

BERKSHIRE HILLS BANCORP INC
Form 10-Q
August 09, 2012
[Table of Contents](#)

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: June 30, 2012

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.

Edgar Filing: BERKSHIRE HILLS BANCORP INC - Form 10-Q

(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)

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 22,208,105 shares of common stock, par value \$0.01 per share, outstanding as of August 3, 2012.

Table of Contents

BERKSHIRE HILLS BANCORP, INC.

FORM 10-Q

INDEX

	Page
<u>PART I.</u>	
<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	
<u>Consolidated Financial Statements (unaudited)</u>	
<u>Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011</u>	4
<u>Consolidated Statements of Income for the Three and Six Months Ended June 30, 2012 and 2011</u>	5
<u>Consolidated Statements of Comprehensive Income for the Six Months Ended June 30, 2012 and 2011</u>	6
<u>Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2012 and 2011</u>	7
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2012 and 2011</u>	8
Notes to Consolidated Financial Statements	9
<u>Note 1</u>	<u>Basis of Presentation</u>
<u>Note 2</u>	<u>Recent Accounting Pronouncements</u>
<u>Note 3</u>	<u>Acquisitions</u>
<u>Note 4</u>	<u>Trading Account Security</u>
<u>Note 5</u>	<u>Securities Available for Sale and Held to Maturity</u>
<u>Note 6</u>	<u>Loans</u>
<u>Note 7</u>	<u>Deposits</u>
<u>Note 8</u>	<u>Stockholders' Equity</u>
<u>Note 9</u>	<u>Earnings per Share</u>
<u>Note 10</u>	<u>Stock-Based Compensation Plans</u>
<u>Note 11</u>	<u>Operating Segments</u>
<u>Note 12</u>	<u>Derivative Financial Instruments and Hedging Activities</u>
<u>Note 13</u>	<u>Fair Value Measurements</u>
<u>Note 14</u>	<u>Net Interest Income after Provision for Loan Losses</u>
<u>Note 15</u>	<u>Subsequent Events</u>
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	50
<u>Selected Financial Data</u>	55
<u>Average Balances and Average Yields/Rates</u>	57
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	65
<u>Item 4.</u>	
<u>Controls and Procedures</u>	66
<u>PART II.</u>	
<u>OTHER INFORMATION</u>	

Table of Contents

<u>Item 1A.</u>	<u>Risk Factors</u>	67
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	68
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	68
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	68
<u>Item 5.</u>	<u>Other Information</u>	68
<u>Item 6.</u>	<u>Exhibits</u>	68
<u>Signatures</u>		70

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

(In thousands, except share data)	June 30, 2012	December 31, 2011
Assets		
Cash and due from banks	\$ 44,696	\$ 46,713
Short-term investments	21,790	28,646
Total cash and cash equivalents	66,486	75,359
Trading security	17,365	17,395
Securities available for sale, at fair value	471,368	419,756
Securities held to maturity (fair values of \$43,285 and \$60,395)	41,822	58,912
Federal Home Loan Bank stock and other restricted securities	37,174	37,118
Total securities	567,729	533,181
Loans held for sale	59,280	1,455
Residential mortgages	1,193,447	1,020,435
Commercial mortgages	1,281,058	1,156,241
Commercial business loans	519,684	410,292
Consumer loans	371,430	369,602
Total loans	3,365,619	2,956,570
Less: Allowance for loan losses	(32,868)	(32,444)
Net loans	3,332,751	2,924,126
Premises and equipment, net	68,569	60,139
Other real estate owned	827	1,900
Goodwill	220,360	202,391
Other intangible assets	19,505	20,973
Cash surrender value of bank-owned life insurance policies	76,290	75,009
Other assets	95,926	91,309
Assets from discontinued operations		5,362
Total assets	\$ 4,507,723	\$ 3,991,204
Liabilities		
Demand deposits	\$ 535,472	\$ 447,414
NOW deposits	298,236	272,204
Money market deposits	1,158,562	1,055,306
Savings deposits	371,668	350,517
Time deposits	1,045,767	975,734
Total deposits	3,409,705	3,101,175
Short-term debt	239,030	10,000
Long-term Federal Home Loan Bank advances	213,497	211,938
Junior subordinated debentures	15,464	15,464
Total borrowings	467,991	237,402

Edgar Filing: BERKSHIRE HILLS BANCORP INC - Form 10-Q

Other liabilities	46,757	43,758
Liabilities from discontinued operations		55,504
Total liabilities	3,924,453	3,437,839
Stockholders' equity		
Common stock (\$.01 par value; 50,000,000 shares authorized and 23,824,972 shares issued and 22,169,157 shares outstanding in 2012; 22,860,368 shares issued and 21,147,736 shares outstanding in 2011)	238	229
Additional paid-in capital	516,183	494,304
Unearned compensation	(3,200)	(2,790)
Retained earnings	115,871	109,477
Accumulated other comprehensive loss	(4,336)	(4,885)
Treasury stock, at cost (1,655,815 shares in 2012 and 1,712,632 shares in 2011)	(41,486)	(42,970)
Total stockholders' equity	583,270	553,365
Total liabilities and stockholders' equity	\$ 4,507,723	\$ 3,991,204

