance is intended to improve the accounting and disclosures for investments in tax credit structures. The ASU allows entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. Previously, this method was only available for qualifying investments in low-income housing tax credit structures. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted. The Company is still evaluating; however, the adoption removes amortization expense from non-interest income and moves to tax expense resulting in an increase to the effective tax rate.

In December 2023, the FASB issued ASU No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” The ASU requires disclosure in the rate reconciliation table of additional categories of information and more details about the reconciling items in some categories if items meet a quantitative threshold. The ASU also requires all entities to disclose income taxes paid, net of refunds, disaggregated by federal, state and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. The amendments in this ASU are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is still evaluating; however, the adoption is not expected to have a material impact on the Company’s Consolidated Financial Statements.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, amounts due from banks, and short-term investments with original maturities of 90 days or less. At year-end 2023 and 2022, there were no short-term investments pledged as collateral support for derivative financial contracts. The Federal Reserve Bank requires the Bank to maintain certain reserve requirements of vault cash and/or deposits. As of December 31, 2023 and 2022, the reserve requirement was zero .

NOTE 3. TRADING SECURITY

The Company holds a tax advantaged economic development bond that is being accounted for at fair value. The security had an amortized cost of $ 6.2 million and $ 7.1 million and a fair value of $ 6.1 million and $ 6.7 million at year-end 2023 and 2022, respectively. Unrealized gains/(losses) recorded through income on this security totaled $ 0.3 million, ($ 0.8) million, and ($ 0.6) million for 2023, 2022, and 2021, respectively. As discussed further in Note 14 - Derivative Instruments and Hedging Activities, the Company has entered into a swap contract to swap-out the fixed rate of the security in exchange for a variable rate. The Company does not purchase securities with the intent of selling them in the near term, and there are no other debt securities in the trading portfolio at year-end 2023 and 2022.

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NOTE 4. SECURITIES

The following is a summary of securities available for sale ("AFS") , held to maturity ("HTM"), and marketable equity securities:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance
December 31, 2023					
Securities available for sale					
Debt securities:					
U.S Treasuries	$ 7,980	$ 1	$ —	$ 7,981	$ —
Municipal bonds and obligations	64,788	494	(1,429)	63,853	—
Agency collateralized mortgage obligations	426,986	—	(79,112)	347,874	—
Agency mortgage-backed securities	492,633	2	(75,155)	417,480	—
Agency commercial mortgage-backed securities	174,879	—	(29,553)	145,326	—
Corporate bonds	43,291	34	(4,210)	39,115	—
Other bonds and obligations	655	67	(66)	656	—
Total securities available for sale	1,211,212	598	(189,525)	1,022,285	—
Securities held to maturity					
Municipal bonds and obligations	251,046	698	(16,987)	234,757	48
Agency collateralized mortgage obligations	112,929	—	(18,360)	94,569	—
Agency mortgage-backed securities	47,379	—	(8,052)	39,327	—
Agency commercial mortgage-backed securities	130,169	—	(24,368)	105,801	—
Tax advantaged economic development bonds	1,540	6	(60)	1,486	20
Other bonds and obligations	288	—	—	288	—
Total securities held to maturity	543,351	704	(67,827)	476,228	68
Marketable equity securities	15,035	—	(2,006)	13,029	—
Total	$ 1,769,598	$ 1,302	$ (259,358)	$ 1,511,542	$ 68
December 31, 2022					
Securities available for sale					
Debt securities:					
U.S Treasuries	$ 11,972	$ 1	$ —	$ 11,973	$ —
Municipal bonds and obligations	65,943	422	(3,030)	63,335	—
Agency collateralized mortgage obligations	631,732	—	(99,787)	531,945	—
Agency mortgage-backed securities	643,308	1	(96,996)	546,313	—
Agency commercial mortgage-backed securities	264,218	—	(35,750)	228,468	—
Corporate bonds	43,368	80	(2,938)	40,510	—
Other bonds and obligations	655	67	(66)	656	—
Total securities available for sale	1,661,196	571	(238,567)	1,423,200	—
Securities held to maturity					
Municipal bonds and obligations	266,793	691	(23,704)	243,780	66
Agency collateralized mortgage-backed securities	128,136	—	(20,420)	107,716	—
Agency mortgage-backed securities	50,958	—	(9,240)	41,718	—
Agency commercial mortgage-backed securities	135,206	—	(23,203)	112,003	—
Tax advantaged economic development bonds	2,069	8	(121)	1,956	25
Other bonds and obligations	291	—	—	291	—
Total securities held to maturity	583,453	699	(76,688)	507,464	91
Marketable equity securities	15,035	—	(2,179)	12,856	—
Total	$ 2,259,684	$ 1,270	$ (317,434)	$ 1,943,520	$ 91

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At year-end 2023 and 2022, accumulated net unrealized (losses) on AFS securities included in accumulated other comprehensive income/(loss) were losses of $ 188.9 million and $ 238.0 million, respectively. At year-end 2023, there was no accumulated net unrealized gain on securities reclassified from AFS to HTM included in accumulated other comprehensive income/(loss). At year-end 2022, accumulated net unrealized gains on the securities reclassified from AFS to HTM included in accumulated other comprehensive income/(loss) was $ 1.1 million. The year-end 2023 and 2022 related income tax benefit of $ 49.4 million and $ 61.3 million, respectively, was also included in accumulated other comprehensive (loss).

The following table summarizes the activity in the allowance for credit losses for debt securities held to maturity by security type for the years ended December 31, 2023, 2022 and 2021:

(In thousands)	Municipal bonds and obligations	Tax advantaged economic development bonds	Total
Balance at December 31, 2022	$ 66	$ 25	$ 91
Provision (benefit) for credit losses	(18)	(5)	(23)
Balance at December 31, 2023	$ 48	$ 20	$ 68

(In thousands)	Municipal bonds and obligations	Tax advantaged economic development bonds	Total
Balance at December 31, 2021	$ 70	$ 35	$ 105
Provision (benefit) for credit losses	(4)	(10)	(14)
Balance at December 31, 2022	$ 66	$ 25	$ 91

(In thousands)	Municipal bonds and obligations	Tax advantaged economic development bonds	Total
Balance at December 31, 2020	$ 64	$ 40	$ 104
Provision expense/(benefit) for credit losses	6	(5)	1
Balance at December 31, 2021	$ 70	$ 35	$ 105

Credit Quality Information

The Company monitors the credit quality of held to maturity securities through credit ratings from various rating agencies. Credit ratings express opinions about the credit quality of a security and are utilized by the Company to make informed decisions. Investment grade securities are rated BBB-/Baa3 or higher and generally considered by the rating agencies and market participants to be of low credit risk. Conversely, securities rated below investment grade are considered to have distinctively higher credit risk than investment grade securities. For securities without credit ratings, the Company utilizes other financial information indicating the financial health of the underlying municipality, agency, or organization.

As of December 31, 2023, none of the Company's investment securities were delinquent or in nonaccrual status.

The amortized cost and estimated fair value of AFS and HTM securities, segregated by contractual maturity at year-end 2023 are presented below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. Mortgage-backed securities and collateralized mortgage obligations are shown in total, as their maturities are highly variable.

(In thousands)	Available for sale Amortized Cost	Available for sale Fair Value	Held to maturity Amortized Cost	Held to maturity Fair Value
Within 1 year	$ 8,290	$ 8,292	$ 410	$ 410
Over 1 year to 5 years	11,205	11,083	1,802	1,797
Over 5 years to 10 years	55,843	51,922	35,956	35,883
Over 10 years	41,376	40,308	214,706	198,441
Total bonds and obligations	116,714	111,605	252,874	236,531
Mortgage-backed securities	1,094,498	910,680	290,477	239,697
Total	$ 1,211,212	$ 1,022,285	$ 543,351	$ 476,228

At year-end 2023 and 2022, the Company had pledged securities as collateral for certain municipal deposits and for interest rate swaps with certain counterparties. The total amortized cost and fair values of these pledged securities follows. Additionally, there is a blanket lien on certain securities to collateralize borrowings from the FHLBB and Federal Reserve Bank of Boston, as discussed further in Note 10 - Borrowed Funds.

(In thousands)	2023 Amortized Cost	2023 Fair Value	2022 Amortized Cost	2022 Fair Value
Securities pledged to swap counterparties	$ 9,780	$ 9,633	$ 11,972	$ 11,973
Securities pledged for municipal deposits	289,740	250,979	304,741	276,804
Total	$ 299,520	$ 260,612	$ 316,713	$ 288,777

Proceeds from the sale of AFS securities totaled $ 267 million in 2023. Proceeds from the sale of AFS securities totaled $ 150 million in 2022. During 2021, there were no sales of AFS securities. The (loss)/gain for the sale of AFS securities were reclassified out of accumulated other comprehensive (loss) and into earnings. The components of net recognized gains and losses on the sale of AFS securities and the fair value change of marketable equities are as follows:

(In thousands)	2023	2022	2021
Gross recognized gains	$ 1,199	$ 72	$ 108
Gross recognized losses	(26,083)	(2,009)	(550)
Net recognized (losses)	$ (24,884)	$ (1,937)	$ (442)

Debt securities with unrealized losses, segregated by the duration of their continuous unrealized loss positions, are summarized as follows:

	Less Than Twelve Months		Over Twelve Months		Total	
(In thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
December 31, 2023						
Securities available for sale						
Debt securities:						
Municipal bonds and obligations	$ 76	$ 9,326	$ 1,353	$ 22,739	$ 1,429	$ 32,065
Agency collateralized mortgage obligations	—	—	79,112	347,874	79,112	347,874
Agency mortgage-backed securities	1	22	75,154	417,151	75,155	417,173
Agency commercial mortgage-back securities	—	—	29,553	145,326	29,553	145,326
Corporate bonds	457	6,543	3,753	31,690	4,210	38,233
Other bonds and obligations	—	—	66	295	66	295
Total securities available for sale	$ 534	$ 15,891	$ 188,991	$ 965,075	$ 189,525	$ 980,966
Securities held to maturity						
Municipal bonds and obligations	229	28,895	16,758	92,063	16,987	120,958
Agency collateralized mortgage obligations	1	21	18,359	94,548	18,360	94,569
Agency mortgage-backed securities	—	—	8,052	39,327	8,052	39,327
Agency commercial mortgage-back securities	—	—	24,368	105,801	24,368	105,801
Tax advantaged economic development bonds	—	—	60	922	60	922
Total securities held to maturity	230	28,916	67,597	332,661	67,827	361,577
Total	$ 764	$ 44,807	$ 256,588	$ 1,297,736	$ 257,352	$ 1,342,543
December 31, 2022						
Securities available for sale						
Debt securities:						
Municipal bonds and obligations	$ 2,406	$ 36,696	$ 624	$ 2,763	$ 3,030	$ 39,459
Agency collateralized mortgage obligations	23,052	247,509	76,735	284,434	99,787	531,943
Agency mortgage-backed securities	3,124	37,540	93,872	508,683	96,996	546,223
Agency commercial mortgage-backed securities	9,885	96,396	25,865	132,043	35,750	228,439
Corporate bonds	1,709	25,657	1,229	9,929	2,938	35,586
Other bonds and obligations	—	—	66	295	66	295
Total securities available for sale	$ 40,176	$ 443,798	$ 198,391	$ 938,147	$ 238,567	$ 1,381,945
Securities held to maturity						
Municipal bonds and obligations	5,476	125,494	18,228	38,341	23,704	163,835
Agency collateralized mortgage obligations	2,734	49,539	17,686	58,177	20,420	107,716
Agency mortgage-backed securities	300	2,419	8,940	39,299	9,240	41,718
Agency commercial mortgage-back securities	447	9,713	22,756	102,290	23,203	112,003
Tax advantaged economic development bonds	1	142	120	1,008	121	1,150
Total securities held to maturity	8,958	187,307	67,730	239,115	76,688	426,422
Total	$ 49,134	$ 631,105	$ 266,121	$ 1,177,262	$ 315,255	$ 1,808,367

Debt Securities
The Company expects to recover its amortized cost basis on all debt securities in its AFS and HTM portfolios. Furthermore, the Company does not intend to sell nor does it anticipate that it will be required to sell any of its securities in an unrealized loss position as of December 31, 2023, prior to this recovery. The Company’s ability and intent to hold these securities until recovery is supported by the Company’s strong capital and liquidity positions.

The following summarizes, by investment security type, the basis for the conclusion that the debt securities in an unrealized loss position within the Company’s AFS and HTM portfolios did not maintain other-than-temporary impairment ("OTTI") at year-end 2023:

AFS municipal bonds and obligations
At year-end 2023, 35 out of 92 securities in the Company’s portfolio of AFS municipal bonds and obligations were in unrealized loss positions. Aggregate unrealized losses represented 4.3 % of the amortized cost of securities in unrealized loss positions. The Company continually monitors the municipal bond sector of the market carefully and periodically evaluates the appropriate level of exposure to the market. At this time, the Company feels the bonds in this portfolio carry minimal risk of default and the Company is appropriately compensated for that risk. There were no material underlying credit downgrades during 2023. All securities are performing.

AFS collateralized mortgage obligations
At year-end 2023, 197 out of 199 securities in the Company’s portfolio of AFS collateralized mortgage obligations were in unrealized loss positions. Aggregate unrealized losses represented 18.5 % of the amortized cost of securities in unrealized loss positions. The Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), and Government National Mortgage Association ("GNMA") guarantee the contractual cash flows of all of the Company's collateralized residential mortgage obligations. The securities are investment grade rated and there were no material underlying credit downgrades during 2023. All securities are performing.

AFS commercial and residential mortgage-backed securities
At year-end 2023, 119 out of 123 securities in the Company’s portfolio of AFS mortgage-backed securities were in unrealized loss positions. Aggregate unrealized losses represented 15.7 % of the amortized cost of securities in unrealized loss positions. The FNMA, FHLMC, and GNMA guarantee the contractual cash flows of the Company’s mortgage-backed securities. The securities are investment grade rated and there were no material underlying credit downgrades during 2023. All securities are performing.

AFS corporate bonds
At year-end 2023, 14 out of 15 securities in the Company’s portfolio of AFS corporate bonds were in unrealized loss positions. The aggregate unrealized loss represents 9.9 % of the amortized cost of bonds in unrealized loss positions. The Company reviews the financial strength of these bonds and has concluded that the amortized cost remains supported by the expected future cash flows of these securities. All securities are performing.

AFS other bonds and obligations
At year-end 2023, 2 out of 3 securities in the Company’s portfolio of other bonds and obligations were in unrealized loss positions. Aggregate unrealized losses represented 18.3 % of the amortized cost of securities in unrealized loss positions. The securities are all investment grade rated, and there were no material underlying credit downgrades during 2023. All securities are performing.

HTM municipal bonds and obligations
At year-end 2023, 96 out of 173 securities in the Company’s portfolio of HTM municipal bonds and obligations were in unrealized loss positions. Aggregate unrealized losses represented 12.3 % of the amortized cost of securities in unrealized loss positions. The Company continually monitors the municipal bond sector of the market carefully and periodically evaluates the appropriate level of exposure to the market. At this time, the Company feels the bonds in this portfolio carry minimal risk of default and the Company is appropriately compensated for that risk. There were no material underlying credit downgrades during 2023. All securities are performing.

HTM collateralized mortgage obligations
At year-end 2023, 12 out of 12 securities in the Company’s portfolio of HTM collateralized mortgage obligations were in an unrealized loss position. Aggregate unrealized losses represented 16.3 % of the amortized cost of the security in an unrealized loss position. The FNMA, FHLMC, and GNMA guarantee the contractual cash flows of all of the Company's collateralized residential mortgage obligations. The securities are investment grade rated, and there were no material underlying credit downgrades during 2023. All securities are performing.

HTM commercial and residential mortgage-backed securities
At year-end 2023, 17 out of 17 securities in the Company’s portfolio of HTM mortgage-backed securities were in unrealized loss positions. Aggregate unrealized losses represented 18.3 % of the amortized cost of securities in unrealized loss positions. The FNMA, FHLMC, and GNMA guarantee the contractual cash flows of the Company’s mortgage-backed securities. The securities are investment grade rated and there were no material underlying credit downgrades during 2023. All securities are performing.

HTM tax-advantaged economic development bonds
At year-end 2023, 1 out of 2 securities in the Company’s portfolio of tax-advantaged economic development bonds was in an unrealized loss position. Aggregate unrealized losses represented 6.1 % of the amortized cost of securities in unrealized loss position. The Company believes that more likely than not all the principal outstanding will be collected. All securities are performing.

NOTE 5. LOANS AND RELATED ALLOWANCE FOR CREDIT LOSSES

The following is a summary of total loans by regulatory call report code with sub-segmentation based on underlying collateral for certain loan types:

(In thousands)	December 31, 2023	December 31, 2022
Construction	$ 640,371	$ 319,452
Commercial multifamily	599,145	620,088
Commercial real estate owner occupied	628,646	640,489
Commercial real estate non-owner occupied	2,606,409	2,496,237
Commercial and industrial	1,359,249	1,445,236
Residential real estate	2,760,312	2,312,447
Home equity	224,223	227,450
Consumer other	221,331	273,910
Total loans	$ 9,039,686	$ 8,335,309
Allowance for credit losses	105,357	96,270
Net loans	$ 8,934,329	$ 8,239,039

As of December 31, 2023 and 2022, outstanding loans originated under the Small Business Administration ("SBA") Paycheck Protection Program ("PPP") totaled $ 3.0 million and $ 5.8 million, respectively. These loans are 100% guaranteed by the SBA and the full principal amount of the loan may qualify for forgiveness. These loans are included in commercial and industrial.

