

BERKSHIRE HILLS BANCORP INC
Form 10-Q
November 09, 2018
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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: September 30, 2018

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: (800) 773-5601, ext. 133773

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 every Interactive Data File required to be submitted 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filers," "accelerated filers," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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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.

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 45,416,443 shares of common stock, par value \$0.01 per share, outstanding as of November 7, 2018.

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PART I

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	September 30, 2018	December 31, 2017
Assets		
Cash and due from banks	\$93,038	\$91,122
Short-term investments	42,696	157,641
Total cash and cash equivalents	135,734	248,763
Trading security, at fair value	11,179	12,277
Marketable equity securities, at fair value	59,734	45,185
Securities available for sale, at fair value	1,391,373	1,380,914
Securities held to maturity (fair values of \$371,775 and \$405,276)	379,404	397,103
Federal Home Loan Bank stock and other restricted securities	76,184	63,085
Total securities	1,917,874	1,898,564
Loans held for sale, at fair value	91,639	153,620
Commercial real estate loans	3,371,773	3,264,742
Commercial and industrial loans	1,902,228	1,803,939
Residential mortgages	2,509,324	2,102,807
Consumer loans	1,121,188	1,127,850
Total loans	8,904,513	8,299,338
Less: Allowance for loan losses	(58,457)	(51,834)
Net loans	8,846,056	8,247,504
Premises and equipment, net	111,130	109,352
Goodwill	518,325	519,287
Other intangible assets	34,620	38,296
Cash surrender value of bank-owned life insurance policies	194,369	191,221
Deferred tax assets, net	56,708	47,061
Other assets	123,604	117,083
Total assets	\$12,030,059	\$11,570,751
Liabilities		
Demand deposits	\$1,563,845	\$1,606,656
NOW and other deposits	844,210	734,558
Money market deposits	2,447,184	2,776,157
Savings deposits	737,682	741,954
Time deposits	3,173,180	2,890,205
Total deposits	8,766,101	8,749,530
Short-term debt	1,187,944	667,300
Long-term Federal Home Loan Bank advances	262,709	380,436
Subordinated borrowings	89,473	89,339
Total borrowings	1,540,126	1,137,075
Other liabilities	191,517	187,882
Total liabilities	\$10,497,744	\$10,074,487
(continued)		

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	September 30, 2018	December 31, 2017
Shareholders' equity		
Preferred Stock (Series B non-voting convertible preferred stock - \$0.01 par value; 2,000,000 shares authorized, 521,607 shares issued and outstanding in 2018; 1,000,000 shares authorized, 521,607 shares issued and outstanding in 2017)	40,633	40,633
Common stock (\$.01 par value; 100,000,000 shares authorized and 46,211,894 shares issued and 45,420,478 shares outstanding in 2018; 50,000,000 shares authorized, 46,211,894 shares issued and 45,290,433 shares outstanding in 2017)	460	460
Additional paid-in capital - common stock	1,244,748	1,242,487
Unearned compensation	(8,661) (6,531)
Retained earnings	305,259	239,179
Accumulated other comprehensive (loss) income	(28,647) 4,161
Treasury stock, at cost (791,416 shares in 2018 and 921,461 shares in 2017)	(21,477) (24,125)
Total shareholders' equity	1,532,315	1,496,264
Total liabilities and shareholders' equity	\$ 12,030,059	\$ 11,570,751

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

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CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest and dividend income				
Loans	\$104,273	\$76,024	\$298,757	\$216,950
Securities and other	14,918	13,036	44,553	37,485
Total interest and dividend income	119,191	89,060	343,310	254,435
Interest expense				
Deposits	21,460	10,984	54,553	30,053
Borrowings	8,390	6,078	22,825	15,953
Total interest expense	29,850	17,062	77,378	46,006
Net interest income	89,341	71,998	265,932	208,429
Non-interest income				
Mortgage banking originations	8,971	13,374	29,313	42,333
Loan related income	7,537	6,081	19,524	15,535
Deposit related fees	7,004	6,445	22,675	19,294
Insurance commissions and fees	2,930	2,581	8,504	8,305
Wealth management fees	2,283	2,315	7,160	7,127
Total fee income	28,725	30,796	87,176	92,594
Other, net	468	(2,255)	1,891	(2,438)
Gain/(loss) on securities, net	88	(1)	(696)	12,568
Gain on sale of business operations and other assets, net	—	296	460	296
Loss on termination of hedges	—	—	—	(6,629)
Total non-interest income	29,281	28,836	88,831	96,391
Total net revenue	118,622	100,834	354,763	304,820
Provision for loan losses	6,628	4,900	18,735	14,884
Non-interest expense				
Compensation and benefits	39,923	37,643	123,241	110,759
Occupancy and equipment	10,144	8,267	30,456	25,971
Technology and communications	7,949	6,644	22,138	19,614
Marketing and promotion	1,484	2,128	6,465	7,304
Professional services	1,867	2,247	5,059	6,888
FDIC premiums and assessments	1,640	1,651	4,246	4,537
Other real estate owned and foreclosures	(1)	(23)	67	35
Amortization of intangible assets	1,218	739	3,732	2,310
Acquisition, restructuring, and other expenses	198			