BERKSHIRE BANCORP INC /DE/
Form 10-Q
November 13, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2002

or

[ ] 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: 0-13649

BERKSHIRE BANCORP INC.
(Exact name of registrant as specified in its charter)

Delaware	94-2563513
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
160 Broadway, New York, New York	10038
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 791-5362

N/A
(Former name if changed since last report.)

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 X No

As of November 8, 2002, there were 2,241,576 outstanding shares of the issuers Common Stock, $.10 par value.

BERKSHIRE BANCORP INC. AND SUBSIDIARIES

FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q that are not based on historical fact may be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believe", "may", "will", "expect", "estimate", "anticipate", "continue" or similar terms identify forward-looking statements. A wide variety of factors could cause the Company's actual results and experiences to differ materially from the results expressed or implied by the Company's forward-looking statements. Some of the risks and uncertainties that may affect operations, performance, results of the Company's business, the interest rate sensitivity of its assets and liabilities, and the adequacy of its loan loss allowance, include, but are not limited to: (i) deterioration in local, regional, national or global economic conditions which could result, among other things, in an increase in loan delinquencies, a decrease in property values, or a change in the housing turnover rate; (ii) changes in market interest rates or changes in the speed at which market interest rates change; (iii) changes in laws and regulations affecting the financial services industry; (iv) changes in competition; (v) changes in consumer preferences, (vi) changes in banking technology; (vii) ability to maintain key members of management, (viii) possible disruptions in the Company's operations at its banking facilities, and other factors referred to in the sections of this Quarterly Report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Certain information customarily disclosed by financial institutions, such as estimates of interest rate sensitivity and the adequacy of the loan loss allowance, are inherently forward-looking statements because, by their nature, they represent attempts to estimate what will occur in the future.

The Company cautions readers not to place undue reliance upon any forward-looking statement contained in this Quarterly Report. Forward-looking statements speak only as of the date they were made and the Company assumes no obligation to update or revise any such statements upon any change in applicable circumstances.

BERKSHIRE BANCORP INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q

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BERKSHIRE BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(unaudited)

	September 30, 2002	December 31, 2001
ASSETS		
Cash and due from banks	$ 5,589	$ 7,170
Interest bearing deposits	250	213
Federal funds sold	3,250	3,000
Total cash and cash equivalents	9,089	10,383
Investment Securities:		
Available-for-sale	339,998	240,966
Held-to-maturity	913	1,613
Total investment securities	340,911	242,579
Loans, net of unearned income	273,942	252,233
Less: allowance for loan losses	(2,217)	(2,030)
Net loans	271,725	250,203
Accrued interest receivable	4,189	3,399
Premises and equipment, net	8,673	7,446
Other assets	2,826	4,110
Goodwill, net of amortization of $2,300 in 2001	18,549	18,438
Total assets	$655,962	$536,558
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 32,311	$ 30,163
Interest bearing	423,764	308,613
Total deposits	456,075	338,776
Securities sold under agreements to repurchase	46,700	53,756
Long term borrowings	49,391	42,278
Accrued interest payable	3,204	2,406
Other liabilities	4,862	3,350
Total liabilities	560,232	440,566

Stockholders' equity		
Preferred stock - $.10 Par value: 2,000,000 shares authorized - none issued	--	--
Common stock - $.10 par value Authorized -- 10,000,000 shares Issued -- 2,566,095 shares Outstanding -- September 30, 2002, 2,244,676 shares December 31, 2001, 2,379,990 shares	256	256
Additional paid-in capital	89,869	89,914
Retained earnings	14,824	11,053
Accumulated other comprehensive loss, net	(137)	(281)
Less: Common stock in treasury - at cost: September 30, 2002, 321,419 shares December 31, 2001, 186,105 shares	(9,082)	(4,950)
Total stockholders' equity	95,730	95,992
	$655,962	$536,558

The accompanying notes are an integral part of this statement.

BERKSHIRE BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Data)
(unaudited)

	For The Three Months Ended September 30,		For Th Nine Month Septembe
	2002	2001	2002
INTEREST INCOME			
Loans	$4,730	$4,600	$13,943
Investment securities	3,740	2,490	9,815
Federal funds sold and interest bearing deposits	25	96	71

Total interest income	8,495	7,186	23,829
INTEREST EXPENSE			
Deposits	2,762	2,970	7,753
Borrowings	802	465	2,140
Total interest expense	3,564	3,435	9,893
Net interest income	4,931	3,751	13,936
PROVISION FOR LOAN LOSSES	200	115	357
Net interest income after provision for loan losses	4,731	3,636	13,579
NON-INTEREST INCOME			
Service charges on deposits	112	84	350
Investment securities gains	681	12	1,070
Other income	5	90	192
Total non-interest income	798	186	1,612
NON-INTEREST EXPENSE			
Salaries and employee benefits	1,269	1,238	3,869
Net occupancy expense	501	323	1,244
Equipment expense	76	51	209
FDIC assessment	17	13	47
Data processing expense	108	37	164
Amortization of goodwill	--	257	--
Other	927	545	2,566
Total non-interest expense	2,898	2,464	8,099
Income before provision for taxes	2,631	1,358	7,092
Provision for income taxes	1,118	714	3,086
Net income	$1,513	$ 644	$ 4,006
Net income per share:			
Basic	$ .67	$ .26	$ 1.73
Diluted	$ .67	$ .26	$ 1.73

The accompanying notes are an integral part of this statement.