In 2023, the Company purchased loans aggregating $ 649 million and sold loans aggregating $ 255 million. In 2022, the Company purchased loans aggregating $ 718 million and sold loans aggregating $ 366 million. In 2021, the Company purchased loans aggregating $ 211 million and sold loans aggregating $ 560 million. Net gains on sales of loans were $ 10.3 million, $ 12.5 million, and $ 20.7 million for the years 2023, 2022, and 2021, respectively.

Most of the Company's lending activity occurs within its primary markets in Massachusetts, Southern Vermont, and Northeastern New York. Most of the loan portfolio is secured by real estate, including residential mortgages, commercial mortgages, and home equity loans. Year-end loans to operators of non-residential buildings totaled $ 2.2 billion, or 24.0 %, and $ 1.9 billion, or 22.7 % of total loans in 2023 and 2022, respectively. There were no other concentrations of loans related to any single industry in excess of 10% of total loans at year-end 2023 or 2022.

As of December 31, 2023 and December 31, 2022, the Company had no foreclosed residential real estate property. Additionally, residential mortgage loans collateralized by real estate property that are in the process of foreclosure as of December 31, 2023 and December 31, 2022 totaled $ 3.8 million and $ 3.0 million, respectively, including sold loans serviced by the Company.

At year-end 2023 and 2022, the Company had pledged loans totaling $ 1.3 billion and $ 0.8 billion, respectively, to the Federal Reserve Bank of Boston as collateral for certain borrowing arrangements. Also, residential first mortgage loans are subject to a blanket lien for FHLBB advances. See Note 10 - Borrowed Funds.

At year-end 2023 and 2022, the Company's commitments outstanding to related parties totaled $ 1.5 million and $ 1.5 million, respectively, and the loans outstanding against these commitments totaled $ 0.8 million and $ 0.8 million, respectively. Related parties include directors and executive officers of the Company and its subsidiaries, as well as their respective affiliates in which they have a controlling interest and immediate family members. For the years 2023 and 2022, all related party loans were performing.

Risk characteristics relevant to each portfolio segment are as follows:

Construction -Loans in this segment primarily include real estate development loans for which payment is derived from sale of the property or long term financing at completion. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Commercial real estate multifamily, owner occupied and non-owner - Loans in these segments are primarily owner-occupied or income-producing properties throughout New England and Northeastern New York. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy, which in turn, will have an effect on the credit quality in this segment. Management monitors the cash flows of these loans.

Commercial and industrial loans - Loans in this segment are made to businesses and are generally secured by assets of the business such as accounts receivable, inventory, marketable securities, other liquid collateral, equipment and other business assets. Repayment is expected from the cash flows of the business. Loans in this segment include asset based loans which generally have no scheduled repayment and which are closely monitored against formula based collateral advance ratios. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.

Residential real estate - All loans in this segment are collateralized by residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Home equity and other consumer loans - Loans in this segment are primarily home equity lines of credit, automobile loans and other consumer loans. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Allowance for Credit Losses on Loans

The Allowance for Credit Losses on Loans (“ACLL”) is comprised of the allowance for credit losses on loans, and the allowance for unfunded commitments is accounted for as a separate liability in other liabilities on the Consolidated Balance Sheets. The level of the ACLL represents management’s estimate of expected credit losses over the expected life of the loans at the balance sheet date. The Company uses a static pool migration analysis method, applying expected historical loss trend and observed economic metrics. The level of the ACLL is based on management’s ongoing review of all relevant information, from internal and external sources, relating to past and current events, utilizing a 7 quarter reasonable and supportable forecast period with a 1 year reversion period. The ACLL reserve is overlaid with qualitative factors based upon:

- the existence and growth of concentrations of credit;
- the volume and severity of past due financial assets, including nonaccrual assets;
- the institutions lending and credit review as well as the experience and ability of relevant management and staff and;
- the effect of other external factors such as regulatory, competition, regional market conditions, legal and technological environment and other events such as natural disasters;
- the effect of other economic factors such as economic stimulus and customer forbearance programs (when applicable).

The allowance for unfunded commitments is maintained at a level by the Company to be sufficient to absorb expected lifetime losses related to unfunded credit facilities (including unfunded loan commitments and letters of credit) and is included in other liabilities on the consolidated balance sheets.

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The Company’s activity in the allowance for credit losses on loans for the years ended December 31, 2023, December 31, 2022 and December 31, 2021 was as follows:

(In thousands)	Balance at Beginning of Period	Adoption of ASU No. 2022-02	Charge-offs	Recoveries	Provision for Credit Losses	Balance at End of Period
Year ended December 31, 2023						
Construction	$ 1,227	$ —	$ (1)	$ —	$ 1,659	$ 2,885
Commercial multifamily	1,810	—	—	6	659	2,475
Commercial real estate owner occupied	10,739	24	(489)	1,139	(1,970)	9,443
Commercial real estate non-owner occupied	30,724	—	(65)	204	7,358	38,221
Commercial and industrial	18,743	(23)	(17,872)	2,659	15,095	18,602
Residential real estate	18,666	2	(313)	610	657	19,622
Home equity	2,173	—	(88)	519	(589)	2,015
Consumer other	12,188	(404)	(10,429)	1,586	9,153	12,094
Total allowance for credit losses	$ 96,270	$ (401)	$ (29,257)	$ 6,723	$ 32,022	$ 105,357

(In thousands)	Balance at Beginning of Period	Charge-offs	Recoveries	Provision for Credit Losses	Balance at End of Period
Year ended December 31, 2022					
Construction	$ 3,206	$ —	$ —	$ (1,979)	$ 1,227
Commercial multifamily	6,120	(94)	112	(4,328)	1,810
Commercial real estate owner occupied	12,752	(687)	702	(2,028)	10,739
Commercial real estate non-owner occupied	32,106	(5,894)	1,549	2,963	30,724
Commercial and industrial	22,584	(18,447)	3,050	11,556	18,743
Residential real estate	22,406	(555)	1,019	(4,204)	18,666
Home equity	4,006	(166)	283	(1,950)	2,173
Consumer other	2,914	(2,215)	505	10,984	12,188
Total allowance for credit losses	$ 106,094	$ (28,058)	$ 7,220	$ 11,014	$ 96,270

(In thousands)	Balance at Beginning of Period	Charge-offs	Recoveries	Provision for Credit Losses	Balance at End of Period
Year ended December 31, 2021					
Construction	$ 5,111	$ —	$ —	$ (1,905)	$ 3,206
Commercial multifamily	5,916	(404)	157	451	$ 6,120
Commercial real estate owner occupied	12,380	(1,640)	204	1,808	$ 12,752
Commercial real estate non-owner occupied	35,850	(14,557)	2,522	8,291	$ 32,106
Commercial and industrial	25,013	(10,841)	4,565	3,847	$ 22,584
Residential real estate	28,491	(1,664)	1,767	(6,188)	$ 22,406
Home equity	6,482	(334)	335	(2,477)	$ 4,006
Consumer other	8,059	(1,578)	761	(4,328)	2,914
Total allowance for credit losses	$ 127,302	$ (31,018)	$ 10,311	$ (501)	$ 106,094

The Company’s allowance for credit losses on unfunded commitments is recognized as a liability (other liability on the Consolidated Balance Sheets), with adjustments to the reserve recognized in other noninterest expense in the Consolidated Statements of Income. The Company’s activity in the allowance for credit losses on unfunded commitments for the years ended December 31, 2023, December 31, 2022, and December 31, 2021 was as follows:

(In thousands)		Total
Balance at December 31, 2022	$	8,588
Expense for credit losses		668
Balance at December 31, 2023	$	9,256

(In thousands)		Total
Balance at December 31, 2021	$	7,043
Release of expense for credit losses		1,545
Balance at December 31, 2022	$	8,588

(In thousands)		Total
Balance at December 31, 2020	$	7,629
Release of expense for credit losses		(586)
Balance at December 31, 2021	$	7,043

Credit Quality Information

The Company monitors the credit quality of its portfolio by using internal risk ratings that are based on regulatory guidance. Loans that are given a Pass rating are not considered a problem credit. Loans that are classified as Special Mention loans are considered to have potential weaknesses and are evaluated closely by management. Substandard, including nonaccruing loans, are loans for which a definitive weakness has been identified and which may make full collection of contractual cash flows questionable. Doubtful loans are those with identified weaknesses that make full collection of contractual cash flows, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

For commercial credits, the Company assigns an internal risk rating at origination and reviews the rating annually, semiannually, or quarterly depending on the risk rating. The rating is also reassessed at any point in time when management becomes aware of information that may affect the borrower’s ability to fulfill their obligations.

The Company risk rates its residential mortgages, including 1-4 family and residential construction loans, based on a three rating system: Pass, Special Mention, and Substandard. Loans that are current within 59 days are rated Pass. Residential mortgages that are 60-89 days delinquent are rated Special Mention. Loans delinquent for 90 days or greater are rated Substandard and generally placed on nonaccrual status.

The following table presents the Company’s loans by risk category:

	Term Loans Amortized Cost Basis by Origination Year								
(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2023									
Construction									
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ 1	$ —	$ —	$ 1
Risk rating									
Pass	$ 104,507	$ 346,419	$ 138,802	$ 29,176	$ 2,545	$ 1,098	$ —	$ —	$ 622,547
Special Mention	—	—	512	—	—	—	—	—	512
Substandard	—	—	17,312	—	—	—	—	—	17,312
Total	$ 104,507	$ 346,419	$ 156,626	$ 29,176	$ 2,545	$ 1,098	$ —	$ —	$ 640,371
Commercial multifamily:									
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Risk rating									
Pass	$ 16,020	$ 216,477	$ 56,817	$ 26,566	$ 94,733	$ 179,923	$ 377	$ —	$ 590,913
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	242	2,554	—	5,436	—	—	8,232
Total	$ 16,020	$ 216,477	$ 57,059	$ 29,120	$ 94,733	$ 185,359	$ 377	$ —	$ 599,145
Commercial real estate owner occupied:									
Current period gross write-offs	$ —	$ —	$ —	$ 380	$ —	$ 109	$ —	$ —	$ 489
Risk rating									
Pass	$ 97,271	$ 120,327	$ 122,151	$ 37,914	$ 70,393	$ 165,224	$ 2,653	$ —	$ 615,933
Special Mention	—	—	424	222	—	788	—	—	1,434
Substandard	—	—	81	47	4,703	6,448	—	—	11,279
Total	$ 97,271	$ 120,327	$ 122,656	$ 38,183	$ 75,096	$ 172,460	$ 2,653	$ —	$ 628,646
Commercial real estate non-owner occupied:									
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ 65	$ —	$ —	$ 65
Risk rating									
Pass	$ 404,687	$ 591,897	$ 385,247	$ 135,134	$ 277,870	$ 736,566	$ 4,553	$ —	$ 2,535,954
Special Mention	—	—	—	229	19,465	726	—	—	20,420
Substandard	—	—	—	6,814	13,483	29,738	—	—	50,035
Total	$ 404,687	$ 591,897	$ 385,247	$ 142,177	$ 310,818	$ 767,030	$ 4,553	$ —	$ 2,606,409
Commercial and industrial:									
Current period gross write-offs	$ —	$ 1,154	$ 863	$ 2,763	$ 1,496	$ 9,283	$ 2,313	$ —	$ 17,872
Risk rating									
Pass	$ 142,946	$ 203,126	$ 118,191	$ 69,722	$ 39,437	$ 112,770	$ 554,153	$ —	$ 1,240,345
Special Mention	526	23,149	3,735	1,621	610	1,353	35,244	—	66,238
Substandard	432	761	11,702	1,135	3,785	12,538	22,313	—	52,666
Total	$ 143,904	$ 227,036	$ 133,628	$ 72,478	$ 43,832	$ 126,661	$ 611,710	$ —	$ 1,359,249

	Term Loans Amortized Cost Basis by Origination Year								
(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Residential real estate									
Current period gross write-offs	$ —	$ 50	$ —	$ 50	$ 174	$ 39	$ —	$ —	$ 313
Risk rating									
Pass	$ 599,124	$ 973,031	$ 266,055	$ 88,302	$ 66,837	$ 755,372	$ 81	$ —	$ 2,748,802
Special Mention	—	—	—	—	140	664	—	—	804
Substandard	—	129	1,176	379	574	8,448	—	—	10,706
Total	$ 599,124	$ 973,160	$ 267,231	$ 88,681	$ 67,551	$ 764,484	$ 81	$ —	$ 2,760,312

(In thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	Term Loans Amortized Cost Basis by Origination Year								
As of December 31, 2022									
Construction									
Risk rating									
Pass	$ 153,393	$ 133,708	$ 25,634	$ 3,432	$ 1,361	$ 1,924	$ —	$ —	$ 319,452
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total	$ 153,393	$ 133,708	$ 25,634	$ 3,432	$ 1,361	$ 1,924	$ —	$ —	$ 319,452
Commercial multifamily:									
Risk rating									
Pass	$ 205,124	$ 61,032	$ 27,583	$ 100,696	$ 67,675	$ 149,633	$ 205	$ —	$ 611,948
Special Mention	—	—	2,628	—	—	—	—	—	2,628
Substandard	—	—	—	—	5,512	—	—	—	5,512
Total	$ 205,124	$ 61,032	$ 30,211	$ 100,696	$ 73,187	$ 149,633	$ 205	$ —	$ 620,088
Commercial real estate owner occupied:									
Risk rating									
Pass	$ 131,096	$ 127,270	$ 58,835	$ 82,576	$ 75,322	$ 154,056	$ 3,464	$ —	$ 632,619
Special Mention	—	—	387	—	—	—	—	—	387
Substandard	1,003	122	31	282	1,056	4,989	—	—	7,483
Total	$ 132,099	$ 127,392	$ 59,253	$ 82,858	$ 76,378	$ 159,045	$ 3,464	$ —	$ 640,489
Commercial real estate non-owner occupied:									
Risk rating									
Pass	$ 621,685	$ 410,359	$ 175,456	$ 333,783	$ 313,124	$ 530,322	$ 17,846	$ —	$ 2,402,575
Special Mention	—	—	—	—	20,000	18,462	—	—	38,462
Substandard	—	—	7,237	13,623	15,610	18,730	—	—	55,200
Total	$ 621,685	$ 410,359	$ 182,693	$ 347,406	$ 348,734	$ 567,514	$ 17,846	$ —	$ 2,496,237
Commercial and industrial:									
Risk rating									
Pass	$ 282,781	$ 147,070	$ 56,880	$ 67,975	$ 83,223	$ 99,367	$ 648,956	$ —	$ 1,386,252
Special Mention	—	5,811	1,290	1,332	11,502	912	2,632	—	23,479
Substandard	204	496	3,640	8,139	1,981	2,799	10,581	—	27,840
Doubtful	—	—	—	—	—	56	7,609	—	7,665
Total	$ 282,985	$ 153,377	$ 61,810	$ 77,446	$ 96,706	$ 103,134	$ 669,778	$ —	$ 1,445,236
Residential real estate									
Risk rating									
Pass	$ 997,981	$ 280,308	$ 96,548	$ 70,845	$ 138,894	$ 713,744	$ 165	$ —	$ 2,298,485
Special Mention	—	364	—	861	202	707	—	—	2,134
Substandard	—	284	448	267	1,857	8,972	—	—	11,828
Total	$ 997,981	$ 280,956	$ 96,996	$ 71,973	$ 140,953	$ 723,423	$ 165	$ —	$ 2,312,447

For home equity and consumer other loan portfolio segments, Berkshire evaluates credit quality based on the aging status of the loan and by payment activity. The performing or nonperforming status is updated on an ongoing basis dependent upon improvement and deterioration in credit quality. The following table presents the amortized cost based on payment activity:

	Term Loans Amortized Cost Basis by Origination Year								
(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2023									
Home equity:									
Current period gross write-offs	$ —	$ —	$ —	$ 70	$ —	$ —	$ 18	$ —	$ 88
Payment performance									
Performing	$ —	$ —	$ —	$ 439	$ —	$ 2,614	$ 220,209	$ —	$ 223,262
Nonperforming	—	—	—	—	—	—	961	—	961
Total	$ —	$ —	$ —	$ 439	$ —	$ 2,614	$ 221,170	$ —	$ 224,223
Consumer other:									
Current period gross write-offs	$ 109	$ 8,843	$ 1,149	$ 11	$ 78	$ 239	$ —	$ —	$ 10,429
Payment performance									
Performing	$ 49,588	$ 108,284	$ 19,679	$ 5,843	$ 7,054	$ 19,587	$ 10,614	$ —	$ 220,649
Nonperforming	77	104	47	26	110	284	34	—	682
Total	$ 49,665	$ 108,388	$ 19,726	$ 5,869	$ 7,164	$ 19,871	$ 10,648	$ —	$ 221,331

	Term Loans Amortized Cost Basis by Origination Year								
(In thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2022									
Home equity:									
Payment performance									
Performing	$ —	$ 114	$ 454	$ —	$ —	$ 17	$ 224,746	$ —	$ 225,331
Nonperforming	—	—	—	—	—	—	2,119	—	2,119
Total	$ —	$ 114	$ 454	$ —	$ —	$ 17	$ 226,865	$ —	$ 227,450
Consumer other:									
Payment performance									
Performing	$ 161,157	$ 28,279	$ 8,312	$ 12,670	$ 27,608	$ 24,682	$ 9,070	$ —	$ 271,778
Nonperforming	588	137	44	280	477	567	39	—	2,132
Total	$ 161,745	$ 28,416	$ 8,356	$ 12,950	$ 28,085	$ 25,249	$ 9,109	$ —	$ 273,910

The following table summarizes information about total loans rated Special Mention or lower at December 31, 2023 and December 31, 2022. The table below includes consumer loans that are Special Mention and Substandard accruing that are classified as performing based on payment activity.

