

BERKSHIRE HILLS BANCORP INC
Form 10-Q
August 09, 2010

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, 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
(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

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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 14,035,102 shares of common stock, par value \$0.01 per share, outstanding as of August 5, 2010.

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PART I

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	June 30, 2010	December 31, 2009
Assets		
Cash and due from banks	\$ 27,931	\$ 25,770
Short-term investments	14,317	6,838
Total cash and cash equivalents	42,248	32,608
Trading security	16,914	15,880
Securities available for sale, at fair value	296,206	324,345
Securities held to maturity (fair values of \$58,775 and \$58,567)	58,618	57,621
Federal Home Loan Bank stock and other restricted securities	23,120	23,120
Total securities	394,858	420,966
Loans held for sale	3,156	4,146
Residential mortgages	638,439	609,007
Commercial mortgages	890,494	851,828
Commercial business loans	191,277	186,044
Consumer loans	299,771	314,779
Total loans	2,019,981	1,961,658
Less: Allowance for loan losses	(31,848)	(31,816)
Net loans	1,988,133	1,929,842
Premises and equipment, net	37,914	37,390
Other real estate owned	2,900	30
Goodwill	161,725	161,725
Other intangible assets	12,840	14,375
Cash surrender value of bank-owned life insurance policies	35,270	36,904
Other assets	68,484	62,438
Total assets	\$ 2,747,528	\$ 2,700,424
Liabilities		
Demand deposits	\$ 276,149	\$ 276,587
NOW deposits	187,401	197,176
Money market deposits	605,529	532,840
Savings deposits	217,977	208,597
Time deposits	753,115	771,562
Total deposits	2,040,171	1,986,762
Short-term debt	72,250	83,860
Long-term Federal Home Loan Bank advances	197,567	207,344
Junior subordinated debentures	15,464	15,464
Other liabilities	37,449	22,413
Total liabilities	2,362,901	2,315,843

Stockholders' equity		
Common stock (\$0.01 par value; 26,000,000 shares authorized; 15,848,825 shares issued and 14,036,577 shares outstanding in 2010; 15,848,825 shares issued and 13,916,094 shares outstanding in 2009)	158	158
Additional paid-in capital	337,690	338,822
Unearned compensation	(2,513)	(1,318)
Retained earnings	101,193	99,033
Accumulated other comprehensive loss	(5,979)	(2,968)
Treasury stock, at cost (1,812,248 shares in 2010 and 1,932,731 shares in 2009)	(45,922)	(49,146)
Total stockholders' equity	384,627	384,581
Total liabilities and stockholders' equity	\$ 2,747,528	\$ 2,700,424

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

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Interest and dividend income				
Loans	\$ 24,490	\$ 25,370	\$ 48,437	\$ 51,802
Securities and other	3,473	3,395	7,008	6,843
Total interest and dividend income	27,963	28,765	55,445	58,645
Interest expense				
Deposits	6,787	8,677	13,683	17,150
Borrowings and junior subordinated debentures	2,305	3,364	4,594	7,060
Total interest expense	9,092	12,041	18,277	24,210
Net interest income	18,871	16,724	37,168	34,435
Non-interest income				
Deposit, loan and interest rate swap fees	3,575	2,307	6,991	4,934
Insurance commissions and fees	3,197	3,274	6,670	7,843
Wealth management fees	1,140	1,113	2,316	2,302
Total fee income	7,912	6,694	15,977	15,079
Gain on sale of securities, net	-	3	-	1
Non-recurring income	-	1,240	-	1,177
Other	51	468	484	820
Total non-interest income	7,963	8,405	16,461	17,077
Total net revenue	26,834	25,129	53,629	51,512
Provision for loan losses	2,200	2,200	4,526	4,700
Non-interest expense				
Compensation and benefits	10,960	8,902	21,957	18,254
Occupancy and equipment	2,963	2,859	5,998	5,987
Technology and communications	1,373	1,370	2,756	2,655
Marketing and professional services	1,116	1,121	2,413	2,461
Supplies, postage and delivery	542	689	1,115	1,384
FDIC premiums and assessments	874	2,387	1,647	3,079
Other real estate owned	-	19	27	161
Amortization of intangible assets	768	833	1,536	1,666
Non-recurring expenses	-	601	21	601
Other	1,432	1,197	2,750	2,183
Total non-interest expense	20,028	19,978	40,220	38,431
Income before income taxes	4,606	2,951	8,883	8,381
Income tax expense	1,198	620	2,139	2,167
Net income	\$ 3,408	\$ 2,331	\$ 6,744	\$ 6,214
Less: Cumulative preferred stock dividend and accretion	-	393	-	1,030
Less: Deemed dividend resulting from preferred stock repayment	-	2,954	-	2,954
Net income (loss) available to common stockholders	\$ 3,408	\$ (1,016)	\$ 6,744	\$ 2,230
Basic earnings (loss) per common share	\$ 0.25	\$ (0.08)	\$ 0.49	\$ 0.18

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Diluted earnings (loss) per common share	\$	0.25	\$	(0.08)	\$	0.49	\$	0.18
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Weighted average common shares outstanding:

Basic	13,856	12,946	13,845	12,556
Diluted	13,894	12,946	13,875	12,598

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

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

(In thousands)	Common stock Shares	Common stock Amount	Preferred stock	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	-	-	-	-	-	6,214	-	-	6,214
Other net comprehensive income	-	-	-	-	-	-	5,547	-	5,547
Total comprehensive income									11,761
Redemption of preferred stock, including deemed dividend of \$2,954	-	-	(37,046)	-	-	(2,954)	-	-	(40,000)
Preferred stock discount accretion and dividends	-	-	224	-	-	(1,030)	-	-	(806)
Repurchase of warrant issued with preferred stock	-	-	-	(1,040)	-	-	-	-	(1,040)
Issuance of common stock, net of issuance costs of \$2,266	1,610	16	-	32,349	-	-	-	-	32,365
Cash dividends declared (\$0.32 per share)	-	-	-	-	-	(3,932)	-	-	(3,932)
Forfeited shares	(4)	-	-	(15)	73	-	-	(108)	(50)
Exercise of stock options	10	-	-	-	-	(92)	-	307	215
Restricted stock grants	47	-	-	(92)	(1,104)	-	-	1,196	-
Stock-based compensation	-	-	-	31	718	-	-	-	749

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Other, net	-	-	-	(17)	50	(64)	-	(105)	(136)
Balance at June 30, 2009	13,916	\$ 158	\$ -	\$ 338,836	\$ (2,168)	\$ 125,915	\$ (6,027)	\$ (49,163)	\$ 407,551
Balance at December 31, 2009	13,916	\$ 158	\$ -	\$ 338,822	\$ (1,318)	\$ 99,033	\$ (2,968)	\$ (49,146)	\$ 384,581
Comprehensive income:									
Net income	-	-	-	-	-	6,744	-	-	6,744
Other net comprehensive loss	-	-	-	-	-	-	(3,011)	-	(3,011)
Total comprehensive income									3,733
Cash dividends declared (\$0.32 per share)	-	-	-	-	-	(4,492)			