BERKSHIRE BANCORP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For The Nine Months Ended September 30, 2002
(In Thousands)

	Common Shares	Stock Par value	Additional paid-in capital	Accumulated other comprehensive (loss), net	Accum-ulated earnings	Treasury stock
Balance at December 31, 2001	2,566	$256	$89,914	$ (281)	$ 11,053	$(4,950)
Net income					4,006	
Acquisition of treasury shares						(4,258)
Treasury shares issued for options exercised			(45)			126
Other comprehensive income net of reclassification adjustment and taxes				144		
Comprehensive income						
Cash dividends					(235)	
Balance at September 30, 2002 (Unaudited)	2,566	$256	$89,869	$ (137)	$ 14,824	$(9,082)

The accompanying notes are an integral part of this statement

BERKSHIRE BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For The Nine Months Ended September 30, 2002	2001
Cash flows from operating activities:		
Net income	$ 4,006	$ 1,978

Adjustments to reconcile net income to net cash provided by operating activities:		
Realized gain on investment securities	(1,070)	(495)
Depreciation and amortization	280	842
Provision for loan losses	357	162
Increase in accrued interest receivable	(790)	(190)
Decrease in other assets	1,172	805
Increase (decrease) in accrued interest payable and other liabilities	2,310	(168)
Net cash provided by operating activities	6,265	2,934
Cash flows from investing activities:		
Cash paid for business acquired	--	(20,222)
Cash of entity acquired	--	6,047
Investment securities available for sale		
Purchases	(1,048,313)	(227,872)
Sales	950,496	202,901
Investment securities held to maturity		
Purchases	--	(142,430)
Sales	700	162,023
Net increase in loans	(21,879)	(31,574)
Acquisition of premises and equipment	(1,507)	(3,907)
Net cash used in investing activities	(120,503)	(55,034)

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BERKSHIRE BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For The Nine Months Ended September 30,	
	2002	2001
Cash flows from financing activities:		
Net increase in non interest bearing deposits	2,148	13,339
Net increase in interest bearing deposits	115,151	33,983
Decrease in securities sold under agreements to repurchase	(7,056)	(13,691)
Issuance (repayment) of long term debt	7,113	(2,000)
Acquisition of treasury stock	(4,258)	(3,769)
Proceeds from exercise of common stock options	81	90
Dividends paid	(235)	(258)

Net cash provided by financing activities	112,944	27,694
Net (decrease) in cash	(1,294)	(24,406)
Cash - beginning of period	10,383	36,367
Cash - end of period	$ 9,089	$ 11,961
Supplemental cash flow information:		
Cash used to pay interest	$ 9,095	$ 7,905
Cash used to pay taxes	$ 3,876	$ 1,366

The accompanying notes are an integral part of this statement.

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BERKSHIRE BANCORP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
September 30, 2002 and 2001

NOTE 1. General

Berkshire Bancorp Inc. ("Berkshire", the "Company" or "we" and similar pronouns), a Delaware corporation, is a bank holding company registered under the Bank Holding Company Act of 1956. Berkshire's principal activity is the ownership and management of its wholly owned subsidiary, The Berkshire Bank (the "Bank"), a New York State chartered commercial bank.

The accompanying financial statements of Berkshire Bancorp Inc. and subsidiaries includes the accounts of the parent company, Berkshire Bancorp Inc., and its wholly-owned subsidiaries: The Berkshire Bank and Greater American Finance Group, Inc.

During interim periods, the Company follows the accounting policies set forth in its Annual Report on Form 10-K filed with the Securities and Exchange Commission. Readers are encouraged to refer to the Company's Form 10-K for the fiscal year ended December 31, 2001 when reviewing this Form 10-Q. Quarterly results reported herein are not necessarily indicative of results to be expected for other quarters.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary to present fairly the Company's consolidated financial position as of September 30, 2002 and December 31, 2001 and the consolidated results of its operations for the three and nine month periods ended September 30, 2002 and 2001, and its consolidated stockholders' equity for the nine month period ended September 30, 2002, and its consolidated cash flows for the nine month periods ended September 30, 2002 and 2001.

NOTE 2. Acquisitions

GSB Financial Corporation/Goshen Savings Bank. On March 30, 2001, Berkshire, through its wholly-owned subsidiaries, The Berkshire Bank and Greater

American Finance Group, Inc., completed its merger with GSB Financial Corporation ("GSB Financial"). Under the terms of the merger, 978,032 shares of GSB Financial common stock were converted into 589,460 shares of Berkshire common stock, and 974,338 shares of GSB Financial common stock were purchased for $20.75 per share, totaling approximately $20.2 million. This transaction was accounted for under the purchase method of accounting and accordingly, the results of GSB Financial's operations have been included in the Company's balances commencing April 1, 2001. The acquisition resulted in the recording of approximately $7.5 million of goodwill, which, through December 31, 2001, has been amortized on a straight-line basis over 15 years. (See Note 8.)

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BERKSHIRE BANCORP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

NOTE 3. Earnings Per Share

Basic earnings per share is calculated by dividing income available to common stockholders by the weighted average common shares outstanding, excluding stock options from the calculation. In calculating diluted earnings per share, the dilutive effect of stock options is calculated using the average market price for the Company's common stock during the period. The following table presents the calculation of earnings per share for the periods indicated:

	For The Three Months Ended			
	September 30, 2002			
	Income (numerator)	Shares (denominator)	Per share amount	Income (numerator)
	(In thousands, except per share dat			
Basic earnings per share				
Net income available to common stockholders	$ 1,513	2,252	$ .67	$ 644
Effect of dilutive securities				
Options	--	14	.--	--
Diluted earnings per share				
Net income available to common stockholders plus assumed conversions	$ 1,513	2,266	$ .67	$ 644

Options to purchase 45,375 shares of common stock for $31.75 to $38.00 per share and 119,375 shares of common stock for $30.00 to $38.00 per share were outstanding during the three month periods ended September 30, 2002 and 2001, respectively. These options were not included in the computation of diluted earnings per share because the option exercise price was greater than the average market price for the Company's common stock during this period.

	For The Nine Months Ended			
	September 30, 2002			
	Income (numerator)	Shares (denominator)	Per share amount	Income (numerator
	(In thousands, except per share			
Basic earnings per share				
Net income available to common stockholders	$ 4,006	2,309	$ 1.73	$ 1,978
Effect of dilutive securities				
Options	--	10	.--	--
Diluted earnings per share				
Net income available to common stockholders plus assumed conversions	$ 4,006	2,319	$ 1.73	$ 1,978

Options to purchase 45,375 shares of common stock for $31.75 to $38.00 per share and 119,375 shares of common stock for $30.00 to $38.00 per share were outstanding during the nine month periods ended September 30, 2002 and 2001, respectively. These options were not included in the computation of diluted earnings per share because the option exercise price was greater than the average market price for the Company's common stock during this period.