(In thousands)	December 31, 2023	December 31, 2022
Nonaccrual	$ 21,407	$ 31,114
Substandard Accruing	131,689	88,665
Total Classified	153,096	119,779
Special Mention	91,502	68,127
Total Criticized	$ 244,598	$ 187,906

The following is a summary of loans by past due status at December 31, 2023 and December 31, 2022:

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans
December 31, 2023						
Construction	$ —	$ —	$ —	$ —	$ 640,371	$ 640,371
Commercial multifamily	5,436	187	—	5,623	593,522	599,145
Commercial real estate owner occupied	581	286	804	1,671	626,975	628,646
Commercial real estate non-owner occupied	139	251	3,798	4,188	2,602,221	2,606,409
Commercial and industrial	2,749	689	8,769	12,207	1,347,042	1,359,249
Residential real estate	5,669	943	10,687	17,299	2,743,013	2,760,312
Home equity	707	498	1,281	2,486	221,737	224,223
Consumer other	2,363	1,642	1,606	5,611	215,720	221,331
Total	$ 17,644	$ 4,496	$ 26,945	$ 49,085	$ 8,990,601	$ 9,039,686

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans
December 31, 2022						
Construction	$ —	$ —	$ —	$ —	$ 319,452	$ 319,452
Commercial multifamily	—	214	—	214	619,874	620,088
Commercial real estate owner occupied	122	—	3,302	3,424	637,065	640,489
Commercial real estate non-owner occupied	143	—	191	334	2,495,903	2,496,237
Commercial and industrial	1,173	1,438	18,658	21,269	1,423,967	1,445,236
Residential real estate	3,694	2,134	11,724	17,552	2,294,895	2,312,447
Home equity	168	57	2,119	2,344	225,106	227,450
Consumer other	1,990	1,028	2,158	5,176	268,734	273,910
Total	$ 7,290	$ 4,871	$ 38,152	$ 50,313	$ 8,284,996	$ 8,335,309

The following is a summary of loans on nonaccrual status and loans past due 90 days or more and still accruing as of December 31, 2023 and December 31, 2022:

	December 31, 2023			
(In thousands)	Nonaccrual Amortized Cost	Nonaccrual With No Related Allowance	Past Due 90 Days or Greater and Accruing	Interest Income Recognized on Nonaccrual
Construction	$ —	$ —	$ —	$ —
Commercial multifamily	—	—	—	—
Commercial real estate owner occupied	605	285	199	—
Commercial real estate non-owner occupied	3,798	45	—	—
Commercial and industrial	8,665	5,586	104	—
Residential real estate	6,696	2,796	3,991	—
Home equity	961	122	320	—
Consumer other	682	—	924	—
Total	$ 21,407	$ 8,834	$ 5,538	$ —

The commercial and industrial loans nonaccrual amortized cost as of December 31, 2023 included medallion loans with a fair value of $ 0.4 million and a contractual balance of $ 8.8 million.

	December 31, 2022			
(In thousands)	Nonaccrual Amortized Cost	Nonaccrual With No Related Allowance	Past Due 90 Days or Greater and Accruing	Interest Income Recognized on Nonaccrual
Construction	$ —	$ —	$ —	$ —
Commercial multifamily	—	—	—	—
Commercial real estate owner occupied	2,202	1,411	1,100	—
Commercial real estate non-owner occupied	191	73	—	—
Commercial and industrial	16,992	14,223	1,666	—
Residential real estate	8,901	5,307	2,823	—
Home equity	1,568	388	551	—
Consumer other	1,260	2	898	—
Total	$ 31,114	$ 21,404	$ 7,038	$ —

The commercial and industrial loans nonaccrual amortized cost as of December 31, 2022 included medallion loans with a fair value of $ 0.6 million and a contractual balance of $ 10.9 million.

A financial asset is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. Expected credit losses for collateral-dependent loans are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. Significant quarter over quarter changes are reflective of changes in nonaccrual status and not necessarily associated with credit quality indicators like appraisal value. The following table presents the amortized cost basis of individually analyzed collateral-dependent loans by loan portfolio segment:

	Type of Collateral		
(In thousands)	**Real Estate**	**Investment Securities/Cash**	**Other**
December 31, 2023			
Construction	$ —	$ —	$ —
Commercial multifamily	—	—	—
Commercial real estate owner occupied	650	—	—
Commercial real estate non-owner occupied	342	—	—
Commercial and industrial	4,788	—	944
Residential real estate	5,035	—	—
Home equity	135	—	—
Consumer other	40	—	—
Total loans	$ 10,990	$ —	$ 944

	Type of Collateral		
(In thousands)	**Real Estate**	**Investment Securities/Cash**	**Other**
December 31, 2022			
Construction	$ —	$ —	$ —
Commercial multifamily	—	—	—
Commercial real estate owner occupied	2,793	—	—
Commercial real estate non-owner occupied	384	—	—
Commercial and industrial	288	—	16,931
Residential real estate	3,910	—	—
Home equity	501	—	—
Consumer other	2	—	—
Total loans	$ 7,878	$ —	$ 16,931

Modified Loans

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For the loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period. The combination is at least two of the following: a term extension and principal forgiveness, an other-than-insignificant payment delay and/or an interest rate reduction.

The following table presents the amortized cost basis of loans at December 31, 2023 that were both experiencing financial difficulty and modified during the year ended December 31, 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

(In thousands)	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension and Interest Rate Reduction	Total Class of Financing Receivable
Year ended December 31, 2023							
Construction	$ —	$ —	$ —	$ —	$ —	$ —	— %
Commercial multifamily	—	—	—	—	—	—	—
Commercial real estate owner occupied	—	—	222	—	—	—	0.04
Commercial real estate non-owner occupied	—	—	11,454	—	—	3,600	0.58
Commercial and industrial	—	34	16,005	—	—	9	1.18 %
Residential real estate	—	—	—	—	—	—	—
Home equity	—	—	—	—	—	—	—
Consumer other	—	—	—	—	—	—	—
Total	$ —	$ 34	$ 27,681	$ —	$ —	$ 3,609	0.35 %

The Company has committed to lend additional amounts totaling $ 7.8 million to the borrowers included in the previous table.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months.

(In thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due
December 31, 2023				
Construction	$ —	$ —	$ —	$ —
Commercial multifamily	—	—	—	—
Commercial real estate owner occupied	—	—	—	—
Commercial real estate non-owner occupied	—	—	—	—
Commercial and industrial	34	—	—	34
Residential real estate	—	—	—	—
Home equity	—	—	—	—
Consumer other	—	—	—	—
Total	$ 34	$ —	$ —	$ 34

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the year ended December 31, 2023:

(In thousands)	Principal Forgiveness	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (months)
Years ended December 31, 2023			
Construction	$ —	— %	0
Commercial multifamily	—	—	0
Commercial real estate owner occupied	—	—	120
Commercial real estate non-owner occupied	—	0.05	16
Commercial and industrial	—	1.25	23
Residential real estate	—	—	0
Home equity	—	—	0
Consumer other	—	—	0

There were no loans that had a payment default during the years ended December 31, 2023 that were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

NOTE 6. PREMISES AND EQUIPMENT

Year-end premises and equipment are summarized as follows:

(In thousands)	2023	2022	Estimated Useful Life
Land	$ 12,525	$ 15,536	N/A
Buildings and improvements	89,222	99,977	5 - 39 years
Furniture and equipment	64,290	63,554	3 - 7 years
Construction in process	327	1,147	
Premises and equipment, gross	166,364	180,214	
Accumulated depreciation and amortization	(97,449)	(94,997)	
Premises and equipment, net	$ 68,915	$ 85,217	

Depreciation and amortization expense for the years 2023, 2022, and 2021 amounted to $ 8.4 million, $ 9.6 million, and $ 11.0 million, respectively.

NOTE 7. OTHER INTANGIBLES

The components of other intangible assets are as follows:

(In thousands)	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets
December 31, 2023			
Non-maturity deposits (core deposit intangible)	$ 77,213	$ (58,965)	$ 18,248
All other intangible assets	7,866	(6,450)	1,416
Total	$ 85,079	$ (65,415)	$ 19,664
December 31, 2022			
Non-maturity deposits (core deposit intangible)	$ 77,213	$ (54,618)	$ 22,595
All other intangible assets	7,866	(5,978)	1,888
Total	$ 85,079	$ (60,596)	$ 24,483

Other intangible assets are amortized on a straight-line or accelerated basis over their estimated lives, which range fromfour to fifteen years . Amortization expense related to intangibles totaled $ 4.8 million in 2023, $ 5.1 million in 2022, and $ 5.2 million in 2021.

The estimated aggregate future amortization expense for intangible assets remaining at year-end 2023 is as follows: 2024- $ 4.6 million; 2025- $ 4.5 million; 2026- $ 4.5 million; 2027- $ 3.6 million; 2028 - $ 1.8 million; and thereafter- $ 0.7 million. For the years 2023, 2022, and 2021, no impairment charges were identified for the Company's intangible assets.

NOTE 8. OTHER ASSETS

Year-end other assets are summarized as follows:

(In thousands)	2023	2022
Capitalized servicing rights	$ 12,095	$ 13,047
Accrued interest receivable	53,096	46,868
Accrued federal and state tax receivable	33,564	34,386
Right-of-use assets	47,348	46,411
Derivative assets	45,668	54,241
Deferred tax asset	110,068	118,331
Other	39,918	35,651
Total other assets	$ 341,757	$ 348,935

The Bank sells loans in the secondary market and retains the right to service many of these loans. The Bank earns fees for the servicing provided. At years end 2023, 2022, and 2021, loans sold and serviced for others amounted to $ 1.4 billion, $ 1.5 billion, and $ 1.6 billion, respectively. Loans serviced for others are not included in the accompanying Consolidated Balance Sheets. The risks inherent in servicing assets relate primarily to changes in prepayments that result from shifts in interest rates. For the years 2023, 2022, and 2021, contractually specified servicing fees were $ 6.7 million, $ 5.5 million, and $ 8.0 million, respectively, and are included as a component of loan related fees within non-interest income. Refer to Note 19 - Fair Value Measurements for significant assumptions and inputs used in the valuation at year-end 2023.

Servicing rights activity was as follows:

(In thousands)	2023	2022	2021
Balance at beginning of year	$ 13,047	$ 16,022	$ 16,348
Additions	2,892	3,119	4,568
Amortization	(4,330)	(4,590)	(4,921)
Payoffs	(952)	(958)	—
Allowance adjustment	1,438	(546)	27
Balance at end of year	$ 12,095	$ 13,047	$ 16,022

(1) As of December 31, 2023 and December 31, 2022, the servicing rights included in the total balance accounted for at fair value were $ 1.5 million and $ 1.8 million, respectively.

At December 31, 2023, the fair value of servicing rights was $ 16.6 million. At December 31, 2022, the fair value of servicing rights was $ 16.7 million.

NOTE 9. DEPOSITS

A summary of year-end time deposits is as follows:

(In thousands)	2023	2022
Maturity date:		
Within 1 year	$ 2,364,280	$ 912,756
Over 1 year to 2 years	270,630	606,856
Over 2 years to 3 years	26,039	68,984
Over 3 years to 4 years	9,020	28,441
Over 4 years to 5 years	9,864	15,835
Over 5 years	6,417	835
Total	$ 2,686,250	$ 1,633,707
Account balances:		
Less than $100,000	$ 724,911	$ 549,265
$100,000 through $250,000	1,276,175	642,600
$250,000 or more	685,164	441,842
Total	$ 2,686,250	$ 1,633,707

Included in total deposits on the Consolidated Balance Sheets are brokered deposits of $ 524.4 million and $ 120.9 million at December 31, 2023 and December 31, 2022, respectively. Also included in total deposits are reciprocal deposits of $ 110.2 million and $ 71.1 million at December 31, 2023 and December 31, 2022, respectively, as well as related party deposits of $ 25.0 million and $ 22.3 million at December 31, 2023 and December 31, 2022, respectively.

NOTE 10. BORROWED FUNDS

Borrowed funds at December 31, 2023 and 2022 are summarized, as follows:

(in thousands, except rates)	2023 Principal	2023 Weighted Average Rate	2022 Principal	2022 Weighted Average Rate
Short-term borrowings:				
Advances from the FHLBB	$ 260,000	5.54 %	$ —	— %
Total short-term borrowings:	260,000	5.54	—	—
Long-term borrowings:				
Advances from the FHLBB	125,223	4.80	4,445	0.71
Subordinated notes	98,335	5.50	98,089	5.50
Junior subordinated borrowing - Trust I	15,464	7.49	15,464	6.54
Junior subordinated borrowing - Trust II	7,564	7.35	7,511	6.47
Total long-term borrowings:	246,586	5.33	125,509	5.52
Total	$ 506,586	5.44 %	$ 125,509	5.52 %

Short-term debt includes Federal Home Loan Bank of Boston (“FHLBB”) advances with an original maturity of less than one year. The Bank maintains a $ 3.0 million secured line of credit with the FHLBB that bears a daily adjustable rate calculated by the FHLBB. There was no outstanding balance on the FHLBB line of credit for the periods ended December 31, 2023 and December 31, 2022. The Bank's available borrowing capacity with the FHLB was $ 2.5 billion and $ 1.5 billion for the periods ended December 31, 2023 and December 31, 2022, respectively. The Company was in compliance with all debt covenants as of December 31, 2023.

The Bank is approved to borrow on a short-term basis from the Federal Reserve Bank of Boston as a non-member bank. The Bank has pledged certain loans and securities to the Federal Reserve Bank to support this arrangement. No borrowings with the Federal Reserve Bank of Boston took place for the periods ended December 31, 2023 and December 31, 2022. The Bank's available borrowing capacity with the Federal Reserve Bank was $ 1.5 billion and $ 0.6 billion for the periods ended December 31, 2023 and December 31, 2022, respectively.

Long-term FHLBB advances consist of advances with an original maturity of more than one year and are subject to prepayment penalties. There were no callable advances outstanding at December 31, 2023. The advances outstanding at December 31, 2023 included amortizing advances totaling $ 4.2 million. There were no callable advances outstanding at December 31, 2022. The advances outstanding at December 31, 2022 included amortizing advances totaling $ 4.4 million. All FHLBB borrowings, including the line of credit, are secured by a blanket security agreement on certain qualified collateral, principally all residential first mortgage loans and certain securities.

A summary of maturities of FHLBB advances at year-end 2023 is as follows:

	2023	
(In thousands)	Amount	Weighted Average Rate
Fixed rate advances maturing:		
2024	$ 290,010	5.48 %
2025	90,000	5.01
2026	521	2.20
2027	158	2.00
2028 and beyond	4,534	0.34
Total FHLBB advances	$ 385,223	5.30 %

The Company did no t have variable-rate FHLB advances for the period ended December 31, 2023 and December 31, 2022.

In June 2022, the Company issued ten year subordinated notes in the amount of $ 100.0 million. The interest rate is fixed at 5.50 % for the first five years . After five years , the notes become callable and will bear interest at a floating rate per annum equal to a benchmark rate (which is expected to be Three-Month Term SOFR), plus 249 basis points. The subordinated note includes reduction to the note principal balance of $ 1.7 million for unamortized debt issuance costs as of December 31, 2023.

The Company holds 100 % of the common stock of Berkshire Hills Capital Trust I ("Trust I") which is included in other assets with a cost of $ 0.5 million. The sole asset of Trust I is $ 15.5 million of the Company's junior subordinated debentures due in 2035. These debentures bear interest at a variable rate equal to LIBOR plus 1.85 % and had a rate of 7.49 % and 6.54 % at December 31, 2023 and December 31, 2022, respectively. The Company has the right to defer payments of interest for up to five years on the debentures at any time, or from time to time, with certain limitations, including a restriction on the payment of dividends to shareholders while such interest payments on the debentures have been deferred. The Company has not exercised this right to defer payments. The Company has the right to redeem the debentures at par value on each quarterly payment date. Trust I is considered a variable interest entity for which the Company is not the primary beneficiary. Accordingly, Trust I is not consolidated into the Company's financial statements.

The Company holds 100 % of the common stock of SI Capital Trust II ("Trust II") which is included in other assets with a cost of $ 0.2 million. The sole asset of Trust II is $ 8.2 million of the Company's junior subordinated debentures due in 2036. These debentures bear interest at a variable rate equal to LIBOR plus 1.70 % and had a rate of 7.35 % and 6.47 % at December 31, 2023 and December 31, 2022. The Company has the right to defer payments of interest for up to five years on the debentures at any time, or from time to time, with certain limitations, including a restriction on the payment of dividends to shareholders while such interest payments on the debentures have been deferred. The Company has not exercised this right to defer payments. The Company has the right to redeem the debentures at par value. Trust II is considered a variable interest entity for which the Company is not the primary beneficiary. Accordingly, Trust II is not consolidated into the Company's financial statements.

