

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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**FORM 10-Q**

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Table of Contents**PART I****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****BERKSHIRE HILLS BANCORP, INC.****CONSOLIDATED BALANCE SHEETS**

<b>(In thousands, except share data)</b>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>Assets</b>		
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
<b>Liabilities</b>		
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.*

Table of Contents**BERKSHIRE HILLS BANCORP, INC.****CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
<b>Interest and dividend income</b>				
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
<b>Interest expense</b>				
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
<b>Net interest income</b>	<b>44,329</b>	<b>41,104</b>	<b>87,095</b>	<b>83,041</b>
<b>Non-interest income</b>				
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
<b>Total net revenue</b>	<b>58,835</b>	<b>56,710</b>	<b>106,024</b>	<b>113,445</b>
<b>Provision for loan losses</b>	<b>3,989</b>	<b>2,700</b>	<b>7,385</b>	<b>5,100</b>
<b>Non-interest expense</b>				
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
<b>Net income</b>	<b>\$ 11,464</b>	<b>\$ 12,037</b>	<b>\$ 10,358</b>	<b>\$ 22,502</b>
<b>Earnings per share:</b>				
Basic	\$ 0.46	\$ 0.49	\$ 0.42	\$ 0.91
Diluted	\$ 0.46	\$ 0.48	\$ 0.42	\$ 0.90
<b>Weighted average common shares outstanding:</b>				
Basic	24,715	24,779	24,707	24,863
Diluted	24,809	24,956	24,821	25,049

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

Table of Contents**BERKSHIRE HILLS BANCORP, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	\$ 11,464	\$ 12,037	\$ 10,358	\$ 22,502
<b>Other comprehensive income, before tax:</b>				
Changes in unrealized gain (loss) on securities available-for-sale	11,113	(13,431)	17,133	(12,698)
Changes in unrealized (loss) gain on derivative hedges	(3,267)	6,155	1,266	7,598
Changes in unrealized gain on terminated swaps		236	3,237	471
<b>Income taxes related to other comprehensive income:</b>				
Changes in unrealized gain (loss) on securities available-for-sale	(4,261)	5,077	(6,481)	4,758
Changes in unrealized (loss) gain on derivative hedges	1,322	(2,481)	(510)	(3,057)
Changes in unrealized gain on terminated swaps		(95)	(1,312)	(303)
Total other comprehensive income (loss)	4,907	(4,539)	13,333	(3,231)
<b>Total comprehensive income</b>	<b>\$ 16,371</b>	<b>\$ 7,498</b>	<b>\$ 23,691</b>	<b>\$ 19,271</b>

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

Table of Contents**BERKSHIRE HILLS BANCORP, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(In thousands)	Common stock Shares	Common stock Amount	Additional paid-in capital	Unearned compensation	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock	Total
<b>Balance at December 31, 2012</b>	25,148	\$ 265	\$ 585,360	\$ (3,035)	\$ 122,014	\$ (2,979)	\$ (34,360)	\$ 667,265
Comprehensive income:								
Net income					22,502			22,502
Other comprehensive loss						(3,231)		(3,231)
Total comprehensive income								19,271
Cash dividends declared (\$0.36 per share)					(9,068)			(9,068)
Treasury stock purchased (348)	(348)						(8,868)	(8,868)
Forfeited shares (6)	(6)		10	140			(150)	
Exercise of stock options 195	195				(2,518)		5,100	2,582
Restricted stock grants 155	155		(690)	(3,717)			4,407	
Stock-based compensation			585	1,227				1,812
Net tax benefit related to stock-based compensation			1,150					1,150
Other, net (48)	(48)		(14)				(1,160)	(1,174)
<b>Balance at June 30, 2013</b>	25,096	\$ 265	\$ 586,401	\$ (5,385)	\$ 132,930	\$ (6,210)	\$ (35,031)	\$ 672,970
<b>Balance at December 31, 2013</b>	25,036	\$ 265	\$ 587,247	\$ (5,563)	\$ 141,958	\$ (9,057)	\$ (36,788)	\$ 678,062
Comprehensive income:								
Net income					10,358			10,358
Other comprehensive income						13,333		13,333
Total comprehensive income								23,691
Cash dividends declared (\$0.18 per share)					(9,122)			(9,122)
Treasury stock purchased (100)	(100)						(2,467)	(2,467)
Forfeited shares (7)	(7)		(6)	156			(150)	
Exercise of stock options 72	72				(945)		1,793	848
Restricted stock grants 130	130		44	(3,264)			3,220	
Stock-based compensation			41	1,783				1,824
Net tax benefit related to stock-based compensation			(1,980)					(1,980)
Other, net (16)	(16)		(6)				(387)	(393)
<b>Balance at June 30, 2014</b>	25,115	\$ 265	\$ 585,340	\$ (6,888)	\$ 142,249	\$ 4,276	\$ (34,779)	\$ 690,463