BERKSHIRE BANCORP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

NOTE 4. Investment Securities

The following tables summarize held to maturity and available-for-sale investment securities as of September 30, 2002 and December 31, 2001:

	September 30, 2002		
	Amortized Cost	Gross unrealized gains	Gross unrealized losses

	(In thousands)		
Held To Maturity Investment Securities			
U.S. Government Agencies	$ 913	$ 2	$ (1)
Totals	$ 913	$ 2	$ (1)

	December 31, 2001		
	Amortized Cost	Gross unrealized gains	Gross unrealized losses
	(In thousands)		
Held To Maturity Investment Securities			
U.S. Government Agencies	$ 1,613	$ 8	$ (23)
Totals	$ 1,613	$ 8	$ (23)

	September 30, 2001		
	Amortized Cost	Gross unrealized gains	Gross unrealized losses
	(In thousands)		
Available-For-Sale Investment Securities			
U.S. Treasury and Notes	$ 15,000	$ 301	$ --
U.S. Government Agencies	293,333	1,458	(1,225)
Mortgage-backed securities	6,318	10	--
Corporate notes	16,107	--	(17)
Marketable equity securities and other	9,470	231	(988)
Totals	$340,228	$ 2,000	$(2,230)

BERKSHIRE BANCORP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

NOTE 4. - (continued)

	December 31, 2001		
	Amortized Cost	Gross unrealized gains	Gross unrealized losses
	(In thousands)		
Available-For-Sale Investment securities			
U.S. Treasury and Notes	$ 30,012	$ 34	$ (8)
U.S. Government Agencies	170,610	589	(1,043)
Mortgage-backed securities	2,493	6	--
Corporate Notes	751	1	(113)
Marketable equity securities and other	37,547	87	--
Totals	$241,413	$ 717	$(1,164)

NOTE 5. Loan Portfolio

The following table sets forth information concerning the Company's loan portfolio by type of loan at the dates indicated:

	September 30, 2002		December
	Amount	% of Total	Amount
	(Dollars in thousands)		
Commercial and professional loans	$ 17,140	6.3%	$ 19,130
Secured by real estate			
1-4 family	185,132	67.6	165,195
Multi family	9,145	3.3	11,186
Non-residential (commercial)	58,979	21.5	51,893
Consumer	2,809	1.0	4,689
Other	737	0.3	140
Total loans	273,942	100.0%	252,233
Less: Allowance for loan losses	(2,217)		(2,030)
Loans, net	$271,725		$250,203

BERKSHIRE BANCORP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

NOTE 6. Deposits

The following table summarizes the composition of the average balances of major deposit categories:

	September 30, 2002		December 31, 2001	
	Average Amount	Average Yield	Average Amount	Average Yield
	(Dollars in thousands)			
Demand deposits	$ 30,287	--	$ 21,857	--
NOW and money market	47,827	2.05%	51,026	2.64%
Savings deposits	52,246	1.52	34,168	2.69
Time deposits	262,304	3.34	155,079	5.07
Total deposits	$392,664	2.68%	$262,130	3.89%

NOTE 7. Comprehensive Income

The following table presents the components of comprehensive income, based on the provisions of SFAS No. 130.:

	For The Nine Months Ended					
	September 30, 2002			September 30, 2001		
	Before tax amount	Tax (expense) benefit	Net of tax Amount	Before tax amount	Tax (expense) benefit	Net of amoun
	(In thousands)					
Unrealized gains on investment securities:						
Unrealized holding gains arising during period	$1,310	$(524)	$786	$2,082	$(833)	$1,24

Less reclassification adjustment for gains realized in net income	1,070	(428)	642	495	(198)	29
Other comprehensive income, net	$ 240	$ (96)	$144	$1,587	$(635)	$ 95

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BERKSHIRE BANCORP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

NOTE 8. New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued SFAS No. 147, Acquisitions of Certain Financial Institutions: An amendment of FASB Statements No. 72 and 144 and FASB Interpretation No 9, which removes acquisitions of financial institutions from the scope of SFAS 72, Accounting for Certain Acquisitions of Banking or Thrift Institutions, except for transactions between mutual enterprises. SFAS No. 147 also requires that the acquisition of a less-than-whole financial institution, such as a branch, be accounted for as a business combination if the transferred assets and activities constitute a business. The provisions of the SFAS No. 147 related to unidentifiable intangible assets and the acquisition of a less-than-whole financial institution are effective for acquisitions for which the date of acquisition is on or after October 1, 2002. Management does not anticipate the adoption of SFAS No. 147 to have a material impact on the Company's financial position or results of operations.

Goodwill. Statement of Financial Accounting Standard ("SFAS") No. 141, Business Combinations ("SFAS No. 141"), and SFAS No. 142, Goodwill and Intangible Assets ("SFAS No. 142") was adopted on January 1, 2002. These statements resulted in significant modifications relative to the Company's accounting for goodwill and other intangible assets. SFAS No. 142 modifies the accounting for all purchased goodwill and intangible assets. SFAS No. 142 includes requirements to test goodwill and indefinite lived intangible assets for impairment rather than amortize them. The Company has adopted the provisions of SFAS No. 142 as of January 1, 2002. Therefore, acquired goodwill is no longer amortized. The Company has completed the transitional impairment testing and did not identify any impairment on its outstanding goodwill.

The following table presents a reconciliation of net income and earnings- per-share amounts, as reported in the financial statements, to those amounts adjusted for goodwill and intangible asset amortization determined in accordance with the provisions of Statement of Financial Accounting Standard No. 142.

