

BERKSHIRE HILLS BANCORP INC
Form 10-Q
November 09, 2007

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

FORM 10-Q

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(Mark One)

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from _____ to _____

Commission File Number 0-51584

BERKSHIRE HILLS BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

04-3510455
(I.R.S. Employer Identification No.)

24 North Street, Pittsfield, Massachusetts
(Address of principal executive offices)

01201
(Zip Code)

(413) 443-5601
(Registrant’s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes
.. No ý

The Registrant had 10,693,048 shares of common stock, par value \$0.01 per share, outstanding as of November 8, 2007.

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Index**PART I****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED BALANCE SHEETS**

| <i>(In thousands, except share data)</i> | September 30, 2007 | December 31, 2006 |
|---------------------------------------------------------------------------------|-----------------------|----------------------|
| Assets | | |
| Total cash and cash equivalents | \$ 33,882 | \$ 30,985 |
| Securities available for sale, at fair value | 194,374 | 194,206 |
| Securities held to maturity, at amortized cost | 41,978 | 39,968 |
| Residential mortgages | 658,594 | 599,273 |
| Commercial mortgages | 694,650 | 567,074 |
| Commercial business loans | 203,594 | 189,758 |
| Consumer loans | 381,688 | 342,882 |
| Total loans | 1,938,526 | 1,698,987 |
| Less: Allowance for loan losses | (22,108) | (19,370) |
| Net loans | 1,916,418 | 1,679,617 |
| Premises and equipment, net | 38,578 | 29,130 |
| Goodwill | 161,296 | 104,531 |
| Other intangible assets | 21,876 | 16,810 |
| Cash surrender value of life insurance policies | 35,027 | 30,338 |
| Other assets | 28,633 | 24,057 |
| Total assets | \$ 2,472,062 | \$ 2,149,642 |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Demand deposits | \$ 228,731 | \$ 178,109 |
| NOW deposits | 207,326 | 153,087 |
| Money market deposits | 388,251 | 297,155 |
| Savings deposits | 212,065 | 202,213 |
| Total non-maturity deposits | 1,036,373 | 830,564 |
| Brokered time deposits | 26,578 | 41,741 |
| Other time deposits | 733,193 | 649,633 |
| Total time deposits | 759,771 | 691,374 |
| Total deposits | 1,796,144 | 1,521,938 |
| Borrowings | 316,095 | 345,005 |
| Junior subordinated debentures | 15,464 | 15,464 |
| Other liabilities | 13,713 | 9,074 |
| Total liabilities | 2,141,416 | 1,891,481 |
| Stockholders' equity | | |
| Preferred stock (\$.01 par value; 1,000,000 shares authorized; none issued) | - | - |
| Common stock (\$.01 par value; 26,000,000 shares authorized; 12,513,824 shares) | 125 | 106 |

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issued at September 30, 2007 and 10,600,472 shares issued at December 31, 2006)

| | | |
|-----------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Additional paid-in capital | 265,923 | 200,975 |
| Unearned compensation | (2,282) | (1,896) |
| Retained earnings | 112,252 | 105,731 |
| Accumulated other comprehensive income | 255 | 92 |
| Treasury stock, at cost (1,785,047 shares at September 30, 2007 and 1,887,068 at December 31, 2006) | (45,627) | (46,847) |
| Total stockholders' equity | 330,646 | 258,161 |
| Total liabilities and stockholders' equity | \$ 2,472,062 | \$ 2,149,642 |

See accompanying notes to consolidated financial statements.

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BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

| <i>(In thousands, except per share data)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------------------------------------------|-------------------------------------|----------------|------------------------------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| Interest and dividend income | | | | |
| Loans | \$ 29,719 | \$ 26,388 | \$ 87,393 | \$ 72,761 |
| Securities and other | 2,912 | 5,000 | 8,702 | 13,909 |
| Total interest and dividend income | 32,631 | 31,388 | 96,095 | 86,670 |
| Interest expense | | | | |
| Deposits | 12,581 | 10,766 | 36,849 | 29,365 |
| Borrowings and junior subordinated debentures | 4,571 | 5,019 | 13,539 | 12,636 |
| Total interest expense | 17,152 | 15,785 | 50,388 | 42,001 |
| Net interest income | 15,479 | 15,603 | 45,707 | 44,669 |
| Non-interest income | | | | |
| Insurance commissions and fees | 2,661 | 623 | 11,438 | 2,112 |
| Deposit service fees | 1,825 | 1,334 | 5,127 | 4,003 |
| Wealth management fees | 1,044 | 882 | 2,931 | 2,410 |
| Loan service fees | 324 | 209 | 681 | 560 |
| Total fee income | 5,854 | 3,048 | 20,177 | 9,085 |
| Other | 433 | 248 | 1,160 | 1,186 |
| Loss on sale of securities, net | (672) | (5,080) | (591) | (4,054) |
| Loss on prepayment of borrowings, net | (1,180) | - | (1,180) | - |
| Loss on sale of loans, net | (1,991) | - | (1,991) | - |
| Total non-interest income | 2,444 | (1,784) | 17,575 | 6,217 |
| Total net revenue | 17,923 | 13,819 | 63,282 | 50,886 |
| Provision for loan losses | 390 | 6,185 | 1,240 | 7,075 |
| Non-interest expense | | | | |
| Salaries and employee benefits | 7,891 | 6,001 | 24,632 | 17,412 |
| Occupancy and equipment | 2,418 | 1,885 | 7,289 | 5,638 |
| Marketing, data processing, and professional services | 2,260 | 1,632 | 6,323 | 4,857 |
| Non-recurring expenses | 1,606 | - | 1,758 | 385 |
| Amortization of intangible assets | 684 | 478 | 2,008 | 1,434 |
| Other | 1,730 | 1,357 | 5,092 | 4,490 |
| Total non-interest expense | 16,589 | 11,353 | 47,102 | 34,216 |
| Income (loss) from continuing operations before income taxes | | | | |