NOTE 11. OTHER LIABILITIES

Year-end other liabilities are summarized as follows:

(In thousands)	2023	2022
Derivative liabilities	$ 75,957	$ 97,030
Collateral on interest rate swaps	25,520	—
Finance lease liabilities	8,681	9,306
Employee benefits liability	43,042	45,175
Operating lease liabilities	53,026	53,736
Accrued interest payable	13,766	1,610
Customer transaction clearing accounts	12,366	5,758
Allowance for credit losses on unfunded commitments	9,256	8,588
Other	37,016	34,821
Total other liabilities	$ 278,630	$ 256,024

NOTE 12. EMPLOYEE BENEFIT PLANS

Pension Plan

The Company maintains a legacy, employer-sponsored defined benefit pension plan (the “Plan”) for which participation and benefit accruals were frozen on January 1, 2003. The Plan was assumed in connection with the Rome Bancorp acquisition in 2011. Accordingly, no employees are permitted to commence participation in the Plan and future salary increases and years of credited service are not considered when computing an employee’s benefits under the Plan. As of December 31, 2023, all minimum Employee Retirement Income Security Act (“ERISA”) funding requirements have been met.

Information regarding the pension plan is as follows:

(In thousands)	December 31, 2023	December 31, 2022
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 3,729	$ 5,328
Service Cost	59	68
Interest cost	186	141
Actuarial loss	(20)	(1,508)
Benefits paid	(250)	(263)
Settlements	(62)	(37)
Projected benefit obligation at end of year	3,642	3,729
Accumulated benefit obligation	3,642	3,729
Change in fair value of plan assets:		
Fair value of plan assets at plan beginning of year	4,683	5,962
Actual return on plan assets	628	(979)
Contributions by employer	—	—
Benefits paid	(250)	(263)
Settlements	(62)	(37)
Fair value of plan assets at end of year	4,999	4,683
(Overfunded) status	$ (1,357)	$ (954)
Amounts Recognized on Consolidated Balance Sheets		
Other assets	$ 1,357	$ 954
Other liabilities	—	—

Net periodic pension cost is comprised of the following:

(In thousands)	December 31, 2023	December 31, 2022	December 31, 2021
Service Cost	$ 59	$ 68	$ 59
Interest Cost	186	141	140
Expected return on plan assets	(295)	(376)	(410)
Amortization of unrecognized actuarial loss	6	11	103
Net periodic pension (credit)	$ (44)	$ (156)	$ (108)

Changes in plan assets and benefit obligations recognized in accumulated other comprehensive income are as follows:

	December 31,		
(In thousands)	**2023**	**2022**	**2021**
Amortization of actuarial (loss)	$ (6)	$ (11)	$ (103)
Actuarial (gain)	(353)	(154)	(495)
Settlement charge	—	—	(58)
Total recognized in accumulated other comprehensive income	(359)	(165)	(656)
Total recognized in net periodic pension cost recognized and other comprehensive income	$ (403)	$ (321)	$ (764)

The amounts in accumulated other comprehensive income/(loss) that have not yet been recognized as components of net periodic benefit cost are a net loss of $ 0.1 million, $ 0.5 million, and $ 0.7 million in 2023, 2022 and 2021, respectively.

The Company did not make any cash contributions to the pension trust during 2023 and 2022. The Company does no t expect to make any cash contributions in 2024. There is no gain/loss expected to be amortized from other comprehensive income into net periodic pension cost over the next fiscal year.

The principal actuarial assumptions used are as follows:

	December 31,		
	2023	**2022**	**2021**
Projected benefit obligation			
Discount rate	4.99 %	5.21 %	2.73 %
Net periodic pension cost			
Discount rate	5.21 %	2.73 %	2.35 %
Long term rate of return on plan assets	6.50 %	6.50 %	7.00 %

The discount rate that is used in the measurement of the pension obligation is determined by comparing the expected future retirement payment cash flows of the pension plan to the Above Median FTSE Pension Discount Curve as of the measurement date. The expected long-term rate of return on Plan assets reflects long-term earnings expectations on existing Plan assets and those contributions expected to be received during the current plan year. In estimating that rate, appropriate consideration was given to historical returns earned by Plan assets in the fund and the rates of return expected to be available for reinvestment. The rates of return were adjusted to reflect current capital market assumptions and changes in investment allocations.

The Company's overall investment strategy with respect to the Plan's assets is primarily for preservation of capital and to provide regular dividend and interest payments. The Plan's targeted asset allocation is 65 % equity securities via investment in the Long-Term Growth - Equity Portfolio ("LTGE"), 34 % intermediate-term investment grade bonds via investment in the Long-Term Growth - Fixed-Income Portfolio ("LTGFI"), and 1 % in cash equivalents portfolio (for liquidity). Equity securities include investments in a diverse mix of equity funds to gain exposure in the US and international markets. The fixed income portion of the Plan assets is a diversified portfolio that primarily invests in intermediate-term bond funds. The overall rate of return is based on the historical performance of the assets applied against the Plan's target allocation, and is adjusted for the long-term inflation rate.

The fair values for investment securities are determined by quoted prices in active markets, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

The fair value of the Plan’s assets by category within the fair value hierarchy are as follows at December 31, 2023 and December 31, 2022. During 2023, the Plan's equity mutual funds and fixed income mutual funds were transferred to Level 1 from Level 2 because they are actively traded and quoted prices were available. The Plan did not hold any assets classified as Level 3.

	December 31, 2023		
Asset Category (In thousands)	**Total**	**Level 1**	**Level 2**
Equity Mutual Funds:			
Large-Cap	$ 1,357	$ 1,357	$ —
Mid-Cap	364	364	—
Small-Cap	386	386	—
International	828	828	—
Fixed Income Mutual Funds:			
Intermediate Duration	1,674	1,674	—
Equity Common/Collective Trusts:			
Large-Cap	336	—	336
Cash Equivalents - money market	54	54	—
Total	$ 4,999	$ 4,663	$ 336

	December 31, 2022		
Asset Category (In thousands)	**Total**	**Level 1**	**Level 2**
Equity Mutual Funds:			
Large-Cap	$ 1,441	$ —	$ 1,441
Mid-Cap	383	—	383
Small-Cap	318	—	318
International	814	—	814
Fixed Income - US Core	1,167	—	1,167
Intermediate Duration	396	—	396
Cash Equivalents - money market	164	72	92
Total	$ 4,683	$ 72	$ 4,611

Estimated benefit payments under the pension plans over the next 10 years at December 31, 2023 are as follows:

Year	**Payments (In thousands)**
2024	277
2025	271
2026	264
2027	258
2028 - 2033	1,551

Multi-Employer Pension Plan

As a result of the Company's acquisition of SI Financial Group, Inc. (“SIFI”), the Company participates in the Pentegra Defined Benefit Plan for Financial Institutions (the “DB Plan”), a tax-qualified defined benefit pension plan. The DB Plan operates as a multiple-employer plan under ERISA and the Internal Revenue Code, and as a multi-employer plan for accounting purposes. The DB Plan was frozen effective September 6, 2013. The Company made contributions of $ 136 thousand in 2023. As of July 1, 2023, the DB Plan held assets with a market value of $ 4.1 million and liabilities with a market value of $ 5.4 million. The funded status (market value of plan assets divided by funding target) of the DB Plan, was 80 % as of July 1, 2023, as required by federal and state regulations. Market value of the DB Plan's assets reflects contributions received through June 30, 2023. There are no collective bargaining agreements in place that require contributions to the DB Plan by the Company. The DB Plan is a single plan under the Internal Revenue Code and, as a result, all of the assets stand behind all of the liabilities. Accordingly, contributions made by a participating employer may be used to provide benefits to participants of other participating employers.

Postretirement Benefits

The Company maintains an unfunded postretirement medical plan assumed in connection with the Rome Bancorp acquisition in 2011. The postretirement plan has been modified so that participation is closed to those employees who did not meet the retirement eligibility requirements by March 31, 2011. The Company contributes partially to medical benefits and life insurance coverage for retirees. Such retirees and their surviving spouses are responsible for the remainder of the medical benefits, including increases in premiums levels, between the total premium and the Company's contribution.

The Company also has an executive long-term care ("LTC") postretirement benefit plan which started August 1, 2014. The LTC plan reimburses executives for certain costs in the event of a future chronic illness. Funding of the plan comes from Company paid insurance policies or direct payments. At the plan's inception, a $ 558 thousand benefit obligation was recorded against equity representing the prior service cost of plan participants.

Information regarding the postretirement plans is as follows:

	December 31,	
(In thousands)	**2023**	**2022**
Change in accumulated postretirement benefit obligation:		
Accumulated post-retirement benefit obligation at beginning of year	$ 3,215	$ 4,521
Service Cost	7	12
Interest cost	166	122
Participant contributions	—	—
Actuarial loss	58	(1,396)
Benefits paid	(140)	(44)
Accumulated post-retirement benefit obligation at end of year	$ 3,306	$ 3,215
Change in plan assets:		
Fair value of plan assets at beginning of year	$ —	$ —
Contributions by employer	140	44
Contributions by participant	—	—
Benefits paid	(140)	(44)
Fair value of plan assets at end of year	$ —	$ —
Amounts Recognized on Consolidated Balance Sheets		
Other Liabilities	$ 3,306	$ 3,215

Net periodic post-retirement cost is comprised of the following:

	December 31,		
(In thousands)	**2023**	**2022**	**2021**
Service cost	$ 7	$ 12	$ 13
Interest costs	166	122	113
Amortization of net prior service credit	83	83	83
Amortization of net actuarial loss	(64)	30	55
Net periodic post-retirement costs	$ 192	$ 247	$ 264

Changes in benefit obligations recognized in accumulated other comprehensive income are as follows:

	December 31,		
(In thousands)	2023	2022	2021
Amortization of prior service credit	$ (83)	$ (83)	$ (83)
Net actuarial (gain)	(1,148)	(1,426)	(253)
Total recognized in accumulated other comprehensive income	(1,231)	(1,509)	(336)
Accrued post-retirement liability recognized	$ 3,306	$ 3,215	$ 4,521

The amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit cost are as follows:

	December 31,		
(In thousands)	2023	2022	2021
Net prior service cost	$ 1,075	$ 1,159	$ 1,242
Net actuarial (gain)/loss	(690)	(812)	615
Total recognized in accumulated other comprehensive income	$ 385	$ 347	$ 1,857

The amount expected to be amortized from other comprehensive income/(loss) into net periodic postretirement cost over the next fiscal year is $ 60 thousand.

The discount rates used in the measurement of the postretirement plan obligations are determined by comparing the expected future retirement payment cash flows of the plans to the Above Median FTSE Pension Discount Curve as of the measurement date.

The assumed discount rates on a weighted-average basis were 4.98 % and 5.12 % as of December 31, 2023 and December 31, 2022, respectively. The Company has fixed contributions, therefore, the annual rate of increase in healthcare costs is not used in measuring the accumulated post-retirement benefit medical obligation.

For participants in the LTC plan covered by insurance policies, no increase in annual premiums is assumed based on the history of the corresponding insurance provider.

Estimated benefit payments under the post-retirement benefit plan over the next ten years at December 31, 2023 are as follows:

Year	Payments (In thousands)
2024	115
2025	112
2026	108
2027	111
2028 - 2033	1,140

401(k) Plan

The Company provides a 401(k) Plan in which most eligible employees participate. Expenses related to the plan were $ 3.1 million in 2023, $ 2.9 million in 2022, and $ 3.2 million in 2021.

Other Plans

The Company maintains supplemental executive retirement plans (“SERPs”) for select current and former executives. Benefits generally commence no earlier than age sixty-two and are payable either as an annuity or as a lump sum at the executive’s option. Most of these SERPs were assumed in connection with acquisitions. At year-end 2023 and 2022, the accrued liability for these SERPs was $ 16.7 million and $ 19.4 million, respectively. SERP (benefit)/expense was $(1.0) million in 2023, $ 2.0 million in 2022, and $ 2.0 million in 2021, and is recognized over the required service period.

The Company has endorsement split-dollar arrangements pertaining to certain current and former executives and directors. Under these arrangements, the Company purchased policies insuring the lives of the executives and directors, and separately entered into agreements to split the policy benefits with the individuals. There are no post-retirement benefits associated with these policies. The Company also assumed split-dollar life insurance agreements from multiple prior acquisitions. The accrued liability for these split-dollar arrangements was $ 7.0 million as of year-end 2023 and $ 7.9 million as of year-end 2022.

NOTE 13. INCOME TAXES

Provision for Income Taxes

The components of the Company's provision for income taxes for the years ended December 31, 2023, 2022, and 2021 were, as follows:

(In thousands)	2023	2022	2021
Current:			
Federal tax expense	$ 5,596	$ 17,915	$ 17,340
State tax expense	7,497	6,831	7,580
Total current tax expense (1)	13,093	24,746	24,920
Deferred:			
Federal tax (benefit)/expense	(2,658)	(2,274)	5,125
State tax (benefit)/expense	(1,711)	(1,187)	112
Total deferred tax (benefit)/expense	(4,369)	(3,461)	5,237
Change in valuation allowance	—	—	200
Income tax expense	$ 8,724	$ 21,285	$ 30,357

(1) The Company recorded an additional $ 500 thousand benefit in 2021 resulting from the carryback of its 2020 NOL to recover federal income taxes paid in 2015 through 2018 (at a 35% federal income tax rate for years 2015 through 2017).

Effective Tax Rate

The following is a reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the years ended December 31, 2023, 2022, and 2021:

	2023		2022		2021	
(In thousands, except rates)	Amount	Rate	Amount	Rate	Amount	Rate
Statutory tax rate	$ 16,448	21.0 %	$ 23,902	21.0 %	$ 31,294	21.0 %
Increase (decrease) resulting from:						
State taxes, net of federal tax benefit	4,570	5.8	4,459	3.9	6,077	4.1
Tax exempt income - investments, net	(3,611)	(4.6)	(3,515)	(3.1)	(3,475)	(2.3)
Bank-owned life insurance	(1,568)	(2.0)	(1,258)	(1.1)	(1,348)	(0.9)
Tax credits, net of basis reduction	(7,804)	(10.0)	(2,129)	(1.9)	(2,881)	(1.9)
Change in valuation allowance	—	—	—	—	200	0.1
Tax rate benefit on net operating loss carryback	—	—	—	—	(493)	(0.3)
Other, net	689	0.9	(174)	(0.1)	983	0.6
Effective tax rate	$ 8,724	11.1 %	$ 21,285	18.7 %	$ 30,357	20.4 %

Deferred Tax Assets and Liabilities

As of December 31, 2023 and 2022, significant components of the Company’s deferred tax assets and liabilities were, as follows:

(In thousands)	2023	2022
Deferred tax assets:		
Allowance for credit losses	$ 31,181	$ 28,312
Unrealized capital loss on tax credit investments	2,688	1,603
Net unrealized loss on securities available for sale, swaps, and pension in OCI	50,704	63,335
Employee benefit plans	12,102	11,659
Purchase accounting adjustments	4,587	4,342
Net operating loss carryforwards	202	503
Deferred loan fees	5,654	4,049
Lease liability	13,583	14,148
Premises and equipment	1,188	2,630
Nonaccrual interest	890	1,069
Intangible amortization	1,020	659
Other	2,337	1,778
Deferred tax assets, net before valuation allowances	126,136	134,087
Valuation allowance	(400)	(400)
Deferred tax assets, net of valuation allowances	$ 125,736	$ 133,687
Deferred tax liabilities:		
Loan servicing rights	$ (1,133)	$ (1,212)
Unamortized tax credit reserve	(1,661)	(1,687)
Right-of-use asset	(12,874)	(12,457)
Deferred tax liabilities	$ (15,668)	$ (15,356)
Deferred tax assets, net	$ 110,068	$ 118,331

The Company’s net deferred tax asset decreased by $ 8.3 million during 2023 and $ 12.6 million of this change is related to unrealized losses in OCI.

Deferred tax assets, net of valuation allowances, are expected to be realized through the reversal of existing taxable temporary differences and future taxable income.

Valuation Allowances

The components of the Company’s valuation allowance on its deferred tax asset, net as of December 31, 2023 and 2022 were, as follows:

(in thousands)	2023	2022
State valuation allowances	$ (400)	$ (400)

The state tax valuation allowance, net of Federal benefit, was originally recorded in 2012, due to management's assessment that it is more likely than not that certain deferred tax assets recorded for the difference between the book basis and the state tax basis in certain tax credit limited partnership investments (LPs) will not be realized. Management anticipates that the remaining excess state tax basis realized upon termination of these partnerships will be a capital loss upon disposition, and that capital loss may not be deductible in some of the Company's state tax jurisdictions.

The valuation allowance as of December 31, 2023 is subject to change in the future as the Company continues to periodically assess the likelihood of realizing its deferred tax assets.

Tax Attributes
At December 31, 2023, the Company has $ 491 thousand of federal net operating loss carryforwards, the utilization of which are limited under Internal Revenue Code Section 382. These net operating losses begin to expire in 2029. The related deferred tax asset is $ 103 thousand.

State net operating loss carryforwards, net of valuation allowance described above, are expected to be utilized in the future and begin to expire in 2023. The related gross deferred tax asset is $ 99 thousand.

Unrecognized Tax Benefits
On a periodic basis, the Company evaluates its income tax positions based on tax laws and regulations and financial reporting considerations, and records adjustments as appropriate. This evaluation takes into consideration the status of taxing authorities' current examinations of the Company's tax returns, recent positions taken by the taxing authorities on similar transactions, if any, and the overall tax environment in relation to uncertain tax positions.

The following table presents changes in unrecognized tax benefits for the years ended December 31, 2023, 2022, and 2021:

(In thousands)	2023	2022	2021
Unrecognized tax benefits at January 1	$ 1,042	$ 1,025	$ 516
Increase in gross amounts of tax positions related to prior years	782	17	509
Decrease in gross amounts of tax positions related to prior years	—	—	—
Decrease due to settlement with taxing authority	—	—	—
Decrease due to lapse in statute of limitations	—	—	—
Unrecognized tax benefits at December 31	$ 1,824	$ 1,042	$ 1,025

It is reasonably possible that over the next twelve months the amount of unrecognized tax benefits may change from the reevaluation of uncertain tax positions arising in examinations, in appeals, or in the courts, or from the closure of tax statutes. The Company does not expect any significant changes in unrecognized tax benefits during the next twelve months.