	For The Three Months Ended September 30, 2002	2001
	(In thousands, except per share amounts)	
Reported net income	$1,513	$644
Add back: goodwill amortization	--	257
Adjusted net income	$1,513	$901
Basic earnings per share:		
Reported basic earnings per share	$ .67	$.26
Goodwill amortization	--	.11
Adjusted basic earnings per share	$ .67	$.37
Diluted earnings per share:		
Reported diluted earnings per share	$ .67	$.26
Goodwill amortization	--	.11
Adjusted diluted earnings per share	$ .67	$.37

BERKSHIRE BANCORP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

NOTE 8. - (continued)

	For The Nine Months Ended September 30, 2002	2001
	(In thousands, except per share amounts)	

Reported net income	$4,006	$1,978
Add back: goodwill amortization		678
Adjusted net income	$4,006	$2,656
Basic earnings per share:		
Reported basic earnings per share	$1.73	$ .86
Goodwill amortization		.29
Adjusted basic earnings per share	$1.73	$1.15
Diluted earnings per share:		
Reported diluted earnings per share	$1.73	$ .86
Goodwill amortization		.29
Adjusted diluted earnings per share	$1.73	$1.15

NOTE 9. Subsequent Events

On November 7, 2002, Berkshire sold its 24.9% interest in a merchant credit card processing company for $285,000. We accounted for our interest in this company under the equity method of accounting and have recorded approximately $200,000 in net losses since the purchase of this investment in December 1999. In addition, the Bank had loans outstanding to this company, which are being repaid as a result of this transaction. The purchase price to Berkshire and the amounts owed to the Bank are being paid in the form of a note to be held by the Bank.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis is intended to provide a better understanding of the consolidated financial condition and results of operations of Berkshire Bancorp Inc. and subsidiaries (the "Company"). References to the Company herein shall be deemed to refer to the Company and its consolidated subsidiaries unless the context otherwise requires. References to per share amounts refer to diluted shares. References to Notes herein are references to the "Notes to Consolidated Financial Statements" of the Company located in Item 1 herein.

The following table presents the total dollar amount of interest income from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed in both dollars and rates.

	For The Three Months Ended September 30,				
	2002			2001	
	Average Balance	Interest and Dividends	Average Yield/Rate	Average Balance	Interes and Dividen
	(Dollars in Thousands)				
INTEREST-EARNING ASSETS:					
Loans (1)	$269,938	$4,730	7.01%	$240,361	$4,6
Investment securities	333,326	3,740	4.49	163,847	2,4
Other (2)(5)	5,453	25	1.83	10,932	
Total interest-earning assets	608,717	8,495	5.58	415,140	7,1
Noninterest-earning assets	35,844			37,309	
Total Assets	$644,561			$452,449	
INTEREST-BEARING LIABILITIES:					
Interest bearing deposits	119,932	431	1.44%	106,490	7
Time deposits	299,609	2,331	3.11	179,812	2,1
Other borrowings	89,423	802	3.59	36,971	4
Total interest-bearing liabilities	508,964	3,564	2.80	323,273	3,4
Demand deposits	32,060			26,369	
Noninterest-bearing liabilities	7,965			5,347	
Stockholders' equity (5)	95,572			97,460	
Total liabilities and stockholders' equity	644,561			452,449	
Net interest income		4,931			3,7
Interest-rate spread (3)			2.78%		
Net interest margin (4)			3.24%		
Ratio of average interest-earning assets to average interest bearing liabilities	1.20			1.28	

(1) Includes nonaccrual loans.

(2) Includes interest-bearing deposits, federal funds sold and securities purchased under agreements to resell.

(3) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest bearing liabilities.

(4) Net interest margin is net interest income as a percentage of average interest-earning assets.

(5) Average balances are daily average balances except for the parent company which have been calculated on a monthly basis.

	For The Nine Months Ended September 30,				
	2002			2001	
	Average Balance	Interest and Dividends	Average Yield/Rate	Average Balance	Interes and Dividen
	(Dollars in Thousands)				
INTEREST-EARNING ASSETS:					
Loans (1)	$263,756	$13,943	7.05%	$178,340	$10,5
Investment securities	280,756	9,815	4.66	129,617	6,5
Other (2)(5)	5,671	71	1.67	15,938	5
Total interest-earning assets	550,183	23,829	5.77	323,895	17,7
Noninterest-earning assets	36,460			41,500	
Total Assets	$586,643			$365,395	
INTEREST-BEARING LIABILITIES:					
Interest bearing deposits	112,538	1,192	1.41%	76,845	1,7
Time deposits	262,304	6,561	3.34	142,441	5,8
Other borrowings	78,992	2,140	3.61	28,501	1,1
Total interest-bearing liabilities	453,834	9,893	2.91	247,787	8,6
Demand deposits	30,287			19,998	
Noninterest-bearing liabilities	7,194			4,271	

Stockholders' equity (5)	95,328			93,339	
Total liabilities and stockholders' equity	586,643			365,395	
Net interest income		13,936			9,0
Interest-rate spread (3)			2.86%		
Net interest margin (4)			3.38%		
Ratio of average interest-earning assets to average interest bearing liabilities	1.21			1.31	

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(1) Includes nonaccrual loans.

(2) Includes interest-bearing deposits, federal funds sold and securities purchased under agreements to resell.

(3) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest bearing liabilities.

(4) Net interest margin is net interest income as a percentage of average interest-earning assets.

(5) Average balances are daily average balances except for the parent company which have been calculated on a monthly basis.

Results of Operations

Results of Operations for the Three and Nine Months Ended September 30, 2002 Compared to the Three and Nine Months Ended September 30, 2001.

General. Berkshire Bancorp Inc., a Delaware corporation ("Berkshire", the "Company" or "we" and similar pronouns), is a bank holding company registered under the Bank Holding Company Act of 1956. The Company has one wholly-owned banking subsidiary, The Berkshire Bank, a New York State chartered commercial bank (the "Bank").

On March 30, 2001, Berkshire, through its wholly-owned subsidiaries, The Berkshire Bank and Greater American Finance Group, Inc., completed its merger with GSB Financial Corporation ("GSB Financial") (see Note 2). This transaction was accounted for under the purchase method of accounting and, accordingly, the results of operation for the Company include only the results of operation of GSB Financial for the period from April 1, 2001. The Company acquired total loans, assets and deposits of $134.06 million, $190.04 million and $127.86 million, respectively.

References to per share amounts below, unless stated otherwise, refer to diluted shares.

Net Income. Net income for the three-month period ended September 30, 2002 was $1.51 million, or $.67 per share, as compared to $644,000, or $.26 per share, for the three-month period ended September 30, 2001. Net income for the nine-month period ended September 30, 2002 was $4.01 million, or $1.73 per share, as compared to $1.98 million, or $.86 per, for the nine-month period ended September 30, 2001.

