

BERKSHIRE HILLS BANCORP INC

Form 10-Q

May 10, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended: March 31, 2010

○ 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: 000-51584
BERKSHIRE HILLS BANCORP, INC.
(Exact name of registrant as specified in its charter)**

Delaware

04-3510455

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

24 North Street, Pittsfield, Massachusetts

01201

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(413) 443-5601**

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 has submitted electronically and posted on its corporate Web site, if any, 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 ○ No ○

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

Large Accelerated Filer ○ Accelerated Filer ☐ Non-Accelerated Filer ○ Smaller Reporting Company ○

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

The Registrant had 14,031,596 shares of common stock, par value \$0.01 per share, outstanding as of May 3, 2010.

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BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED BALANCE SHEETS**

<i>(In thousands, except share data)</i>	March 31, 2010	December 31, 2009
Assets		
Cash and due from banks	\$ 23,880	\$ 25,770
Short-term investments	2,697	6,838
Total cash and cash equivalents	26,577	32,608
Trading security	15,816	15,880
Securities available for sale, at fair value	313,968	324,345
Securities held to maturity (fair values of \$62,524 and \$58,567)	62,811	57,621
Federal Home Loan Bank stock and other restricted securities	23,120	23,120
Total securities	415,715	420,966
Loans held for sale	1,874	4,146
Residential mortgages	635,614	609,007
Commercial mortgages	862,209	851,828
Commercial business loans	177,532	186,044
Consumer loans	305,986	314,779
Total loans	1,981,341	1,961,658
Less: Allowance for loan losses	(31,829)	(31,816)
Net loans	1,949,512	1,929,842
Premises and equipment, net	37,396	37,390
Other real estate owned	3,250	30
Goodwill	161,725	161,725
Other intangible assets	13,608	14,375
Cash surrender value of bank-owned life insurance policies	34,973	36,904
Other assets	60,829	62,438
Total assets	\$ 2,705,459	\$ 2,700,424
Liabilities		
Demand deposits	\$ 272,409	\$ 276,587
NOW deposits	195,848	197,176
Money market deposits	582,006	532,840
Savings deposits	237,454	208,597
Time deposits	749,576	771,562

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Total deposits	2,037,293	1,986,762
Short-term debt	44,130	83,860
Long-term Federal Home Loan Bank advances	197,447	207,344
Junior subordinated debentures	15,464	15,464
Other liabilities	25,804	22,413
Total liabilities	2,320,138	2,315,843
Stockholders equity		
Common stock (\$.01 par value; 26,000,000 shares authorized; 15,848,825 shares issued and 14,027,325 shares outstanding in 2010; 15,848,825 shares issued and 13,916,094 shares outstanding in 2009)	158	158
Additional paid-in capital	337,731	338,822
Unearned compensation	(2,945)	(1,318)
Retained earnings	100,125	99,033
Accumulated other comprehensive loss	(3,535)	(2,968)
Treasury stock, at cost (1,821,500 shares in 2010 and 1,932,731 shares in 2009)	(46,213)	(49,146)
Total stockholders equity	385,321	384,581
Total liabilities and stockholders equity	\$ 2,705,459	\$ 2,700,424

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

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BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME

<i>(In thousands, except per share data)</i>	Three Months Ended March 31,	
	2010	2009
Interest and dividend income		
Loans	\$ 23,947	\$ 26,432
Securities and other	3,535	3,448
Total interest and dividend income	27,482	29,880
Interest expense		
Deposits	6,896	8,473
Borrowings and junior subordinated debentures	2,289	3,696
Total interest expense	9,185	12,169
Net interest income	18,297	17,711
Non-interest income		
Deposit, loan and interest rate swap fees	3,416	2,627
Insurance commissions and fees	3,473	4,569
Wealth management fees	1,176	1,189
Total fee income	8,065	8,385
Loss on sale of securities, net		(2)
Non-recurring loss		(63)
Other	433	352
Total non-interest income	8,498	8,672
Total net revenue	26,795	26,383
Provision for loan losses	2,326	2,500
Non-interest expense		
Compensation and benefits	10,997	9,352
Occupancy and equipment	3,035	3,128
Technology and communications	1,383	1,285
Marketing and professional services	1,297	1,083
Supplies, postage and delivery	573	695
FDIC premiums and assessments	773	692
Other real estate owned	27	143
Amortization of intangible assets	768	833
Non-recurring expenses	21	
Other	1,318	1,242
Total non-interest expense	20,192	18,453
Income before income taxes	4,277	5,430
Income tax expense	941	1,547