All of the Company's unrecognized tax benefits, if recognized, would be recorded as a component of income tax expense, therefore, affecting the effective tax rate. The Company recognizes interest and penalties, if any, related to the liability for uncertain tax positions as a component of income tax expense. The accrual for interest and penalties was not material for all years presented.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction as well as in various states. In the normal course of business, the Company is subject to U.S. federal, state, and local income tax examinations by tax authorities. Other than open statutes of limitation pertaining specifically to the amended returns filed for 2015 through 2018 to claim 2020 NOL carryback refunds, the Company is no longer subject to examination for tax years prior to 2020 including any related income tax filings from its recent acquisitions. The Company has been selected for an income tax audit in the state of Connecticut for tax years 2019, 2020, and 2021, as well as an income tax audit in the state of Wisconsin for tax years 2018, 2019, and 2020 .

NOTE 14. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

At year-end 2023, the Company held derivatives with a total notional amount of $ 4.8 billion. That amount included $ 0.6 billion in interest rate swap derivatives and $ 0.2 billion in interest rate collars that were designated as cash flow hedges for accounting purposes. The Company had economic hedges and non-hedging derivatives totaling $ 4.0 billion and $ 11.1 million, respectively, which are not designated as hedges for accounting purposes and are therefore recorded at fair value with changes in fair value recorded directly through earnings. Economic hedges included interest rate swaps totaling $ 3.6 billion, risk participation agreements with dealer banks of $ 376.6 million, and $ 2.2 million in forward commitment contracts.

As part of the Company's risk management strategy, the Company enters into interest rate swap agreements to mitigate the interest rate risk inherent in certain of the Company's assets and liabilities. Interest rate swap agreements involve the risk of dealing with both Bank customers and institutional derivative counterparties and their ability to meet contractual terms. The agreements are entered into with counterparties that meet established credit standards and contain master netting and collateral provisions protecting the at-risk party. The derivatives program is overseen by the Risk Management, Capital and Compliance Committee of the Company's Board of Directors. Based on adherence to the Company's credit standards and the presence of the netting and collateral provisions, the Company believes that the credit risk inherent in these contracts was not significant at December 31, 2023.

The Company had no pledged collateral to derivative counterparties in the form of cash at year-end 2023. The Company had pledged securities to derivative counterparties with an amortized cost of $ 9.8 million and a fair value of $ 9.6 million at year-end 2023. The Company had no pledged collateral to derivative counterparties in the form of cash at year-end 2022. The Company had pledged securities to derivative counterparties with an amortized cost of $ 12.0 million and a fair value of $ 12.0 million at year-end 2022. The Company does not typically require its commercial customers to post cash or securities as collateral on its program of back-to-back economic hedges. However certain language is written into the International Swaps Dealers Association, Inc. ("ISDA") and loan documents where, in default situations, the Bank is allowed to access collateral supporting the loan relationship to recover any losses suffered on the derivative asset or liability. The Company may need to post additional collateral in the future in proportion to potential increases in unrealized loss positions.

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Information about interest rate swap agreements and non-hedging derivative assets and liabilities at December 31, 2023 follows:

December 31, 2023	Notional Amount	Weighted Average Maturity	Weighted Average Rate Received	Weighted Average Rate Contract pay rate	Estimated Fair Value Asset (Liability)
	(In thousands)	(In years)			(In thousands)
Cash flow hedges:					
Interest rate swaps on commercial loans (1)	$ 600,000	1.9	3.64 %	5.35 %	$ —
Interest rate collars on commercial loans	200,000	2.5			1,658
Total cash flow hedges	800,000				1,658
Economic hedges:					
Interest rate swap on tax advantaged economic development bond	$ 6,202	5.9	5.82 %	5.09 %	$ (172)
Interest rate swaps on loans with commercial loan customers (1)	1,795,562	4.9	4.36 %	6.27 %	(63,865)
Reverse interest rate swaps on loans with commercial loan customers (1)	1,795,562	4.9	6.27 %	4.36 %	32,053
Risk participation agreements with dealer banks	376,553	5.5			(18)
Forward sale commitments	2,207	0.2			21
Total economic hedges	3,976,086				(31,981)
Non-hedging derivatives:					
Commitments to lend	11,104	0.2			34
Total non-hedging derivatives	11,104				34
Total	$ 4,787,190				$ (30,289)

(1) Fair value estimates include the impact of $ 26.7 million settled to market contract agreements.

Information about interest rate swap agreements and non-hedging derivative asset and liabilities at December 31, 2022 follows:

December 31, 2022	Notional Amount	Weighted Average Maturity	Weighted Average Rate Received	Weighted Average Rate Contract pay rate	Estimated Fair Value Asset (Liability)
	(In thousands)	(In years)			(In thousands)
Cash flow hedges:					
Interest rate swaps on commercial loans (1)	$ 400,000	2.7	4.09 %	3.51 %	$ —
Forward-starting interest rate swaps on commercial loans (1)	200,000	3.3	— %	3.90 %	—
Interest rate collars on commercial loans	200,000	3.5			1,937
Total cash flow hedges	800,000				1,937
Economic hedges:					
Interest rate swap on tax advantaged economic development bond	$ 7,062	6.9	4.49 %	5.09 %	$ (193)
Interest rate swaps on loans with commercial loan customers	1,685,263	5.7	4.11 %	5.55 %	(95,114)
Reverse interest rate swaps on loans with commercial loan customers (1)	1,685,263	5.7	5.55 %	4.11 %	50,267
Risk participation agreements with dealer banks	341,885	6.6			(89)
Forward sale commitments	927	0.2			8
Total economic hedges	3,720,400				(45,121)
Non-hedging derivatives:					
Commitments to lend	4,114	0.2			17
Total non-hedging derivatives	4,114				17
Total	$ 4,524,514				$ (43,167)

(1) Fair value estimates include the impact of $ 38.3 million settled to market contract agreements.

Cash flow hedges
The effective portion of unrealized changes in the fair value of derivatives accounted for as cash flow hedges is reported in other comprehensive income/(loss) and subsequently reclassified to earnings in the same period or periods during which the hedged transaction is forecasted to affect earnings. Each quarter, the Company assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged item or transaction. The ineffective portion of changes in the fair value of the derivatives is recognized directly in earnings. All cash flow hedges are considered highly effective.

As of December 31, 2023, the Company had eight interest rate swap contracts with a notional value of $ 600.0 million. The interest rate swaps have durations of two to three years . This hedge strategy converts commercial variable rate loans to fixed interest rates, thereby protecting the Company from floating interest rate variability.

As of December 31, 2023, the Company had two interest rate collars. The first interest rate collar has a 3.00 % floor and a 5.75 % cap with a notional value of $ 100.0 million. The second interest rate collar has a 3.25 % floor and a 5.75 % cap with a notional value of $ 100.0 million. The interest rate collars have durations of three to four years . The structure of these instruments is such that the Company pays the counterparty an incremental amount if the collar index exceeds the cap rate. Conversely, the Company receives an incremental amount if the index falls below the floor rate. No payments are required if the collar index falls between the cap and floor rates.

Amounts included in the Consolidated Statements of Income and in the other comprehensive income/(loss) section of the Consolidated Statements of Comprehensive Income/(Loss) (related to interest rate derivatives designated as hedges of cash flows), were as follows:

	Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Interest rate swaps and collars on commercial loans:			
Unrealized gain/(loss) recognized in accumulated other comprehensive loss	$ 1,770	$ (6,667)	$ —
Less: Reclassification of unrealized (loss) from accumulated other comprehensive loss to interest income	(632)	—	—
Net tax benefit on items recognized in accumulated other comprehensive income	(630)	1,789	—
Other comprehensive gain/(loss) recorded in accumulated other comprehensive income/(loss), net of reclassification adjustments and tax effects	$ 1,772	$ (4,878)	$ —
Net interest expense recognized on hedged commercial loans	$ 9,026	$ (15)	$ —

Economic hedges

As of December 31, 2023 the Company has an interest rate swap with a $ 6.2 million notional amount to swap out the fixed rate of interest on an economic development bond bearing a fixed rate of 5.09 %, currently within the Company's trading portfolio under the fair value option, in exchange for a SOFR-based floating rate. The intent of the economic hedge is to improve the Company's asset sensitivity to changing interest rates in anticipation of favorable average floating rates of interest over the 21 -year life of the bond. The fair value changes of the economic development bond are mostly offset by fair value changes of the related interest rate swap.

The Company also offers certain derivative products directly to qualified commercial borrowers. The Company economically hedges derivative transactions executed with commercial borrowers by entering into mirror-image, offsetting derivatives with third-party financial institutions. The transaction allows the Company's customer to convert a variable-rate loan to a fixed rate loan. Because the Company acts as an intermediary for its customer, changes in the fair value of the underlying derivative contracts mostly offset each other in earnings. There was no credit valuation loss adjustment arising from the difference in credit worthiness of the commercial loan and financial institution counterparties as of December 31, 2023. The interest income and expense on these mirror image swaps exactly offset each other.

The Company has risk participation agreements with dealer banks. Risk participation agreements occur when the Company participates on a loan and a swap where another bank is the lead. The Company earns a fee to take on the risk associated with having to make the lead bank whole on Berkshire's portion of the pro-rated swap should the borrower default.

The Company utilizes forward sale commitments to hedge interest rate risk and the associated effects on the fair value of interest rate lock commitments and loans held for sale. The forward sale commitments are accounted for as derivatives with changes in fair value recorded in current period earnings.

The company uses the following types of forward sale commitments contracts:

- Best efforts loan sales,
- Mandatory delivery loan sales, and
- To be announced (TBA) mortgage-backed securities sales.

A best efforts contract refers to a loan sales agreement where the Company commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. The Company may enter into a best efforts contract once the price is known, which is shortly after the potential borrower's interest rate is locked.

A mandatory delivery contract is a loan sales agreement where the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price on or before a specified date. Generally, the Company may enter into mandatory delivery contracts shortly after the loan closes with a customer.

The Company may sell to-be-announced mortgage-backed securities to hedge the changes in fair value of interest rate lock commitments and held for sale loans, which do not have corresponding best efforts or mandatory delivery contracts. These security sales transactions are closed once mandatory contracts are written. On the closing date the price of the security is locked-in, and the sale is paired-off with a purchase of the same security. Settlement of the security purchase/sale transaction is done with cash on a net-basis.

Non-hedging derivatives

The Company enters into commitments to lend for residential mortgage loans, which commit the Company to lend funds to a potential borrower at a specific interest rate and within a specified period of time. Commitments that relate to the origination of mortgage loans that will be held for sale are considered derivative financial instruments under applicable accounting guidance. Outstanding commitments expose the Company to the risk that the price of the mortgage loans underlying the commitments may decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan. The commitments are free-standing derivatives which are carried at fair value with changes recorded in non-interest income in the Company's Consolidated Statements of Income. Changes in the fair value of commitments subsequent to inception are based on changes in the fair value of the underlying loan resulting from the fulfillment of the commitment and changes in the probability that the loan will fund within the terms of the commitment, which is affected primarily by changes in interest rates and the passage of time.

Amounts included in the Consolidated Statements of Income related to economic hedges and non-hedging derivatives were as follows:

	Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Economic hedges			
Interest rate swap on industrial revenue bond:			
Unrealized gain/(loss) recognized in other non-interest income	$ 21	$ 941	$ 619
Interest rate swaps on loans with commercial loan customers:			
Unrealized gain/(loss) recognized in other non-interest income	31,310	(171,272)	(86,099)
Favorable/(unfavorable) change in credit valuation adjustment recognized in other non-interest income	—	1,809	1,431
Reverse interest rate swaps on loans with commercial loan customers:			
Unrealized (loss)/gain recognized in other non-interest income	(31,310)	171,272	86,099
Risk Participation Agreements:			
Unrealized (loss) recognized in other non-interest income	(74)	(521)	(233)
Forward Commitments:			
Unrealized gain/(loss) recognized in other non-interest income	13	(126)	(186)
Non-hedging derivatives			
Commitments to lend:			
Unrealized gain/(loss) recognized in other non-interest income	$ 17	$ (107)	$ (611)
Realized gain in other non-interest income	536	462	2,854

Assets and Liabilities Subject to Enforceable Master Netting Arrangements

Interest Rate Swap Agreements ("Swap Agreements")
The Company enters into swap agreements to facilitate the risk management strategies for commercial banking customers. The Company mitigates this risk by entering into equal and offsetting swap agreements with highly rated third party financial institutions. The swap agreements are free-standing derivatives and are recorded at fair value in the Company's Consolidated Balance Sheets. The Company is party to master netting arrangements with its financial institution counterparties; however, the Company does not offset assets and liabilities under these arrangements for financial statement presentation purposes. The master netting arrangements provide for a single net settlement of all swap agreements, as well as collateral, in the event of default on, or termination of, any one contract. Collateral generally in the form of marketable securities is received or posted by the counterparty with net liability positions, respectively, in accordance with contract thresholds.

The Company had net asset positions with its financial institution counterparties totaling $ 39.8 million and $ 51.2 million as of December 31, 2023 and December 31, 2022, respectively. The Company had net asset positions with its commercial banking counterparties totaling $ 6.0 million and $ 1.0 million as of December 31, 2023 and December 31, 2022, respectively.

The Company had net liability positions with its financial institution counterparties totaling $ 6.1 million and $ 1.2 million as of December 31, 2023 and December 31, 2022, respectively. The Company had net liability positions with its commercial banking counterparties totaling $ 69.8 million and $ 96.1 million as of December 31, 2023 and December 31, 2022, respectively.

The following table presents the assets and liabilities subject to an enforceable master netting arrangement as of December 31, 2023 and December 31, 2022:

Offsetting of Financial Assets and Derivative Assets

(in thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statements of Condition	Net Amounts of Assets Presented in the Statements of Condition	Gross Amounts Not Offset in the Statements of Condition: Financial Instruments	Gross Amounts Not Offset in the Statements of Condition: Cash Collateral Received	Net Amount
As of December 31, 2023						
Interest Rate Swap Agreements:						
Institutional counterparties	$ 71,579	$ (31,812)	$ 39,767	$ —	$ —	$ 39,767
Commercial counterparties	5,992	—	5,992	—	—	5,992
Total	$ 77,571	$ (31,812)	$ 45,759	$ —	$ —	$ 45,759

Offsetting of Financial Liabilities and Derivative Liabilities

(in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Condition	Net Amounts of Liabilities Presented in the Statement of Condition	Gross Amounts Not Offset in the Statements of Condition: Financial Instruments	Gross Amounts Not Offset in the Statements of Condition: Cash Collateral Received	Net Amount
As of December 31, 2023						
Interest Rate Swap Agreements:						
Institutional counterparties	$ (11,277)	$ 5,142	$ (6,135)	$ 9,633	$ —	$ 3,498
Commercial counterparties	(69,796)	—	(69,796)	—	—	(69,796)
Total	$ (81,073)	$ 5,142	$ (75,931)	$ 9,633	$ —	$ (66,298)

Offsetting of Financial Assets and Derivative Assets

(in thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statements of Condition	Net Amounts of Assets Presented in the Statements of Condition	Gross Amounts Not Offset in the Statements of Condition		Net Amount
				Financial Instruments	Cash Collateral Received	
As of December 31, 2022						
Interest Rate Swap Agreements:						
Institutional counterparties	$ 96,295	$ (45,046)	$ 51,249	$ —	$ —	$ 51,249
Commercial counterparties	975	—	975	—	—	975
Total	$ 97,270	$ (45,046)	$ 52,224	$ —	$ —	$ 52,224

Offsetting of Financial Liabilities and Derivative Liabilities

(in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Condition	Net Amounts of Liabilities Presented in the Statement of Condition	Gross Amounts Not Offset in the Statements of Condition		Net Amount
				Financial Instruments	Cash Collateral Received	
As of December 31, 2022						
Interest Rate Swap Agreements:						
Institutional counterparties	$ (1,271)	$ 36	$ (1,235)	$ 11,973	$ —	$ 10,738
Commercial counterparties	(102,595)	6,507	(96,088)	—	—	(96,088)
Total	$ (103,866)	$ 6,543	$ (97,323)	$ 11,973	$ —	$ (85,350)

NOTE 15. LEASES

Substantially all of the leases in which the Company is the lessee are comprised of real estate property for branches, ATM locations, and office space. Most of the Company's leases are classified as operating leases. At December 31, 2023, lease expiration dates ranged from 1 month to 16 years.

The following table represents the Consolidated Balance Sheets classification of the Company's right-of-use ("ROU") assets and lease liabilities:

(In thousands)		December 31, 2023	December 31, 2022
Lease Right-of-Use Assets	**Classification**		
Operating lease right-of-use assets	Other assets	$ 47,348	$ 46,411
Finance lease right-of-use assets	Premises and equipment, net	5,597	6,151
Total Lease Right-of-Use Assets		$ 52,945	$ 52,562
Lease Liabilities			
Operating lease liabilities	Other liabilities	$ 53,026	$ 53,736
Finance lease liabilities	Other liabilities	8,681	9,306
Total Lease Liabilities		$ 61,707	$ 63,042

Supplemental information related to leases was as follows:

	December 31, 2023	December 31, 2022
Weighted-Average Remaining Lease Term (in years)		
Operating leases	8.3	9.3
Finance leases	10.8	11.8
Weighted-Average Discount Rate		
Operating leases	2.90 %	2.56 %
Finance leases	5.00 %	5.00 %

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. For real estate leases, non-lease components and other non-components, such as common area maintenance charges, real estate taxes, and insurance are not included in the measurement of the lease liability since they are generally able to be segregated.