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, thereby eliminating annual goodwill amortization expense of approximately $1.0 million. Had SFAS No. 142 been in effect on January 1, 2001, net income for the three and nine months ended September 30, 2001 would have been $901,000 and $2.66 million, or $.37 per share and $1.15 per share, respectively. (See Note 8.)

The Company's net income is largely dependent on interest rate levels, the demand for the Company's loan and deposit products and the strategies employed to manage the risks inherent in the banking business. Interest rates, as measured by the prime rate, stabilized at 4.75% throughout the first nine months of 2002. During 2001, in contrast, the prime rate declined from 9.00% at the beginning of the year to 4.75% at years' end.

Net Interest Income. The Company's primary source of revenue is net interest income, or the difference between interest income on earning assets and interest expense on interest-bearing liabilities.

For the quarter ended September 30, 2002, net interest income increased by approximately $1.18 million, or 31.46%, to $4.93 million from $3.75 million for the quarter ended September 30, 2001. The quarter over quarter increase in net interest income was the result of the growth in average interest-earning assets of $193.58 million, partially offset by the growth in average interest-bearing liabilities of $185.69 million, and the difference between the yield on assets compared to the cost of liabilities. The average yield on interest-earning assets fell to 5.58% from 6.92%, a decline of 134 basis points, or 19.36%, however, the average cost of interest-bearing liabilities fell to 2.80% from 4.25%, a decline of 145 basis points, or 34.12% The interest-rate spread, the difference between the average yield on interest-earning assets and the average cost of interest bearing liabilities, improved by 11 basis points to 2.78% from 2.67%

For the nine-month period ended September 30, 2002, net interest income increased by approximately $4.91 million, or 54.42%, to $13.94 million from $9.03 million for the nine-month period ended September 30, 2001. The period over period increase in net interest income was the result of the growth in average interest-earning assets of $226.29 million, partially offset by the growth in average interest-bearing liabilities of $206.05 million, due in part to the inclusion of the assets and liabilities of GSB Financial as of April 1, 2001, and the difference between the yield on assets compared to the cost of liabilities. In the 2002 period, the average yield on interest-earning assets fell to 5.77% from 7.29% in 2001, a decline of 152 basis points, or 20.85%, however, the average cost of interest-bearing liabilities fell to 2.91% from 4.67%, a decline of 176 basis points, or 37.69% The interest-rate spread improved by 24 basis points to 2.86% in 2002 from 2.62% in 2001.

Net Interest Margin. Net interest margin, or annualized net interest income as a percentage of average interest-earning assets, declined to 3.24% in the third fiscal quarter of 2002 from 3.61% in the third fiscal quarter of 2001, and declined to 3.38% in the nine-month period of 2002 from 3.72% in the nine-month period of 2001.

The Company strategically uses the prevailing interest rate environment to secure deposits and to borrow funds at what we believe to be attractive rates, and to invest such funds in loans and investment securities. The average amounts of loans and investment securities increased by $29.58 million and $169.48 million, respectively, to $269.94 million and $333.33 million, respectively, in the quarter ended September 30, 2002, from $240.36 million and $163.85 million, respectively, in the year ago quarter. Time deposits and borrowings increased by approximately $119.80 million and $52.45 million, respectively, during the 2002 quarter to $299.61 million and $89.42 million, respectively, from $179.81 million and $36.97 million, respectively, during the 2001 quarter.

Interest Income. Total interest income for the quarter ended September 30, 2002 increased by approximately $1.31 million, or 18.22%, to $8.50 million from $7.19 million for the quarter ended September 30, 2001. The increase was the result of a $193.58 million increase in average interest-earning assets to $608.72 million for the 2002 quarter from $415.14 million for the 2001 quarter. Loans and investment securities increased by 12.31% and 103.44%, respectively, and contributed $4.73 million and $3.74 million, respectively, to interest income.

Total interest income for the nine-month period ended September 30, 2002 increased by approximately $6.13 million, or 34.60%, to $23.83 million from $17.70 million for the nine-month period ended September 30, 2001. The average amounts of interest-earning assets increased by approximately $226.29 million, or 69.86%, to $550.18 million in 2002 from $323.90 million in 2001, due in part to the acquisition of GSB Financial on March 30, 2001. Interest income on loans and investment securities increased by approximately $3.39 million and $3.24 million, respectively, to $13.94 million and $9.82 million from $10.56 million and $6.58 million in 2001.

The average yield on interest-earning assets declined to 5.58% and 5.77%, respectively, for the three and nine months ended September 30, 2002, from 6.92% and 7.29%, respectively, for the three and nine months ended September 30, 2001. During the first nine months of 2002, the average yield on the Company's loan portfolio was 7.05% compared to 7.89% during the first nine months of 2001. We expect this trend may continue as homeowners refinance their existing mortgage loans, commercial loans at higher rates are paid off and/or renewed, and new loans are made, all at today's lower rates. The average yield on investment securities has declined as well, to 4.66% in 2002 from 6.76% in 2001 as securities with above market rates are either called by the issuer or mature, and are replaced by securities with lower yields.

Interest Expense. Total interest expense for the quarter ended September 30, 2002 increased by $129,000, to $3.56 million from $3.44 million for the quarter ended September 30, 2001. The increase is due to the overall increase of $185.69 million in the average amount of interest-bearing liabilities to $508.96 million in the 2002 quarter from $323.27 million in the 2001 quarter.

Total interest expense for the nine-month period ended September 30, 2002 increased by approximately $1.22 million, or 14.00%, to $9.89 million in the 2002 period from $8.68 million in the 2001 period. The increase was the result of the 83.15% growth in the average amount of interest-bearing liabilities, to $453.83 million in 2002 from $247.78 million in 2001. Interest bearing deposits and time deposits increased by 70.94% to $374.84 million in 2002 from $219.29 million in 2001 partly as a result of the acquisition of GSB Financial. Borrowings increased by 177.16% to $78.99 million in 2002 from $28.50 million in 2001 as a result of our strategy of employing excess capital to fund the growth of our business. The increase in total interest expense was partially offset by the decline in the average rates paid on interest-bearing liabilities to 2.91% during the 2002 period from 4.67% during the 2001 period.