Net income	\$	3,336	\$	3,883
Less: Cumulative preferred stock dividends and accretion				637
Net income available to common stockholders	\$	3,336	\$	3,246
Basic earnings per common share	\$	0.24	\$	0.27
Diluted earnings per common share	\$	0.24	\$	0.27
Weighted average common shares outstanding:				
Basic		13,829		12,164
Diluted		13,858		12,247

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

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

<i>(In thousands)</i>	Common stock Shares	Preferred stock Amount	Additional paid-in capital	Unearned compen- sation	Retained earnings	Accumulated other comp- rehensive loss	Treasury stock	Total	
Balance at December 31, 2008	12,253	\$ 142	\$ 36,822	\$ 307,620	\$ (1,905)	\$ 127,773	\$ (11,574)	\$ (50,453)	\$ 408,425
Comprehensive income:									
Net income					3,883				3,883
Other net comprehensive income						2,289			2,289
Total comprehensive income									6,172
Preferred stock discount accretion and dividends			137		(448)				(311)
Cash dividends declared (\$0.16 per share)					(1,963)				(1,963)
Forfeited shares	(4)			(15)	73		(108)		(50)
Exercise of stock options	10				(82)		278		196
Restricted stock grants	47			(92)	(1,104)		1,196		
Stock-based compensation				16	382				398
Other, net				(27)	50	13	(85)		(49)
Balance at March 31, 2009	12,306	142	36,959	307,502	(2,504)	129,176	(9,285)	(49,172)	412,818
Balance at December 31, 2009	13,916	158		338,822	(1,318)	99,033	(2,968)	(49,146)	384,581
Comprehensive income:									
Net income					3,336				3,336
Other net comprehensive loss						(567)			(567)
Total comprehensive income									2,769
Cash dividends declared (\$0.16 per share)					(2,244)				(2,244)
Restricted stock grants	123			(1,093)	(2,036)		3,129		
Stock-based compensation				2	409				411
Other, net	(12)						(196)		(196)
Balance at March 31, 2010	14,027	\$ 158	\$	\$ 337,731	\$ (2,945)	\$ 100,125	\$ (3,535)	\$ (46,213)	\$ 385,321

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

<i>(In thousands)</i>	Three Months Ended March 31,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 3,336	\$ 3,883
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,326	2,500
Net amortization of securities	673	189
Change in unamortized net loan costs and premiums	233	106
Premises depreciation and amortization expense	912	965
Stock-based compensation expense	411	398
Amortization of other intangibles	768	833
Income from cash surrender value of bank-owned life insurance policies	(286)	(296)
Loss on sales of securities, net		2
Net decrease (increase) in loans held for sale	2,272	(3,508)
Net change in other	3,793	(2,190)
 Net cash provided by operating activities	 14,438	 2,882
 Cash flows from investing activities:		
Trading security:		
Proceeds from maturities, calls and prepayments	110	
Securities available for sale:		
Sales	3,159	7,914
Proceeds from maturities, calls and prepayments	24,389	9,505
Purchases	(17,370)	(16,027)
Settlement of outstanding due to broker on purchases		(19,895)
Securities held to maturity:		
Proceeds from maturities, calls and prepayments	6,304	2,775
Purchases	(11,494)	(4,876)
 Loan originations and principal repayments, net	 (25,479)	 35,035
Proceeds from surrender of life insurance	2,217	
Capital expenditures	(965)	(545)
 Net cash (used) provided by investing activities	 (19,129)	 13,886
 Cash flows from financing activities:		
Net increase in deposits	50,531	108,500
Proceeds from Federal Home Loan Bank advances and other borrowings	44,130	30,000
Repayments of Federal Home Loan Bank advances and other borrowings	(93,757)	(61,998)
Net proceeds from reissuance of treasury stock		196
Preferred stock cash dividends paid		(189)
Common stock cash dividends paid	(2,244)	(1,963)

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Net cash (used) provided by financing activities	(1,340)	74,546
Net change in cash and cash equivalents	(6,031)	91,314
Cash and cash equivalents at beginning of period	32,608	44,798
Cash and cash equivalents at end of period	\$ 26,577	\$ 136,112
Supplemental cash flow information:		
Interest paid on deposits	6,917	8,468
Interest paid on borrowed funds	2,316	3,830
Income taxes paid, net	2,209	106

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

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1. GENERAL

Basis of presentation and consolidation

The consolidated financial statements (the financial statements) of Berkshire Hills Bancorp, Inc. (the Company or Berkshire) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q adopted by the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required by GAAP