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

Table of Contents**BERKSHIRE HILLS BANCORP, INC.****CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Interest and dividend income				
Loans	\$ 38,787	\$ 28,607	\$ 73,838	\$ 53,213
Securities and other	3,869	3,446	7,490	6,753
Total interest and dividend income	42,656	32,053	81,328	59,966
Interest expense				
Deposits	5,482	5,768	10,984	11,483
Borrowings and junior subordinated debentures	2,121	2,084	4,146	4,136
Total interest expense	7,603	7,852	15,130	15,619
Net interest income	35,053	24,201	66,198	44,347
Non-interest income				
Loan related fees	3,524	780	4,897	1,371
Deposit related fees	3,963	3,366	7,463	5,907
Insurance commissions and fees	2,768	2,782	5,514	6,512
Wealth management fees	1,757	1,389	3,657	2,581
Total fee income	12,012	8,317	21,531	16,371
Other	269	(277)	510	(197)
Gain on borrowings		124	42	124
Gain on sale of securities, net	7	6	7	6
Total non-interest income	12,288	8,170	22,090	16,304
Total net revenue	47,341	32,371	88,288	60,651
Provision for loan losses	2,250	1,500	4,250	3,100
Non-interest expense				
Compensation and benefits	15,638	12,027	29,227	23,178
Occupancy and equipment	4,490	3,546	8,885	6,981
Technology and communications	2,258	1,531	4,216	2,997
Marketing and promotion	778	341	1,129	622
Professional services	1,493	1,216	2,858	2,148
FDIC premiums and assessments	870	741	1,551	1,768
Other real estate owned and foreclosures	(6)	700	173	1,309
Amortization of intangible assets	1,357	935	2,668	1,651
Merger, acquisition and conversion related expenses	4,085	5,451	8,308	7,159
Other	3,221	2,135	5,363	3,999
Total non-interest expense	34,184	28,623	64,378	51,812
Income from continuing operations before income taxes	10,907	2,248	19,660	5,739
Income tax expense	2,921	371	5,193	1,027
Net income from continuing operations	7,986	1,877	14,467	4,712
Loss from discontinued operations before income taxes (including gain on disposal of \$63)			(261)	
Income tax expense			376	
Net loss from discontinued operations			(637)	
Net income	\$ 7,986	\$ 1,877	\$ 13,830	\$ 4,712
Basic and diluted earnings per share:				
Continuing operations	\$ 0.37	\$ 0.11	\$ 0.68	\$ 0.31

Edgar Filing: BERKSHIRE HILLS BANCORP INC - Form 10-Q

Discontinued operations				(0.03)	
Total basic and diluted earnings per share	\$	0.37	\$	0.11	\$ 0.31
Weighted average common shares outstanding:					
Basic		21,742		16,580	21,349 15,269
Diluted		21,806		16,601	21,434 15,299

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

Table of Contents**BERKSHIRE HILLS BANCORP, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$ 7,986	\$ 1,877	\$ 13,830	\$ 4,712
Other comprehensive income				
Changes in unrealized gainson securities available-for-sale	1,394	878	2,687	1,894
Changes in unrealized (losses) gains on derivative hedges	(2,488)	(816)	(2,204)	436
Changes in unrealized gains on terminated swaps	235	235	471	471
Changes in unrealized losses on pension	(257)		(257)	
Income taxes related to other comprehensive income	672	(103)	(148)	(1,085)
Total other comprehensive (loss) income	(444)	194	549	1,716
Total comprehensive income	\$ 7,542	\$ 2,071	\$ 14,379	\$ 6,428

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

Table of Contents**BERKSHIRE HILLS BANCORP, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

(In thousands)	Common stock		Additional	Unearned	Retained	Accumulated	Treasury	Total
	Shares	Amount	paid-in	compensation	earnings	other	stock	
			capital			comprehensive		
						loss		
Balance at December 31, 2010	14,076	\$ 158	\$ 337,537	\$ (1,776)	\$ 103,972	\$ (6,410)	\$ (44,834)	\$ 388,647
Comprehensive income:								
Net income					4,712			4,712
Other comprehensive income						1,716		1,716
Total comprehensive income								6,428
Acquisition of Rome Bancorp, Inc.	2,661	27	55,463					55,490
Rome ESOP loan repayment	(44)						(943)	(943)