Non-Interest Income. Non-interest income consists primarily of realized gains on sales of investment securities and service fee income. For the three months ended September 30, 2002, total non-interest income was $798,000, compared to $186,000 for the three months ended September 30, 2001. The increase is primarily due to the increase in gains on sales of investment securities of $681,000.

For the nine months ended September 30, 2002, total non-interest income was $1.61 million, compared to $1.09 million in the year ago period. Service fee income increased to $350,000 in 2002 from $215,000 in 2001 as a result of the growth in deposits at the bank. Investment securities gains increased to $1.07 million in 2002 from $495,000 in 2001, and other non-interest income declined to $192,000 in 2002 from $382,000 in 2001.

Non-Interest Expense. Non-interest expense includes salaries and employee benefits, occupancy and equipment expenses, legal and professional fees and other operating expenses associated with the day-to-day operations of the Company. Total non-interest expense for the three and nine-month periods ended September 30, 2002 was $2.99 million and $8.10 million, respectively, compared to $2.46 million and $6.06 million, respectively for the same periods in 2001. The year to year increases are due primarily to increases in salaries and employee benefits and net occupancy expenses resulting from the expansion of the business.

Provision for Income Tax. During the three and nine-month periods ended September 30, 2002, the Company recorded income tax expense of $1.12 million and $3.09 million, respectively, compared to income tax expense of $714,000 and $1.92 million, respectively, for the three and nine-month periods ended September 30, 2001. The tax provisions for federal, state and local taxes recorded for 2002 and 2001 represent effective tax rates of 43.51% and 49.26%, respectively. The decrease in the effective rate is primarily due to the elimination of the non-deductible amortization expense of goodwill.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk. Fluctuations in market interest rates can have a material effect on the Company's net interest income because the yields earned on loans and investments may not adjust to market rates of interest with the same frequency, or with the same speed, as the rates paid by the Bank on its deposits.

Most of the Bank's deposits are either interest-bearing demand deposits or short term certificates of deposit and other interest-bearing deposits with interest rates that fluctuate as market rates change. Management of the Bank seeks to reduce the risk of interest rate fluctuations by concentrating on loans and securities investments with either short terms to maturity or with adjustable rates or other features that cause yields to adjust based upon interest rate fluctuations. In addition, to cushion itself against the potential adverse effects of a substantial and sustained increase in market interest rates, the Bank has purchased off balance sheet interest rate cap contracts which generally provide that the Bank will be entitled to receive payments from the other party to the contract if interest rates exceed specified levels. These contracts are entered into with major financial institutions.

The Company seeks to maximize its net interest margin within an acceptable level of interest rate risk. Interest rate risk can be defined as the amount of the forecasted net interest income that may be gained or lost due to favorable or unfavorable movements in interest rates. Interest rate risk, or sensitivity, arises when the maturity or repricing characteristics of assets differ significantly from the maturity or repricing characteristics of liabilities.

In the banking industry, a traditional measure of interest rate sensitivity is known as "gap" analysis, which measures the cumulative differences between the amounts of assets and liabilities maturing or repricing at various time intervals. The following table sets forth the Company's interest rate repricing gaps for selected maturity periods:

Berkshire Bancorp Inc.
Interest Rate Sensitivity Gap at September 30, 2002
(in thousands, except for percentages)

		3 Months or Less	3 Through 12 Months	1 Through 3 Years
Federal funds sold		$ 3,250	$ --	$ --
	(Rate)	1.75%	--	--
Interest bearing deposits in banks		250	--	--
	(Rate)	1.09%	--	--
Loans (1)(2)				
Adjustable rate loans		41,585	13,867	6,765
	(Rate)	5.85%	5.75%	7.58%
Fixed rate loans		2,209	1,686	7,943
	(Rate)	8.25%	7.94%	7.58%
Total loans		43,794	15,553	14,708
Investments (3)(4)		32,943	38,109	92,451
	(Rate)	2.17%	4.12%	4.49%
Total rate-sensitive assets		80,237	53,662	107,159
Deposit accounts (5)				
Savings and NOW		79,006	--	--
	(Rate)	1.53%	--	--
Money market		44,035	--	--
	(Rate)	1.38%	--	--
Time Deposits		107,390	180,771	12,489
	(Rate)	2.83%	3.00%	3.02%
Total deposit accounts		230,431	180,771	12,489
Repurchase agreements		34,717	11,983	--
	(Rate)	1.91%	1.88%	--
Other borrowings		500	--	1,000
	(Rate)	6.09%	--	5.90%
Total rate-sensitive liabilities		265,648	192,754	13,489
Interest rate caps		20,000	--	(10,000)
Gap (repricing differences)		(205,411)	(139,092)	103,670
Cumulative Gap		(205,411)	(344,503)	(240,833)
Cumulative Gap to Total Rate Sensitive Assets		(33.36)%	(55.94)%	(39.11)%

Berkshire Bancorp Inc.
Interest Rate Sensitivity Gap at September 30, 2002
(in thousands, except for percentages)

		Over 3 Years	Total
Federal funds sold		$ --	$ 3,250
	(Rate)	--	1.75%
Interest bearing deposits in banks		--	250
	(Rate)	--	1.09%
Loans (1)(2)			
Adjustable rate loans		7,807	70,024
	(Rate)	7.49%	6.18%
Fixed rate loans		192,080	203,918
	(Rate)	7.07%	7.11%
Total loans		199,887	273,942
Investments (3)(4)		174,861	338,364
	(Rate)	5.25%	4.62%
Total rate-sensitive assets		374,748	615,806
Deposit accounts (5)			
Savings and NOW		--	79,006
	(Rate)	--	1.53%
Money market		--	44,035
	(Rate)	--	1.38%
Time Deposits		73	300,723
	(Rate)	3.54%	2.94%
Total deposit accounts		73	423,764
Repurchase agreements		--	46,700
	(Rate)	--	1.90%
Other borrowings		47,891	49,391
	(Rate)	4.87%	4.90%
Total rate-sensitive liabilities		47,964	519,855
Interest rate caps		(10,000)	--
Gap (repricing differences)		336,784	95,951
Cumulative Gap		95,951	
Cumulative Gap to Total Rate Sensitive Assets		15.58%	

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(1) Adjustable-rate loans are included in the period in which the interest rates are next scheduled to adjust rather than in the period in which the loans mature. Fixed-rate loans are scheduled according to their maturity dates.
(2) Includes nonaccrual loans.
(3) Investments are scheduled according to their respective repricing (variable rate loans) and maturity (fixed rate securities) dates.
(4) Investments are stated at book value.
(5) NOW accounts and savings accounts are regarded as readily accessible withdrawal accounts. The balances in such accounts have been allocated amongst maturity/repricing periods based upon The Berkshire Bank's historical experience. All other time accounts are scheduled according to their respective maturity dates.

