

BERKSHIRE HILLS BANCORP INC
Form 10-Q
August 11, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2014

**o 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)

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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 25,167,129 shares of common stock, par value \$0.01 per share, outstanding as of August 6, 2014.

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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, 2014	December 31, 2013
Assets		
Cash and due from banks	\$ 81,642	\$ 56,841
Short-term investments	31,236	18,698
Total cash and cash equivalents	112,878	75,539
Trading security	14,971	14,840
Securities available for sale, at fair value	1,080,668	760,048
Securities held to maturity (fair values of \$44,359 and \$45,764)	43,178	44,921
Federal Home Loan Bank stock and other restricted securities	59,479	50,282
Total securities	1,198,296	870,091
Loans held for sale, at fair value	20,185	15,840
Residential mortgages	1,397,231	1,384,274
Commercial real estate	1,579,500	1,417,120
Commercial and industrial loans	727,959	687,293
Consumer loans	745,613	691,836
Total loans	4,450,303	4,180,523
Less: Allowance for loan losses	(34,353)	(33,323)
Net loans	4,415,950	4,147,200
Premises and equipment, net	86,936	84,459
Other real estate owned	2,445	2,758
Goodwill	264,770	256,871
Other intangible assets	13,761	13,791
Cash surrender value of bank-owned life insurance policies	102,988	101,530
Deferred tax assets, net	37,911	50,711
Other assets	55,254	54,009
Total assets	\$ 6,311,374	\$ 5,672,799
Liabilities		
Demand deposits	\$ 794,574	\$ 677,917
NOW deposits	416,879	353,612
Money market deposits	1,425,348	1,383,856
Savings deposits	478,770	431,496
Time deposits	1,362,992	1,001,648
Total deposits	4,478,563	3,848,529
Short-term debt	900,000	872,510
Long-term Federal Home Loan Bank advances	64,179	101,918

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Subordinated borrowings	89,713	89,679
Total borrowings	1,053,892	1,064,107
Other liabilities	88,456	82,101
Total liabilities	5,620,911	4,994,737

Stockholders equity

Common stock (\$.01 par value; 50,000,000 shares authorized and 26,525,466 shares issued and 25,115,138 shares outstanding in 2014; 26,525,466 shares issued and 25,036,169 shares outstanding in 2013)	265	265
Additional paid-in capital	585,340	587,247
Unearned compensation	(6,888)	(5,563)
Retained earnings	142,249	141,958
Accumulated other comprehensive income (loss)	4,276	(9,057)
Treasury stock, at cost (1,410,328 shares in 2014 and 1,489,297 shares in 2013)	(34,779)	(36,788)
Total stockholders equity	690,463	678,062
Total liabilities and stockholders equity	\$ 6,311,374	\$ 5,672,799

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

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(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest and dividend income				
Loans	\$ 42,309	\$ 45,443	\$ 84,803	\$ 92,524
Securities and other	8,866	4,254	16,167	8,054
Total interest and dividend income	51,175	49,697	100,970	100,578
Interest expense				
Deposits	4,478	5,052	9,199	10,415
Borrowings	2,368	3,541	4,676	7,122
Total interest expense	6,846	8,593	13,875	17,537
Net interest income	44,329	41,104	87,095	83,041
Non-interest income				
Loan related income	1,846	2,644	3,094	5,361
Mortgage banking income	691	2,129	1,063	4,346
Deposit related fees	6,610	4,805	12,049	9,064
Insurance commissions and fees	2,460	2,407	5,509	5,404
Wealth management fees	2,294	2,070	4,843	4,334
Total fee income	13,901	14,055	26,558	28,509
Other	402	546	926	890
Gain on sale of securities, net	203	1,005	237	1,005
Loss on termination of hedges			(8,792)	
Total non-interest income	14,506	15,606	18,929	30,404
Total net revenue	58,835	56,710	106,024	113,445
Provision for loan losses	3,989	2,700	7,385	5,100
Non-interest expense				
Compensation and benefits	20,279	18,151	40,138	35,892
Occupancy and equipment	6,656	5,737	13,470	11,505
Technology and communications	3,800	3,480	7,578	6,471
Marketing and promotion	621	603	1,142	1,241
Professional services	1,024	1,764	2,176	3,254
FDIC premiums and assessments	1,029	890	2,038	1,718
Other real estate owned and foreclosures	33	284	556	307
Amortization of intangible assets	1,274	1,345	2,580	2,722
Acquisition, restructuring and conversion related expenses	190	775	6,491	5,839
Other	4,357	4,906	8,454	8,469
Total non-interest expense	39,263	37,935	84,623	77,418
Income before income taxes	15,583	16,075	14,016	30,927
Income tax expense	4,119	4,038	3,658	8,425
Net income	\$ 11,464	\$ 12,037	\$ 10,358	