The Company does not have any material sub-lease agreements.

Lease expense for operating leases for the year ended December 31, 2023 was $ 9.1 million. Variable lease components, such as consumer price index adjustments, are expensed as incurred and not included in ROU assets and operating lease liabilities.

Lease expense for operating leases for the year ended December 31, 2022 was $ 9.7 million. Variable lease components, such as consumer price index adjustments, are expensed as incurred and not included in ROU assets and operating lease liabilities.

Lease expense for operating leases for the year ended December 31, 2021 was $ 10.9 million. Variable lease components, such as consumer price index adjustments, are expensed as incurred and not included in ROU assets and operating lease liabilities.

Supplemental cash flow information related to leases was as follows:

(In thousands)	December 31, 2023	December 31, 2022	December 31, 2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 9,009	$ 9,438	$ 10,897
Operating cash flows from finance leases	446	476	503
Financing cash flows from finance leases	593	555	528
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	8,512	5,730	2,976
Finance leases	—	—	—

The following table presents a maturity analysis of the Company’s lease liability by lease classification at December 31, 2023:

(In thousands)	Operating Leases	Finance Leases
2024	$ 9,519	$ 1,039
2025	8,533	1,039
2026	7,471	1,039
2027	6,589	1,039
2028	5,567	1,039
Thereafter	21,399	6,036
Total undiscounted lease payments	59,078	11,231
Less amounts representing interest	(6,052)	(2,550)
Lease liability	$ 53,026	$ 8,681

NOTE 16. OTHER COMMITMENTS, CONTINGENCIES, AND OFF-BALANCE SHEET ACTIVITIES

Credit Related Financial Instruments. The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit, and interest rate risk in excess of the amount recognized in the accompanying Consolidated Balance Sheets.

The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument is represented by the contractual amount of these commitments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments. A summary of financial instruments outstanding whose contract amounts represent credit risk is as follows at year-end:

(In thousands)	2023	2022
Commitments to originate new loans	$ 256,877	$ 305,474
Unused funds on commercial and other lines of credit	1,146,415	966,523
Unadvanced funds on home equity lines of credit	347,543	336,924
Unadvanced funds on construction and real estate loans	467,702	694,091
Standby letters of credit	18,975	21,387
Total	$ 2,237,512	$ 2,324,399

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These letters of credit are primarily issued to support borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company considers standby letters of credit to be guarantees and the amount of the recorded liability related to such guarantees was not material at year-end 2023 and 2022.

The Company has 28.9 million of commitments remaining for tax credit investments as of December 31, 2023.

Employment and Change in Control Agreements. The Company and the Bank have change in control agreements with several officers which provide a severance payment in the event employment is terminated in conjunction with a defined change in control.

Legal Claims. Various legal claims arise from time to time in the normal course of business. As of December 31, 2023, neither the Company nor the Bank was involved in any pending legal proceedings believed by management to be material, that are not accrued for, to the Company's financial condition or results of operations.

NOTE 17. SHAREHOLDERS' EQUITY AND EARNINGS PER COMMON SHARE

Minimum Regulatory Capital Requirements

The Company and Bank are subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if imposed, could have a direct material impact on the Company's Consolidated Financial Statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital to average assets (as defined). As of year-end 2023 and 2022, the Bank and the Company met the capital adequacy requirements. Regulators may set higher expected capital requirements in some cases based on their examinations.

At December 31, 2023, the capital levels of both the Company and the Bank exceeded all regulatory capital requirements and their regulatory capital ratios were above the minimum levels. The capital levels of both the Company and the Bank at December 31, 2023 also exceeded the minimum capital requirements including the currently applicable BASEL III capital conservation buffer of 1.875%.

As of year-end 2023 and 2022, the Bank met the conditions to be classified as "well capitalized" under the relevant regulatory framework. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following tables.

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The Company and Bank's actual and required capital amounts were as follows:

(Dollars in thousands)	Actual		Minimum Capital Requirement	
	Amount	Ratio	Amount	Ratio
December 31, 2023				
Company (Consolidated)				
Total capital to risk-weighted assets	$ 1,371,740	14.36 %	$ 764,130	8.00 %
Common Equity Tier 1 Capital to risk weighted assets	1,149,620	12.04	429,823	4.50
Tier 1 capital to risk-weighted assets	1,171,957	12.27	573,098	6.00
Tier 1 capital to average assets	1,171,957	9.65	382,065	4.00
Total risk-weighted assets	9,551,627	N/A	N/A	N/A
December 31, 2022				
Company (Consolidated)				
Total capital to risk-weighted assets	$ 1,336,029	14.60 %	$ 732,070	8.00 %
Common Equity Tier 1 Capital to risk weighted assets	1,130,522	12.35	411,789	4.50
Tier 1 capital to risk-weighted assets	1,152,808	12.60	549,052	6.00
Tier 1 capital to average assets	1,152,808	10.18	366,035	4.00
Total risk-weighted assets	9,150,869	N/A	N/A	N/A

(Dollars in thousands)	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023						
Bank						
Total capital to risk-weighted assets	$ 1,268,037	13.29 %	$ 763,503	8.00 %	$ 954,379	10.00 %
Common Equity Tier 1 Capital to risk weighted assets	1,167,282	12.23	429,470	4.50	620,346	6.50
Tier 1 capital to risk-weighted assets	1,167,282	12.23	572,627	6.00	763,503	8.00
Tier 1 capital to average assets	1,167,282	9.61	381,751	4.00	477,189	5.00
Total risk-weighted assets	9,543,786	N/A	N/A	N/A	N/A	N/A
December 31, 2022						
Bank						
Total capital to risk-weighted assets	$ 1,239,722	13.56 %	$ 731,259	8.00 %	$ 914,074	10.00 %
Common Equity Tier 1 Capital to risk weighted assets	1,155,280	12.64	411,333	4.50	594,148	6.50
Tier 1 capital to risk-weighted assets	1,155,280	12.64	548,444	6.00	731,259	8.00
Tier 1 capital to average assets	1,155,280	10.20	365,629	4.00	457,037	5.00
Total risk-weighted assets	9,140,737	N/A	N/A	N/A	N/A	N/A

Common stock

The Bank is subject to dividend restrictions imposed by various regulators, including a limitation on the total of all dividends that the Bank may pay to the Company in any calendar year. The total of all dividends shall not exceed the Bank's net income for the current year (as defined by statute), plus the Bank's net income retained for the two previous years, without regulatory approval. Dividends from the Bank are an important source of funds to the Company to make dividend payments on its common, to make payments on its borrowings, and for its other cash needs. The ability of the Company and the Bank to pay dividends is dependent on regulatory policies and regulatory capital requirements. The ability to pay such dividends in the future may be adversely affected by new legislation or regulations, or by changes in regulatory policies relating to capital, safety and soundness, and other regulatory concerns.

The payment of dividends by the Company is subject to Delaware law, which generally limits dividends to an amount equal to an excess of the net assets of a company (the amount by which total assets exceed total liabilities) over statutory capital, or if there is no excess, to the Company's net profits for the current and/or immediately preceding fiscal year.

Accumulated other comprehensive income

Year-end components of accumulated other comprehensive (loss) are as follows:

(In thousands)	2023	2022
Other accumulated comprehensive (loss), before tax:		
Net unrealized holding (loss) on AFS securities	$ (188,927)	$ (236,887)
Net (loss) on effective cash flow hedging derivatives	(4,265)	(6,667)
Net unrealized holding (loss) on pension plans	(528)	(844)
Income taxes related to items of accumulated other comprehensive (loss):		
Net unrealized holding loss on AFS securities	49,401	61,329
Net loss on effective cash flow hedging derivatives	1,159	1,789
Net unrealized holding loss on pension plans	144	228
Accumulated other comprehensive (loss)	$ (143,016)	$ (181,052)

The following table presents the components of other comprehensive income/(loss) for the years ended December 31, 2023, 2022, and 2021:

(In thousands)	Before Tax	Tax Effect	Net of Tax
Year Ended December 31, 2023			
Net unrealized holding gain on AFS securities:			
Net unrealized gain arising during the period	$ 22,903	$ (5,122)	$ 17,781
Less: reclassification adjustment for (losses) realized in net income	(25,057)	6,806	(18,251)
Net unrealized holding gain on AFS securities	47,960	(11,928)	36,032
Net gain on cash flow hedging derivatives:			
Net unrealized gain arising during the period	1,770	(458)	1,312
Less: reclassification adjustment for (losses) realized in net income	(632)	172	(460)
Net gain on cash flow hedging derivatives	2,402	(630)	1,772
Net unrealized holding gain on pension plans			
Net unrealized gain arising during the period	316	(84)	232
Less: reclassification adjustment for (losses) realized in net income	—	—	—
Net unrealized holding gain on pension plans	316	(84)	232
Other comprehensive income	$ 50,678	$ (12,642)	$ 38,036

(In thousands)	Before Tax	Tax Effect	Net of Tax
Year Ended December 31, 2022			
Net unrealized holding (loss) on AFS securities:			
Net unrealized (loss) arising during the period	$ (235,075)	$ 60,920	$ (174,155)
Less: reclassification adjustment for gains realized in net income	6	(2)	4
Net unrealized holding (loss) on AFS securities	(235,081)	60,922	(174,159)
Net (loss) on cash flow hedging derivatives:			
Net unrealized (loss) arising during the period	(6,667)	1,789	(4,878)
Less: reclassification adjustment for (losses) realized in net income	—	—	—
Net (loss) on cash flow hedging derivatives	(6,667)	1,789	(4,878)
Net unrealized holding gain on pension plans			
Net unrealized gain arising during the period	1,674	(446)	1,228
Less: reclassification adjustment for (losses) realized in net income	—	—	—
Net unrealized holding gain on pension plans	1,674	(446)	1,228
Other comprehensive (loss)	$ (240,074)	$ 62,265	$ (177,809)

(In thousands)	Before Tax	Tax Effect	Net of Tax
Year Ended December 31, 2021			
Net unrealized holding (loss) on AFS securities:			
Net unrealized (loss) arising during the period	$ (46,794)	$ 11,937	$ (34,857)
Less: reclassification adjustment for gains realized in net income	—	—	—
Net unrealized holding (loss) on AFS securities	(46,794)	11,937	(34,857)
Net unrealized holding gain on pension plans			
Net unrealized gain arising during the period	993	(250)	743
Less: reclassification adjustment for (losses) realized in net income	—	—	—
Net unrealized holding gain on pension plans	993	(250)	743
Other comprehensive (loss)	$ (45,801)	$ 11,687	$ (34,114)

The following table presents the changes in each component of accumulated other comprehensive (loss)/income, for the years ended December 31, 2023, 2022, and 2021:

(in thousands)	Net unrealized holding gain (loss) on AFS Securities	Net loss on effective cash flow hedging derivatives	Net unrealized holding gain (loss) on pension plans	Total
Year Ended December 31, 2023				
Balance at Beginning of Year	$ (175,557)	$ (4,878)	$ (617)	$ (181,052)
Other comprehensive income before reclassifications	17,781	1,312	232	19,325
Amounts reclassified from accumulated other comprehensive income	(18,251)	(460)	—	(18,711)
Total other comprehensive income	36,032	1,772	232	38,036
Balance at End of Period	$ (139,525)	$ (3,106)	$ (385)	$ (143,016)
Year Ended December 31, 2022				
Balance at Beginning of Year	$ (1,398)	$ —	$ (1,845)	$ (3,243)
Other comprehensive (loss)/income before reclassifications	(174,155)	(4,878)	1,228	(177,805)
Amounts reclassified from accumulated other comprehensive income	4	—	—	4
Total other comprehensive (loss)/income	(174,159)	(4,878)	1,228	(177,809)
Balance at End of Period	$ (175,557)	$ (4,878)	$ (617)	$ (181,052)
Year Ended December 31, 2021				
Balance at Beginning of Year	$ 33,459	$ —	$ (2,588)	$ 30,871
Other comprehensive (loss)/income before reclassifications	(34,857)	—	743	(34,114)
Amounts reclassified from accumulated other comprehensive income	—	—	—	—
Total other comprehensive (loss)/income	(34,857)	—	743	(34,114)
Balance at End of Period	$ (1,398)	$ —	$ (1,845)	$ (3,243)

The following table presents the amounts reclassified out of each component of accumulated other comprehensive income/(loss) for the years ended December 31, 2023, 2022, and 2021:

(in thousands)	Years Ended December 31, 2023	2022	2021	Affected Line Item in the Statement Where Net Income Is Presented
Realized (losses)/gains on AFS securities:				
	$ (25,057)	$ 6	$ —	Non-interest income
	6,806	(2)	—	Tax expense
	(18,251)	4	—	
Realized (losses) on cash flow hedging derivatives:				
	(632)	—	—	Interest expense
	—	—	—	Non-interest expense
	172	—	—	Tax benefit
	(460)	—	—	
Realized (losses) on pension plans:				
	—	—	—	Non-interest expense
	—	—	—	Tax expense
	—	—	—	
Total reclassifications for the period	$ (18,711)	$ 4	$ —	

Earnings Per Common Share

Basic earnings per common share (“EPS”) excludes dilution and is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding for the year. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock (such as stock options) were exercised or converted into additional common shares that would then share in the earnings of the entity. Diluted EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding for the year, plus an incremental number of common-equivalent shares computed using the treasury stock method.

Earnings per common share has been computed based on the following (average diluted shares outstanding is calculated using the treasury stock method):

	Years Ended December 31,		
(In thousands, except per share data)	**2023**	**2022**	**2021**
Net income	$ 69,598	$ 92,533	$ 118,664
Average number of common shares issued	51,903	51,903	51,903
Less: average number of treasury shares	7,820	5,577	1,951
Less: average number of unvested stock award shares	795	762	712
Average number of basic common shares outstanding	43,288	45,564	49,240
Plus: dilutive effect of unvested stock award shares	216	345	309
Plus: dilutive effect of stock options outstanding	—	5	5
Average number of diluted common shares outstanding	43,504	45,914	49,554
Basic earnings per common share	$ 1.61	$ 2.03	$ 2.41
Diluted earnings per common share	$ 1.60	$ 2.02	$ 2.39

For the year ended 2023, 49 thousand options were anti-dilutive and therefore excluded from the earnings per share calculations.
For the year ended 2022, 64 thousand options were anti-dilutive and therefore excluded from the earnings per share calculations.
For the year ended 2021, 88 thousand options were anti-dilutive and therefore excluded from the earnings per share calculations.

NOTE 18. STOCK-BASED COMPENSATION PLANS

The 2022 Equity Incentive Plan (the “2022 Plan”) permits the granting of a combination of Restricted Stock awards and incentive and non-qualified stock options (“Stock Options”) to employees and directors. A total of 1.2 million shares was authorized under the Plan. Awards may be granted as either Restricted Stock or Stock Options provided that any shares that are granted as Restricted Stock are counted against the share limit set forth as (1) one for every one share of Restricted Stock granted and (2) one for every one share of Stock Option granted. As of the 2022 Plan's effective date, all expired, canceled, and forfeited shares under the 2018 Plan are included in the 2022 Plan's available shares. As of year-end 2023, the Company had the ability to grant approximately 1.2 million shares under this plan.

A summary of activity in the Company’s stock compensation plans is shown below:

	Non-vested Stock Awards Outstanding		Stock Options Outstanding	
(Shares in thousands)	**Number of Shares**	**Weighted- Average Grant Date Fair Value**	**Number of Shares**	**Weighted- Average Exercise Price**
Balance, December 31, 2022	704	$ 22.85	49	$ 26.46
Granted	446	26.18	—	—
Stock options exercised	—	—	—	—
Stock awards vested	(262)	21.29	—	—
Forfeited	(103)	25.67	—	—
Expired	—	—	—	—
Balance, December 31, 2023	785	$ 24.92	49	$ 26.46

Stock Awards

The total compensation cost for stock awards recognized as expense was $ 7.5 million, $ 7.3 million, and $ 4.2 million, in the years 2023, 2022, and 2021, respectively. The total recognized tax benefit associated with this compensation cost was $ 2.0 million, $ 2.0 million, and $ 1.0 million, respectively.

The weighted average fair value of stock awards granted was $ 26.18 , $ 28.75 , and $ 20.22 in 2023, 2022, and 2021, respectively. Stock awards vest over periods up to five years and are valued at the closing price of the stock on the grant date. Certain awards vest based on the Company's performance over established measurement periods. The total fair value of stock awards vested during 2023, 2022, and 2021 was $ 5.6 million, $ 5.1 million, and $ 4.3 million respectively. The unrecognized stock-based compensation expense related to unvested stock awards was $ 10.1 million as of year-end 2023. This amount is expected to be recognized over a weighted average period of two years .

Option Awards

Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant, and vest over periods up to five years . The options grant the holder the right to acquire a share of the Company's common stock for each option held, and have a contractual life of ten years . As of year-end 2023, the weighted average remaining contractual term for options outstanding is two years .

The Company generally issues shares from treasury stock as options are exercised. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The expected dividend yield and expected term are based on management estimates. The expected volatility is based on historical volatility. The risk-free interest rates for the expected term are based on the U.S. Treasury yield curve in effect at the time of the grant. The Company did not grant options during 2023 and 2022.