Provision for Loan Losses. The Company maintains an allowance for loan losses at a level deemed sufficient to absorb losses, which are inherent in the loan portfolio at each balance sheet date. Management reviews the adequacy of the allowance on at least a quarterly basis to ensure that the provision for loan losses has been charged against earnings in an amount necessary to maintain the allowance at a level that is appropriate based on management's assessment of probable estimated losses. The Company's methodology for assessing the appropriateness of the allowance for loan losses consists of several key elements. These elements include a specific allowance for loan watch list classified loans, an allowance based on historical trends, an additional allowance for special circumstances, and an unallocated portion. The Company consistently applies the following comprehensive methodology.

The allowance for loan watch list classified loans addresses those loans maintained on the Company's loan watch list, which are assigned a rating of substandard, doubtful, or loss. Substandard loans are those with a well-defined weakness or a weakness, which jeopardizes the repayment of the debt. A loan may be classified as substandard as a result of impairment of the borrower's financial condition and repayment capacity. Loans for which repayment plans have not been met or collateral equity margins do not protect the Company may also be classified as substandard. Doubtful loans have the characteristics of substandard loans with the added characteristic that collection or liquidation in full, on the basis of presently existing facts and conditions, is highly improbable. Although the possibility of loss is high for doubtful loans, the classification of loss is deferred until pending factors, which might improve the loan, have been determined. Loans rated as doubtful in whole or in part are placed in nonaccrual status. Loans, which are classified as loss, are considered uncollectible and are charged to the allowance for loan losses. For the nine month-periods ended September 30, 2002 and 2001, the Company charged-off loans amounting to $181,000 and $21,000, respectively.

Loans on the loan watch list may also be impaired loans, which are defined as nonaccrual loans or troubled debt restructurings, which are not in compliance with their restructured terms. Each of the classified loans on the loan watch list is individually analyzed to determine the level of the potential loss in the loan under the current circumstances. The specific reserve established for these loans is based on analysis of the loan's performance, the related collateral value, cash flow considerations and the financial capability of any guarantor. The allowance for loan watch list classified loans is equal to the total amount of potential unconfirmed losses for the individual classified loans on the watch list. Loan watch list loans are managed and monitored by assigned Senior Management.

The allowance based on historical trends uses charge-off experience of the Company to estimate potential unconfirmed losses in the balances of the loan and lease portfolios. The historical loss experience percentage is based on the charge-off history. Historical loss experience percentages are applied to all non-classified loans to obtain the portion of the allowance for loan losses which is based on historical trends. Before applying the historical loss experience percentages, loan balances are reduced by the portion of the loan balances, which are subject to guarantee, by a government agency. Loan balances are also adjusted for unearned discount on installment loans.

The Company also maintains an unallocated allowance. The unallocated allowance is used to cover any factors or conditions, such as economic conditions in one or more of the Bank's market areas, which may cause a potential loan loss but are not specifically identifiable. It is prudent to maintain an unallocated portion of the allowance because no matter how detailed an analysis of potential loan losses is performed these estimates by definition lack precision. Management must make estimates using assumptions and information, which is often subjective and changing rapidly.

Since all identified losses are immediately charged off, no portion of the allowance for loan losses is restricted to any individual loan or groups of loans, and the entire allowance is available to absorb any and all loan losses.

A loan is placed in a nonaccrual status at the time when ultimate collectibility of principal or interest, wholly or partially, is in doubt. Past due loans are those loans which were contractually past due 90 days or more as to interest or principal payments but are well secured and in the process of collection. Renegotiated loans are those loans which terms have been renegotiated to provide a reduction or deferral of principal or interest as a result of the deteriorating financial position of the borrower.

At September 30, 2002, the Company had $311,000 of non-performing loans consisting of $249,000 of non-accrual loans and $62,000 of accruing loans delinquent more than 90 days. At September 30, 2001 the Company did not have any non accrual or non performing loans or any loans past due more than 90 days and still accruing interest. Based upon management's evaluations of the overall analysis of the Bank's allowance for loan losses and the year over year increase in total loans to $273.94 million (including $134.1 million acquired in the merger with GSB Financial) from $239.98 million, the provision for the nine months ended September 30, 2002 was increased to $2.22 million (including $691,000 acquired in the merger with GSB Financial) from $1.97 million in the year ago period.

Management believes that the allowance for loan losses and nonperforming loans remained safely within acceptable levels.

The following table sets forth information with respect to activity in the Company's allowance for loan losses during the periods indicated (dollars in thousands, except percentages):

	Three Months Ended September 30,		Nin
	2002	2001	2002
Average loans outstanding	$269,938	$240,361	$263,756
Allowance at beginning of period	2,095	1,860	2,030
Charge-offs:			
Commercial and other loans	82	12	181
Real estate loans	--	--	--
Total loans charged-off	82	12	181
Recoveries:			
Commercial and other loans	4	11	11
Real estate loans	--	--	--
Total loans recovered	4	11	11
Net (charge-offs) recoveries	(78)	(1)	(170
Provision for loan losses charged to operating expenses	200	115	357
Acquisition of GSB Financial Corp	--	--	--
Allowance at end of period	2,217	1,974	2,217
Ratio of net recoveries (charge-offs) to average loans outstanding	.00%	.00%	(.06
Allowance as a percent of total loans	.81%	.82%	.81
Total loans at end of period	$273,942	$241,957	$273,942

Loan Portfolio.

