

BERKSHIRE HILLS BANCORP INC

Form 10-Q

August 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: June 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

(State or other jurisdiction of incorporation or organization)

04-3510455

(I.R.S. Employer Identification No.)

60 State Street, Boston, Massachusetts

(Address of principal executive offices)

02109

(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 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, 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  (Do not check if a smaller reporting company) 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 45,423,719 shares of common stock, par value \$0.01 per share, outstanding as of August 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)	June 30, 2018	December 31, 2017
Assets		
Cash and due from banks	\$90,964	\$91,122
Short-term investments	48,093	157,641
Total cash and cash equivalents	139,057	248,763
Trading security, at fair value	11,483	12,277
Marketable equity securities, at fair value	59,726	45,185
Securities available for sale, at fair value	1,393,250	1,380,914
Securities held to maturity (fair values of \$377,486 and \$405,276)	379,905	397,103
Federal Home Loan Bank stock and other restricted securities	75,530	63,085
Total securities	1,919,894	1,898,564
Loans held for sale, at fair value	149,182	153,620
Commercial real estate loans	3,319,323	3,264,742
Commercial and industrial loans	1,875,118	1,803,939
Residential mortgages	2,397,192	2,102,807
Consumer loans	1,118,333	1,127,850
Total loans	8,709,966	8,299,338
Less: Allowance for loan losses	(55,925)	(51,834)
Net loans	8,654,041	8,247,504
Premises and equipment, net	112,217	109,352
Goodwill	519,128	519,287
Other intangible assets	35,838	38,296
Cash surrender value of bank-owned life insurance policies	193,121	191,221
Deferred tax assets, net	53,679	47,061
Other assets	125,806	117,083
Total assets	\$11,901,963	\$11,570,751
Liabilities		
Demand deposits	\$1,553,039	\$1,606,656
NOW and other deposits	858,014	734,558
Money market deposits	2,619,943	2,776,157
Savings deposits	747,722	741,954
Time deposits	3,060,034	2,890,205
Total deposits	8,838,752	8,749,530
Short-term debt	1,002,000	667,300
Long-term Federal Home Loan Bank advances	272,342	380,436
Subordinated borrowings	89,429	89,339
Total borrowings	1,363,771	1,137,075
Other liabilities	183,199	187,882
Total liabilities	\$10,385,722	\$10,074,487
(continued)		

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	June 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 45,420,276 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	1,244,691	1,242,487
Unearned compensation	(10,096	) (6,531 )
Retained earnings	283,256	239,179
Accumulated other comprehensive (loss) income	(21,266	) 4,161
Treasury stock, at cost (791,618 shares in 2018 and 921,461 shares in 2017)	(21,437	) (24,125 )
Total shareholders' equity	1,516,241	1,496,264
Total liabilities and shareholders' equity	\$11,901,963	\$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		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
Interest and dividend income				
Loans	\$ 101,649	\$ 71,983	\$ 194,484	\$ 140,926
Securities and other	15,230	12,683	29,635	24,449
Total interest and dividend income	116,879	84,666	224,119	165,375
Interest expense				
Deposits	17,768	9,971	33,093	19,069
Borrowings	7,990	5,150	14,435	9,875
Total interest expense	25,758	15,121	47,528	28,944
Net interest income	91,121	69,545	176,591	136,431
Non-interest income				
Mortgage banking originations	10,195	16,281	20,342	28,959
Loan related income	6,549	5,275	11,987	9,454
Deposit related fees	7,605	6,645	15,671	12,849
Insurance commissions and fees	2,549	2,588	5,574	5,724
Wealth management fees	2,280	2,286	4,877	4,812
Total fee income	29,178	33,075	58,451	61,798
Other, net	155	(276 )	1,423	(183 )
(Loss)/gain on securities, net	718	(1 )	(784 )	12,569
(Loss)/gain on sale of business operations and other assets, net	(21 )	—	460	—
Loss on termination of hedges	—	—	—	(6,629 )
Total non-interest income	30,030	32,798	59,550	67,555
Total net revenue	121,151	102,343	236,141	203,986
Provision for loan losses	6,532	4,889	12,107	9,984
Non-interest expense				
Compensation and benefits	41,134	36,997	83,318	73,116
Occupancy and equipment	10,230	8,678	20,312	17,704
Technology and communications	7,359	6,883	14,189	12,970
Marketing and promotion	2,369	3,177	4,981	5,176
Professional services	1,139	2,190	3,192	4,641
FDIC premiums and assessments	1,411	1,588	2,606	2,886
Other real estate owned and foreclosures	1	30	68	58
Amortization of intangible assets	1,246	770	2,514	1,571
Acquisition, restructuring, and other expenses	847			