There were no options exercised during 2023. The total intrinsic value of options exercised was $ 62 thousand and $ 102 thousand for the years 2022 and 2021, respectively. The expense pertaining to options vesting was $ 1 thousand, $ 13 thousand, and $ 14 thousand for the years 2023, 2022, and 2021, respectively. The tax benefit associated with stock option expense for 2023, 2022, and 2021 was $ 0.2 thousand, $ 3 thousand, and $ 4 thousand, respectively. As of December 31, 2023, there was no unrecognized stock-based compensation expense related to unvested stock options. The unrecognized stock-based compensation expense related to unvested stock options as of year-end 2022 and 2021 was $ 1 thousand and $ 14 thousand, respectively.

NOTE 19. FAIR VALUE MEASUREMENTS

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company's financial assets and financial liabilities that are carried at fair value.

Recurring Fair Value Measurements of Financial Instruments

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of year-end 2023 and 2022 segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31, 2023			
(In thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Trading security	$ —	$ —	$ 6,142	$ 6,142
Available-for-sale securities:				
U.S Treasuries	7,981	—	—	7,981
Municipal bonds and obligations	—	63,853	—	63,853
Agency collateralized mortgage obligations	—	347,874	—	347,874
Agency residential mortgage-backed securities	—	417,480	—	417,480
Agency commercial mortgage-backed securities	—	145,326	—	145,326
Corporate bonds	—	35,192	3,923	39,115
Other bonds and obligations	—	656	—	656
Marketable equity securities	13,029	—	—	13,029
Loans held for investment	—	—	374	374
Loans held for sale	—	2,237	—	2,237
Derivative assets	—	45,613	55	45,668
Capitalized servicing rights	—	—	1,526	1,526
Derivative liabilities	—	75,957	—	75,957

	December 31, 2022			
(In thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Trading security	$ —	$ —	$ 6,708	$ 6,708
Securities available for sale:				
U.S Treasuries	11,973	—	—	11,973
Municipal bonds and obligations	—	63,335	—	63,335
Agency collateralized mortgage obligations	—	531,945	—	531,945
Agency residential mortgage-backed securities	—	546,313	—	546,313
Agency commercial mortgage-backed securities	—	228,468	—	228,468
Corporate bonds	—	36,510	4,000	40,510
Other bonds and obligations	—	656		656
Marketable equity securities	12,856	—	—	12,856
Loans held for investment at fair value	—	—	605	605
Loans held for sale	—	942	—	942
Derivative assets	—	54,216	25	54,241
Capitalized servicing rights	—	—	1,846	1,846
Derivative liabilities	—	97,030	—	97,030

During the years ended December 31, 2023 and December 31, 2022, there were no transfers between Level 1, 2 and 3. During the year ended December 31, 2021, the Company had one transfer totaling $ 4.0 million in corporate bonds from Level 2 to Level 3 based on recent inactivity in the market related to pricing information for similar bonds.

Trading Security at Fair Value. The Company holds one security designated as a trading security. It is a tax advantaged economic development bond issued to the Company by a local nonprofit which provides wellness and health programs. The determination of the fair value for this security is determined based on a discounted cash flow methodology. Certain inputs to the fair value calculation are unobservable and there is little to no market activity in the security; therefore, the security meets the definition of a Level 3 security. The discount rate used in the valuation of the security is sensitive to movements in the 3-month LIBOR rate.

***Securities Available for Sale and Marketable Equity Securities*.** Marketable equity securities classified as Level 1 consist of publicly-traded equity securities for which the fair values can be obtained through quoted market prices in active exchange markets. Marketable equity securities classified as Level 2 consist of securities with infrequent trades in active exchange markets, and pricing is primarily sourced from third party pricing services. AFS securities classified as Level 2 include most of the Company's debt securities. The pricing on Level 2 and Level 3 was primarily sourced from third party pricing services, overseen by management, and is based on models that consider standard input factors such as dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and condition, among other things. Level 3 pricing includes inputs unobservable to market participants.

Loans Held for Investment. The Company's held for investment loan portfolio includes loans originated by Company and loans acquired through business combinations. The Company intends to hold these assets until maturity as a part of its business operations. For one acquired portfolio subset, the Company previously accounted for these purchased-credit impaired loans as a pool under ASC 310, as they were determined to have common risk characteristics. These loans were recorded at fair value on acquisition date and subsequently evaluated for impairment collectively. Upon adoption of ASC 326, the Company elected the fair value option on this portfolio, recognizing a $ 11.2 million fair value write-down charged to Retained Earnings, net of deferred tax impact, as of January 1, 2020. The fair value of this loan portfolio is determined based on a discounted cash flow methodology. Certain inputs to the fair value calculation are unobservable; therefore, the loans meet the definition of Level 3 assets. The discount rate used in the valuation is consistent with assets that have significant credit deterioration. The cash flow assumptions include payment schedules for loans with current payment histories and estimated collateral value for delinquent loans. All of these loans were nonperforming as of December 31, 2023.

December 31, 2023 (In thousands)	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal
Loans held for investment at fair value	$ 374	$ 8,809	$ (8,435)

December 31, 2022 (In thousands)	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal
Loans held for investment at fair value	$ 605	$ 10,948	$ (10,343)

Loans held for sale. The Company elected the fair value option for all mortgage loans originated for sale ("HFS") that were originated for sale on or after May 1, 2012. Loans HFS are classified as Level 2 as the fair value is based on input factors such as quoted prices for similar loans in active markets.

December 31, 2023 (In thousands)	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal
Loans held for sale	$ 2,237	$ 2,205	$ 32

December 31, 2022 (In thousands)	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal
Loans held for sale	$ 942	$ 927	$ 15

The changes in fair value of loans held for sale for the year ended December 31, 2023 were gains of $ 17 thousand. The changes in fair value of loans held for sale for the year ended December 31, 2022 were losses of $ 169 thousand. The changes in fair value of loans held for sale for the year ended December 31, 2021 were gains of $ 169 thousand. During 2023, originations of loans held for sale totaled $ 85 million and sales of loans originated for sale totaled $ 84 million. During 2022, originations of loans held for sale totaled $ 20 million and sales of loans originated for sale totaled $ 25 million. During 2021, originations of loans held for sale totaled $ 104 million and sales of loans originated for sale totaled $ 108 million.

Interest Rate Swaps. The valuation of the Company's interest rate swaps is obtained from a third-party pricing service and is determined using a discounted cash flow analysis on the expected cash flows of each derivative. The pricing analysis is based on observable inputs for the contractual terms of the derivatives, including the period to maturity and interest rate curves.

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings.

Although the Company has determined that the majority of the inputs used to value its interest rate derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of year-end 2023, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Commitments to Lend. The Company enters into commitments to lend for residential mortgage loans intended for sale, which commit the Company to lend funds to a potential borrower at a certain interest rate and within a specified period of time. The estimated fair value of commitments to originate residential mortgage loans for sale is based on quoted prices for similar loans in active markets. However, this value is adjusted by a factor which considers the likelihood that the loan commitment will ultimately close, and by the non-refundable costs of originating the loan. The closing ratio is derived from the Bank's internal data and is adjusted using significant management judgment. The costs to originate are primarily based on the Company's internal commission rates that are not observable. As such, these commitments to lend are classified as Level 3 measurements.

Forward Sale Commitments. The Company utilizes forward sale commitments as economic hedges against potential changes in the values of the commitments to lend and loans originated for sale. To be announced (TBA) mortgage-backed securities forward commitment sales are used as hedging instruments, are classified as Level 1, and consist of publicly-traded debt securities for which identical fair values can be obtained through quoted market prices in active exchange markets. The fair values of the Company's best efforts and mandatory delivery loan sale commitments are determined similarly to the commitments to lend using quoted prices in the market place that are observable. However, costs to originate and closing ratios included in the calculation are internally generated and are based on management's judgment and prior experience, which are considered factors that are not observable. As such, best efforts and mandatory forward sale commitments are classified as Level 3 measurements.

Capitalized Servicing Rights. The Company accounts for certain capitalized servicing rights at fair value in its Consolidated Financial Statements, as the Company is permitted to elect the fair value option for each specific instrument. A loan servicing right asset represents the amount by which the present value of the estimated future net cash flows to be received from servicing loans exceed adequate compensation for performing the servicing. The fair value of servicing rights is estimated using a present value cash flow model. The most important assumptions used in the valuation model are the anticipated rate of the loan prepayments and discount rates. Although some assumptions in determining fair value are based on standards used by market participants, some are based on unobservable inputs and therefore are classified in Level 3 of the valuation hierarchy.

The table below presents the changes in Level 3 assets that were measured at fair value on a recurring basis at year-end 2023 and 2022:

	Assets (Liabilities)					
(In thousands)	**Trading Security**	**Securities Available for Sale**	**Loans Held for Investment**	**Commitments to Lend**	**Forward Commitments**	**Capitalized Servicing Rights**
Balance as of December 31, 2021	$ 8,354	$ 4,030	$ 1,200	$ 124	$ 134	$ 1,966
Unrealized (loss) gain, net recognized in other non-interest income	(828)	—	314	200	(126)	(120)
Unrealized (loss) included in accumulated other comprehensive loss	—	(30)	—	—	—	—
Paydown of asset	(818)	—	(909)	—	—	—
Transfers to loans held for sale	—	—	—	(307)	—	—
Balance as of December 31, 2022	$ 6,708	$ 4,000	$ 605	$ 17	$ 8	$ 1,846
Unrealized gain (loss), net recognized in other non-interest income	294	—	(128)	305	13	(320)
Unrealized (loss) in included in accumulated other comprehensive loss	—	(77)	—	—	—	—
Paydown of asset	(860)	—	(103)	—	—	—
Transfers to loans held for sale	—	—		(288)	—	—
Balance as of December 31, 2023	$ 6,142	$ 3,923	$ 374	$ 34	$ 21	$ 1,526
Unrealized (losses)/gains relating to instruments still held at December 31, 2023	$ (60)	$ (77)	$ —	$ 34	$ 21	$ —
Unrealized (losses)/gains relating to instruments still held at December 31, 2022	$ (354)	$ —	$ —	$ 17	$ 8	$ —

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Quantitative information about the significant unobservable inputs within Level 3 recurring assets/(liabilities) as of December 31, 2023 and 2022 are as follows:

(In thousands)	Fair Value December 31, 2023	Valuation Techniques	Unobservable Inputs	Significant Unobservable Input Value
Assets				
Trading Security	$ 6,142	Discounted Cash Flow	Discount Rate	4.19 %
Securities Available for Sale	3,923	Indication from Market Maker	Price	98.07 %
Loans held for investment	374	Discounted Cash Flow	Discount Rate	25.00 %
			Collateral Value	$ 0.0 - $ 18.3
Commitments to Lend	34	Historical Trend	Closing Ratio	84.29 %
		Pricing Model	Origination Costs, per loan	$ 3
Forward Commitments	21	Historical Trend	Closing Ratio	84.29 %
		Pricing Model	Origination Costs, per loan	$ 3
Capitalized Servicing Rights	1,526	Discounted cash flow	Constant prepayment rate (CPR)	7.63 %
			Discount rate	11.08 %
Total	$ 12,020			

(In thousands)	Fair Value December 31, 2022	Valuation Techniques	Unobservable Inputs	Significant Unobservable Input Value
Assets				
Trading Security	$ 6,708	Discounted Cash Flow	Discount Rate	5.92 %
Securities Available for Sale	4,000	Indication from Market Maker	Price	100.00 %
Loans held for investment	605	Discounted Cash Flow	Discount Rate	25.00 %
			Collateral Value	$ 0.0 -$ 20.4
Commitments to Lend	17	Historical Trend	Closing Ratio	80.63 %
		Pricing Model	Origination Costs, per loan	$ 2
Forward Commitments	8	Historical Trend	Closing Ratio	80.63 %
		Pricing Model	Origination Costs, per loan	$ 2
Capitalized Servicing Rights	1,846	Discounted cash flow	Constant prepayment rate (CPR)	11.07 %
			Discount rate	9.56 %
Total	$ 13,184			

Non-Recurring Fair Value Measurements

The Company is required, on a non-recurring basis, to adjust the carrying value or provide valuation allowances for certain assets using fair value measurements in accordance with GAAP. The following is a summary of applicable non-recurring fair value measurements. There are no liabilities measured on a non-recurring basis.

	December 31, 2023		Fair Value Measurements as of December 31, 2023
(In thousands)	Level 3 Inputs		Level 3 Inputs
Assets			
Individually evaluated loans	$	4,395	December 2023
Capitalized servicing rights		10,569	December 2023
Total	$	14,964	

	December 31, 2022		Fair Value Measurements as of December 31, 2022
(In thousands)	Level 3 Inputs		Level 3 Inputs
Assets			
Individually evaluated loans	$	14,571	December 2022
Loans held for sale	$	3,369	December 2022
Capitalized servicing rights		11,201	December 2022
Total	$	29,141	

Quantitative information about the significant unobservable inputs within Level 3 non-recurring assets as of December 31, 2023 and 2022 are as follows:

(in thousands)	December 31, 2023		Valuation Techniques	Unobservable Inputs	Range (Weighted Average) (a)
Assets					
Individually evaluated loans	$	4,395	Fair value of collateral	Discounted Cash Flow- Loss Severity	(100.00)% to (0.08)% ((67.00)%)
				Appraised value	$ 0 to $ 3,389 ($ 2,774)
Capitalized servicing rights		10,569	Discounted cash flow	Constant prepayment rate (CPR)	5.43 % to 17.15 % 12.31 %
				Discount rate	10.09 % to 16.59 % (13.82 %)
Total Assets	$	14,964			

(a) Where dollar amounts are disclosed, the amounts represent the lowest and highest fair value of the respective assets in the population except for adjustments for market/property conditions, which represents the range of adjustments to individual properties.

(in thousands)	December 31, 2022	Valuation Techniques	Unobservable Inputs	Range (Weighted Average) (a)
Assets				
Individually evaluated loans	$ 14,571	Fair value of collateral	Discounted Cash Flow- Loss Severity	(100.00)% to 74.74 % ((40.02)%)
			Appraised value	$ 0 to $ 2,160 ($ 643)
Loans held for sale	3,369	Fair value of collateral	Appraised value	$ 3,369
Capitalized servicing rights	11,201	Discounted cash flow	Constant prepayment rate (CPR)	5.81 % to 13.18 % (10.94 %)
			Discount rate	9.59 % to 22.70 % (16.83 %)
Total Assets	$ 29,141			

(a) Where dollar amounts are disclosed, the amounts represent the lowest and highest fair value of the respective assets in the population except for adjustments for market/property conditions, which represents the range of adjustments to individual properties.

There were no Level 1 or Level 2 nonrecurring fair value measurements for year-end 2023 and 2022.

Individually evaluated loans. Loans are generally not recorded at fair value on a recurring basis. Periodically, the Company records non-recurring adjustments to the carrying value of loans based on fair value measurements for partial charge-offs of the uncollectible portions of those loans. Non-recurring adjustments can also include certain impairment amounts for collateral-dependent loans calculated when establishing the allowance for credit losses. Such amounts are generally based on the fair value of the underlying collateral supporting the loan and, as a result, the carrying value of the loan less the calculated valuation does not necessarily represent the fair value of the loan. Real estate collateral is typically valued using appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally observable in the marketplace. However, the choice of observable data is subject to significant judgment, and there are often adjustments based on judgment in order to make observable data comparable and to consider the impact of time, the condition of properties, interest rates, and other market factors on current values. Additionally, commercial real estate appraisals frequently involve discounting of projected cash flows, which relies inherently on unobservable data. Therefore, real estate collateral related nonrecurring fair value measurement adjustments have generally been classified as Level 3. Estimates of fair value for other collateral that supports commercial loans are generally based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3.

Loans Transferred to Held for Sale. Once a decision has been made to sell loans not previously classified as held for sale, these loans are transferred into the held for sale category and carried at the lower of cost or fair value. Real estate collateral is typically valued using appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally observable in the marketplace. The choice of observable data is subject to significant judgment, and there are often adjustments based on judgment in order to make observable data comparable and to consider the impact of time, the condition of properties, interest rates, and other market factors on current values. Nonrecurring fair value measurement adjustments that relate to real estate collateral have generally been classified as Level 3. Estimates of fair value for other collateral that supports commercial loans are generally based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3.

***Capitalized loan servicing rights*.** A loan servicing right asset represents the amount by which the present value of the estimated future net cash flows to be received from servicing loans exceed adequate compensation for performing the servicing. The fair value of servicing rights is estimated using a present value cash flow model. The most important assumptions used in the valuation model are the anticipated rate of the loan prepayments and discount rates. Adjustments are only recorded when the discounted cash flows derived from the valuation model are less than the carrying value of the asset. Although some assumptions in determining fair value are based on standards used by market participants, some are based on unobservable inputs and therefore are classified in Level 3 of the valuation hierarchy.

Summary of Estimated Fair Values of Financial Instruments

The following tables summarize the estimated fair values, which represent exit price, and related carrying amounts, of the Company's financial instruments. Certain financial instruments and all non-financial instruments are excluded from disclosure requirements. Accordingly, the aggregate fair value amounts presented herein may not necessarily represent the underlying fair value of the Company.