Loan Portfolio Composition. The Company's loans consist primarily of mortgage loans secured by residential and non-residential properties as well as commercial loans which are either unsecured or secured by personal property collateral. Most of the Company's loans are either made to individuals or personally guaranteed by the principals of the business to which the loan is made. At September 30, 2001, the Company had total loans of $241.96 million and an allowance for loan losses of $1.97 million. From time to time, the Bank may originate residential mortgage loans and then sell them on the secondary market, normally recognizing fee income in connection with the sale.

The following tables set forth information concerning the Company's loan portfolio by type of loan at the dates indicated:

	September 30, 2002	December 31 2001
	Amount	Amount
	(in thousands)	
Commercial and professional loans	$ 17,140	$ 19,130
Secured by real estate		
1-4 family	185,132	165,195
Multi family	9,145	11,186
Non-residential (commercial)	58,979	51,893
Consumer	2,809	4,698
Other	737	140
Total loans	273,942	252,233
Less:		
Allowance for loan losses	(2,217)	(2,030)
Loans, net	$271,725	$250,203

It is the Bank's policy to discontinue accruing interest on a loan when it is 90 days past due or if management believes that continued interest accruals are unjustified. The Bank may continue interest accruals if a loan is more than 90 days past due if the Bank determines that the nature of the delinquency and the collateral are such that collection of the principal and interest on the loan in full is reasonably assured. When the accrual of interest is discontinued, all accrued but unpaid interest is charged against current period income. Once the accrual of interest is discontinued, the Bank records interest as and when received until the loan is restored to accruing status. If the Bank determines that collection of the loan in full is in reasonable doubt, then amounts received are recorded as a reduction of principal until the loan is returned to accruing status.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier I capital (as defined) to average assets (as defined). As of September 30, 2002, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain certain Total risk-based, Tier I risk-based, and Tier I leverage ratios. There are no conditions or events since the notification that management believes have changed the Bank's category.

The following tables set forth the actual and required regulatory capital amounts and ratios of the Company and the Bank as of September 30, 2002 and December 31, 2001 (dollars in thousands):

	Actual		For capital adequacy purposes	
	Amount	Ratio	Amount	Ratio
September 30, 2002				
Total Capital (to Risk-Weighted Assets)				
Company	79,535	29.0%	21,909	>=8.0%
Bank	52,104	20.5%	20,345	>=8.0%
Tier I Capital (to Risk-Weighted Assets)				
Company	77,318	28.2%	10,955	>=4.0%
Bank	49,887	19.6%	10,172	>=4.0%
Tier I Capital (to Average Assets)				
Company	77,318	12.0%	25,782	>=4.0%
Bank	49,887	8.0%	24,991	>=4.0%

	Actual		For capital adequacy purposes	
	Amount	Ratio	Amount	Ratio
December 31, 2001				
Total Capital (to Risk-Weighted Assets)				
Company	$79,867	20.5%	$20,097	>=8.0%
Bank	48,110	20.4%	18,841	>=8.0%
Tier I Capital (to Risk-Weighted Assets)				
Company	77,837	31.0%	10,048	>=4.0%
Bank	46,080	19.6%	9,421	>=4.0%
Tier I Capital (to Average Assets)				
Company	77,837	20.5%	15,194	>=4.0%
Bank	46,080	9.6%	19,190	>=4.0%

Liquidity

The management of the Company's liquidity focuses on ensuring that sufficient funds are available to meet loan funding commitments, withdrawals from deposit accounts, the repayment of borrowed funds, and ensuring that the Bank and the Company comply with regulatory liquidity requirements. Liquidity needs of the Bank have historically been met by deposits, investments in federal funds sold, principal and interest payments on loans, and maturities of investment securities.

For Berkshire, liquidity means having cash available to fund operating expenses and to pay shareholder dividends, when and if declared by Berkshire's Board of Directors. The ability of Berkshire to fund its operations and to pay dividends is not dependent upon the receipt of dividends from the Bank. At September 30, 2002, Berkshire had cash of $8.09 million and investment securities of $5.06 million.

The Company maintains financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and stand-by letters of credit.

At September 30, 2002 the Company had outstanding commitments of approximately $34.01 million. These commitments include $11.28 million that mature or renew within one year, $12.16 million that mature or renew after one year and within three years, $10.48 million that mature or renew after three years and within five years and $100,000 that matures or renews after five years.

The Company currently does not have any unconsolidated subsidiaries or special purpose entities.

As more fully describe in Note 2, as of the close of business on March 30, 2001, GSB Financial was merged with and into the Company and Goshen Savings Bank was merged with and into The Berkshire Bank. The Company utilized approximately $20.2 million of its cash on hand to fund the cash component of the transaction.

Impact of Inflation and Changing Prices

The Company's financial statements measure financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increasing cost of the Company's operations. The assets and liabilities of the Company are largely monetary. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. In addition, interest rates do not necessarily move in the direction, or to the same extent as the price of goods and services. However, in general, high inflation rates are accompanied by higher interest rates, and vice versa.

ITEM 4 - CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO"), who is also the Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO/CFO has concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of the evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 5. Other Information

In accordance with Section 10A(i) (2) of the Securities Exchange Act of 1934, as added by Section 202 of the Sarbanes-Oxley Act of 2002, the Company is responsible for disclosing the non-audit services approved by the Company's Audit Committee to be performed by Grant Thornton LLP, the Company's external auditor. In September 2002, the Audit Committee's Chairman, pursuant to delegated authority by the Audit Committee, approved the non-audit engagement of Grant Thornton LLP to assist the Company in its New York State franchise tax audit.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

Exhibit Number	Description
99.1	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002.

b. There were no reports on Form 8-K filed by the Company during the quarter for which this report on Form 10-Q is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BERKSHIRE BANCORP INC.
(Registrant)

Date: November 13, 2002 By: /s/ Steven Rosenberg

Steven Rosenberg
Chief Executive Officer,
President and Chief
Financial Officer

Certification of Principal Executive and Financial Officer

I, Steven Rosenberg the Chief Executive Officer, President and Chief Financial Officer of Berkshire Bancorp Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Berkshire Bancorp Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/ Steven Rosenberg

Steven Rosenberg,
Chief Executive Officer, President
and Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description	Sequential Page Number
99.1	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act	32

Of 2002

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STATEMENT OF DIFFERENCES

The greater-than-or-equal-to sign shall be expressed as......................>=