	December 31, 2023				
(In thousands)	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Cash and cash equivalents	$ 1,203,244	$ 1,203,244	$ 1,203,244	$ —	$ —
Trading security	6,142	6,142	—	—	6,142
Marketable equity securities	13,029	13,029	13,029	—	—
Securities available for sale	1,022,285	1,022,285	7,981	1,010,381	3,923
Securities held to maturity	543,351	476,228	—	474,742	1,486
FHLB stock and restricted equity securities	22,689	N/A	N/A	N/A	N/A
Net loans	8,934,329	8,768,108	—	—	8,768,108
Loans held for sale	2,237	2,237	—	2,237	—
Accrued interest receivable	53,096	53,096	—	53,096	—
Derivative assets	45,668	45,668	—	45,613	55
Financial Liabilities					
Total deposits	10,633,384	10,615,655	—	10,615,655	—
Short-term debt	260,000	260,035	—	260,035	—
Long-term FHLB advances	125,223	123,747	—	123,747	—
Subordinated notes	121,363	98,138	—	98,138	—
Accrued interest payable	13,766	13,766	—	13,766	—
Derivative liabilities	75,957	75,957	—	75,957	—

	December 31, 2022				
(In thousands)	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Cash and cash equivalents	$ 685,355	$ 685,355	$ 685,355	$ —	$ —
Trading security	6,708	6,708	—	—	6,708
Marketable equity securities	12,856	12,856	12,856	—	—
Securities available for sale	1,423,200	1,423,200	11,973	1,407,227	4,000
Securities held to maturity	583,453	507,464	—	505,508	1,956
FHLB stock and restricted equity securities	7,219	N/A	N/A	N/A	N/A
Net loans	8,239,039	8,194,110	—	—	8,194,110
Loans held for sale	4,311	4,311	—	942	3,369
Accrued interest receivable	46,868	46,868	—	46,868	—
Derivative assets	54,241	54,241	—	54,216	25
Financial Liabilities					
Total deposits	10,327,269	10,283,543	—	10,283,543	—
Short-term debt	—	—	—	—	—
Long-term FHLB advances	4,445	2,782	—	2,782	—
Subordinated notes	121,064	110,853	—	110,853	—
Accrued interest payable	1,610	1,610	—	1,610	—
Derivative liabilities	97,030	97,030	—	97,030	—

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NOTE 20. CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY

Condensed financial information pertaining only to the Parent, Berkshire Hills Bancorp, is as follows.

CONDENSED BALANCE SHEETS

(In thousands)	December 31, 2023	December 31, 2022
Assets		
Cash due from Berkshire Bank	$ 98,452	$ 90,022
Investment in subsidiaries	1,038,039	986,805
Other assets	399	1,445
Total assets	$ 1,136,890	$ 1,078,272
Liabilities and Shareholders' Equity		
Subordinated notes	$ 121,363	$ 121,064
Accrued expenses	3,306	3,146
Shareholders' equity	1,012,221	954,062
Total liabilities and shareholders' equity	$ 1,136,890	$ 1,078,272

CONDENSED STATEMENTS OF INCOME

(In thousands)	Years Ended December 31, 2023	2022	2021
Income:			
Dividends from subsidiaries	$ 62,000	$ 108,000	$ 118,000
Other	50	23	31
Total income	62,050	108,023	118,031
Interest expense	5,697	7,044	5,393
Non-interest expenses	3,702	2,754	2,719
Total expense	9,399	9,798	8,112
Income before income taxes and equity in undistributed income of subsidiaries	52,651	98,225	109,919
Income tax (benefit)	(2,500)	(2,586)	(2,136)
Income before equity in undistributed income of subsidiaries	55,151	100,811	112,055
Equity in undistributed results of operations of subsidiaries	14,447	(8,278)	6,609
Net income	69,598	92,533	118,664
Comprehensive income/(loss)	$ 107,634	$ (85,276)	$ 84,550

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CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Cash flows from operating activities:			
Net income	$ 69,598	$ 92,533	$ 118,664
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed results of operations of subsidiaries	(14,447)	8,278	(6,609)
Other, net	8,688	5,998	5,816
Net cash provided by operating activities	63,839	106,809	117,871
Cash flows from investing activities:			
Sale of securities	—	—	167
Net cash provided by investing activities	—	—	167
Cash flows from financing activities:			
Proceeds from issuance of short term debt	—	—	232
Proceeds from issuance of long term debt	—	98,032	—
Repayment of long term debt	—	(75,000)	—
Payment to repurchase common stock	(23,844)	(124,519)	(68,712)
Common stock cash dividends paid	(31,707)	(24,527)	(24,553)
Other, net	142	281	431
Net cash (used) in financing activities	(55,409)	(125,733)	(92,602)
Net change in cash and cash equivalents	8,430	(18,924)	25,436
Cash and cash equivalents at beginning of year	90,022	108,946	83,510
Cash and cash equivalents at end of year	$ 98,452	$ 90,022	$ 108,946

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NOTE 21. QUARTERLY DATA (UNAUDITED)

Quarterly results of operations were as follows:

	2023				2022			
(In thousands, except per share data)	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest and dividend income	$ 150,537	$ 148,021	$ 145,425	$ 132,316	$ 121,384	$ 103,671	$ 87,379	$ 74,823
Interest expense	62,116	57,687	52,666	34,783	19,292	11,587	6,021	5,760
Net interest income	88,421	90,334	92,759	97,533	102,092	92,084	81,358	69,063
Non-interest income	(8,383)	17,465	17,094	16,606	15,654	16,251	16,351	20,681
Total revenue	80,038	107,799	109,853	114,139	117,746	108,335	97,709	89,744
Provision expense/(benefit) for credit losses	7,000	8,000	8,000	8,999	12,000	3,000	—	(4,000)
Non-interest expense	78,992	76,513	74,048	71,955	70,014	81,677	68,475	68,550
Income before income taxes	(5,954)	23,286	27,805	33,185	35,732	23,658	29,234	25,194
Income tax (benefit)/expense	(4,509)	3,741	3,944	5,548	5,227	4,941	6,119	4,998
Net income	$ (1,445)	$ 19,545	$ 23,861	$ 27,637	$ 30,505	$ 18,717	$ 23,115	$ 20,196
Basic earnings per share	$ (0.03)	$ 0.45	$ 0.55	$ 0.63	$ 0.69	$ 0.42	$ 0.50	$ 0.42
Diluted earnings per share	$ (0.03)	$ 0.45	$ 0.55	$ 0.63	$ 0.69	$ 0.42	$ 0.50	$ 0.42
Weighted average common shares outstanding:								
Basic	42,852	43,164	43,443	43,693	44,105	44,700	45,818	47,668
Diluted	43,101	43,347	43,532	44,036	44,484	45,034	46,102	48,067

NOTE 22. NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES

Presented below is net interest income after provision for credit losses for the three years ended 2023, 2022, and 2021, respectively:

	Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Net interest income	$ 369,047	$ 344,597	$ 291,166
Provision expense/(benefit) for credit losses	31,999	11,000	(500)
Net interest income after provision for credit losses	337,048	333,597	291,666
Total non-interest income	42,782	68,937	143,248
Total non-interest expense	301,508	288,716	285,893
Income before income taxes	78,322	113,818	149,021
Income tax expense	8,724	21,285	30,357
Net income	69,598	92,533	118,664

NOTE 23. REVENUE

Revenue from contracts with customers in the scope of Topic 606 is recognized within noninterest income. The Company does not have any material significant payment terms as payment is received at or shortly after the satisfaction of the performance obligation. The value of unsatisfied performance obligations for contracts with an original expected length of one year or less are not disclosed. The Company recognizes incremental costs of obtaining contracts as an expense when incurred for contracts with a term of one year or less.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain non-interest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also not in scope of Topic 606. Topic 606 is applicable to non-interest revenue streams such as wealth management fees, insurance commissions and fees, administrative services for customer deposit accounts, interchange fees, and sale of owned real estate properties.

The following presents non-interest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended 2023, 2022, and 2021, respectively.

	Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Non-interest income			
In-scope of Topic 606:			
Service charges on deposit accounts	$ 24,160	$ 22,396	$ 20,249
Wealth management fees	10,197	10,008	10,530
Interchange income	8,395	8,470	8,321
Insurance commissions and fees	—	—	7,003
Non-interest income (in-scope of Topic 606)	$ 42,752	$ 40,874	$ 46,103
Non-interest income (out-of-scope of Topic 606)	30	28,063	97,145
Total non-interest income	$ 42,782	$ 68,937	$ 143,248

Non-interest income streams in-scope of Topic 606 are discussed below.

Service Charges on Deposit Accounts. Service charges on deposit accounts consist of monthly service fees (i.e. business analysis fees and consumer service charges) and other deposit account related fees. The Company's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts. The Company may, from time to time, waive certain fees (e.g., NSF fee) for customers but generally do not reduce the transaction price to reflect variability for future reversals due to the insignificance of the amounts. Waiver of fees reduces the revenue in the period the waiver is granted to the customer.

Wealth Management Fees. Wealth management fees are primarily comprised of fees earned from consultative investment management, trust administration, tax return preparation, and financial planning. The Company's performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based on the daily accrual of the market value of the investment accounts and the applicable fee rate.

Interchange Fees. Interchange fees are transaction fees paid to the card-issuing bank to cover handling costs, fraud and bad debt costs, and the risk involved in approving the payment. Due to the day-to-day nature of these fees they are settled on a daily basis and are accounted for as they are received.

Insurance Commissions and Fees. Commission revenue is recognized as of the effective date of the insurance policy or the date the customer is billed, whichever is later, net of return commissions related to policy cancellations. Policy cancellation is a variable consideration that is not deemed significant and thus, does not impact the amount of revenue recognized.

In addition, the Company may receive additional performance commissions based on achieving certain sales and loss experience measures. Such commissions are recognized when determinable, which is generally when such commissions are received or when the Company receives data from the insurance companies that allows the reasonable estimation of these amounts.

On September 1, 2021, the Company completed the sale of substantially all of the assets, and the assumption of certain liabilities, of Berkshire Insurance Group, Inc.

Gains/Losses on Sales of OREO. The sale of OREO and other nonfinancial assets are accounted for with the derecognition of the asset in question once a contract exists and control of the asset has been transferred to the buyer. The gain or loss on the sale is calculated as the difference between the carrying value of the asset and the transaction price.

Exhibit 21

Berkshire Hills Bancorp, Inc.
Subsidiaries

Name	State or Other Jurisdiction of Incorporation or Organization
Berkshire Hills Bancorp, Inc.	Delaware
Berkshire Bank	Massachusetts
Beacon Comprehensive Services Corp.	New York
RSB Properties, Inc.	New York
CSB Service Corp.	Massachusetts
Legacy Insurance Services of the Berkshires, LLC	Delaware
North Street Securities Corporation	Massachusetts
Woodland Securities, Inc.	Massachusetts
Hampden Investment Corporation II	Massachusetts
Firestone Financial, LLC	Massachusetts
First Choice Loan Services Inc.	New Jersey
Old Spot Properties, LLC	New Jersey
FCB New Jersey Investment Company	New Jersey
Novus Asset Management Inc.	Delaware
Metro Commerce Real Estate, Inc.	Massachusetts
Berkshire Mortgage Servicing Company	Connecticut
SI Realty Company, Inc.	Connecticut
North Street Insurance Services, Inc.	Massachusetts
Berkshire Hills Capital Trust I	Delaware
SI Capital Trust II	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. Forms S-8 (333-265815, 333-234061, 333-233957, and 333-191422) and Form S-3 (333-237303) of Berkshire Hills Bancorp, Inc. of our report dated February 28, 2024 relating to the financial statements and effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

New York, New York
February 28, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Nitin J. Mhatre, certify that:

1. I have reviewed this annual report on Form 10-K of Berkshire Hills Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 28, 2024

/s/ Nitin J. Mhatre

Nitin J. Mhatre
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, R. David Rosato, certify that:

1. I have reviewed this annual report on Form 10-K of Berkshire Hills Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 28, 2024

/s/ R. David Rosato
R. David Rosato
Senior Executive Vice President,
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Berkshire Hills Bancorp, Inc. (the "Company") on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission (the "Report"), I, Nitin J. Mhatre, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

February 28, 2024

/s/ Nitin J. Mhatre
Nitin J. Mhatre
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Berkshire Hills Bancorp, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission (the “Report”), I, R. David Rosato, Senior Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

February 28, 2024	/s/ R. David Rosato
	R. David Rosato
	Senior Executive Vice President
	Chief Financial Officer

Exhibit 97

BERKSHIRE HILLS BANCORP, INC. CLAWBACK POLICY

The Board of Directors (the “Board”) of Berkshire Hills Bancorp, Inc. (the “Company”) believes that it is in the best interests of the Company and its shareholders to adopt this Clawback Policy (this “Policy”), which provides for the recovery of certain incentive compensation in the event of an accounting restatement.

The Company has adopted this Policy as a supplement to any other clawback policies or provisions in effect now or in the future at the Company. To the extent this Policy applies to compensation payable to a person covered by this Policy, it shall supersede any other conflicting provision or policy maintained by the Company and shall be the only clawback policy applicable to such compensation and no other clawback policy shall apply; provided that, if such other policy or provision provides that a greater amount of such compensation shall be subject to clawback, such other policy or provision shall apply to the amount in excess of the amount subject to clawback under this Policy.

This Policy shall be interpreted to comply with the clawback rules found in 17 C.F.R. §240.10D and the related listing rules of the national securities exchange or national securities association (the “Exchange”) on which the Company has listed securities, and, to the extent this Policy is any manner deemed inconsistent with such rules, this Policy shall be treated as retroactively amended to be compliant with such rules.

1. Definitions. The terms “Executive Officer,” “Incentive-Based Compensation,” and “Received” shall have the same meaning as defined in regulation 17 C.F.R. §240.10D-1(d).

2. Application of the Policy. This Policy shall only apply in the event that the Company is required to prepare an accounting restatement due to its material noncompliance with any financial reporting requirement under the Federal securities laws, including any required accounting restatement to correct an error in previously issued financial statements.

3. Recovery Period. The Incentive-Based Compensation subject to clawback is the Incentive-Based Compensation Received during the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement as described in Section 2; provided that the individual served as an Executive Officer at any time during the performance period applicable to the Incentive-Based Compensation in question. The date that the Company is required to prepare an accounting restatement shall be determined pursuant to 17 C.F.R. §240.10D-1(b)(1)(ii).

(a) Notwithstanding the foregoing, the Policy shall only apply if the Incentive-Based Compensation is Received (1) while the Company has a class of securities listed on an Exchange and (2) on or after October 2, 2023.

(b) See 17 C.F.R. §240.10D-1(b)(1)(i)(D) for certain circumstances under which this Policy will apply to Incentive-Based Compensation received during a transition period arising due to a change in the Company’s fiscal year.

4. Erroneously Awarded Compensation. The amount of Incentive-Based Compensation subject to the Policy (“Erroneously Awarded Compensation”) is the amount of Incentive-Based Compensation Received that exceeds the amount of Incentive Based-Compensation that otherwise would have been Received had it been determined based on the restated amounts in the Company’s financial statements and shall be computed without regard to any taxes paid.

(a) For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement: (1) the amount shall be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received; and (2) the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to the Exchange.

5. Recovery Exceptions. The Company shall recover reasonably promptly any Erroneously Awarded Compensation except to the extent that the conditions of paragraphs (a), (b), or (c) below apply. The Compensation Committee of the Board of Directors (the “Committee”) shall determine the repayment schedule for each amount of Erroneously Awarded Compensation in a manner that complies with this “reasonably promptly” requirement. Such determination shall be consistent with any applicable legal guidance, by the Securities and Exchange Commission, judicial opinion, or otherwise. The determination of “reasonably promptly” may vary from case to case and the Committee is authorized to adopt additional rules to further describe what repayment schedules satisfy this requirement.

(a) Erroneously Awarded Compensation need not be recovered if the direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered and the Committee has made a determination that recovery would be impracticable. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company shall make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange, as required.

(b) If applicable, Erroneously Awarded Compensation need not be recovered if recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company shall obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation and shall provide such opinion to the Exchange.

(c) Erroneously Awarded Compensation need not be recovered if recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. §401(a)(13) or 26 U.S.C. §411(a) and regulations thereunder.

6. Committee Decisions. Decisions of the Committee with respect to this Policy shall be final, conclusive and binding on all Executive Officers subject to this Policy, unless determined by a court of competent jurisdiction to be an abuse of discretion.

7. No Indemnification. Notwithstanding anything to the contrary in any other policy of the Company or any agreement between the Company and an Executive Officer, no Executive Officer shall be indemnified by the Company against the loss of any Erroneously Awarded Compensation.

8. Agreement to Policy by Executive Officers. The Committee shall take reasonable steps to inform Executive Officers of this Policy and the Executive Officers shall acknowledge receipt and adherence to this Policy in writing.

9. Exhibit Filing Requirement. A copy of this Policy and any amendments thereto shall be filed as an exhibit to the Company’s annual report on Form 10-K.

10. Amendment. The Board may amend, modify or supplement all or any portion of this Policy at any time and from time to time in its discretion.

[TO BE SIGNED BY EACH OF THE COMPANY'S EXECUTIVE OFFICERS]

Clawback Policy Acknowledgment

I, the undersigned, agree and acknowledge that I am fully bound by, and subject to, all of the terms and conditions of Berkshire Hills Bancorp, Inc.'s Clawback Policy (as may be amended, restated, supplemented or otherwise modified from time to time, the "**Policy**") and that I have been provided a copy of the Policy. In the event of any inconsistency between the Policy and the terms of any employment or similar agreement to which I am a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern. If the Committee determines that any amounts granted, awarded, earned or paid to me must be forfeited or reimbursed to the Company, I will promptly take any action necessary to effectuate such forfeiture and/or reimbursement.

______________________________ ______________________________

Name Date:

____

Title