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

Table of Contents**BERKSHIRE HILLS BANCORP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)	Six Months Ended June 30,	
	2014	2013
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ 10,358	\$ 22,502
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	7,385	5,100
Net amortization of securities	1,008	739
Change in unamortized net loan costs and premiums	(1,008)	(2,890)
Premises and equipment depreciation and amortization expense	4,037	3,610
Stock-based compensation expense	1,824	1,812
Accretion of purchase accounting entries, net	(3,479)	(8,884)
Amortization of other intangibles	2,580	2,722
Write down of other real estate owned	160	
Excess tax loss from stock-based payment arrangements	(93)	(1,150)
Income from cash surrender value of bank-owned life insurance policies	(1,458)	(1,394)
Gain on sales of securities, net	(237)	(1,005)
Net (increase) decrease in loans held for sale	(4,345)	21,267
Loss on disposition of assets	715	1,596
Loss (gain) on sale of real estate	170	(67)
Loss on termination of hedges	3,237	
Net change in other	3,968	(938)
Net cash provided by operating activities	24,822	43,020
<b>Cash flows from investing activities:</b>		
Net decrease in trading security	268	253
Proceeds from sales of securities available for sale	79,550	4,591
Proceeds from maturities, calls and prepayments of securities available for sale	68,342	66,176
Purchases of securities available for sale	(447,063)	(185,300)
Proceeds from maturities, calls and prepayments of securities held to maturity	2,764	2,493
Purchases of securities held to maturity	(1,021)	(1,073)
Net change in loans	(268,616)	120,860
Proceeds from sale of Federal Home Loan Bank stock	379	2,118
Purchase of Federal Home Loan Bank stock	(9,576)	
Net investment in limited partnership tax credits	(2,884)	
Proceeds from the sale of premises and equipment	1,756	
Purchase of premises and equipment, net	(4,302)	(7,280)
Acquisitions, net of cash paid	423,416	
Proceeds from sale of other real estate	799	1,472
Net cash (used in) provided by investing activities	(156,188)	4,310

(continued)

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



Table of Contents**BERKSHIRE HILLS BANCORP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONCLUDED)**

<b>(In thousands)</b>	<b>Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in deposits	189,568	(283,650)
Proceeds from Federal Home Loan Bank advances and other borrowings	2,935,035	491,360
Repayments of Federal Home Loan Bank advances and other borrowings	(2,945,250)	(258,975)
Purchase of treasury stock	(2,467)	(8,868)
Exercise of stock options	848	2,582
Excess tax loss from stock-based payment arrangements	93	1,150
Common stock cash dividends paid	(9,122)	(9,068)
Net cash provided by (used in) financing activities	168,705	(65,469)
Net change in cash and cash equivalents	37,339	(18,139)
Cash and cash equivalents at beginning of year	75,539	98,244
Cash and cash equivalents at end of year	\$ 112,878	\$ 80,105
 <b>Supplemental cash flow information:</b>		
Interest paid on deposits	\$ 9,177	\$ 10,411
Interest paid on borrowed funds	5,533	7,018
Income taxes paid, net	71	978
<b>Acquisition of non-cash assets and liabilities:</b>		
Assets acquired	18,064	
Liabilities assumed	(441,550)	(919)
<b>Other non-cash changes:</b>		
Other net comprehensive income (loss)	10,096	(3,231)
Real estate owned acquired in settlement of loans	816	2,189

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

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**NOTE 1. BASIS OF PRESENTATION**

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ) and contain all adjustments, consisting solely of normal, recurring adjustments, necessary for a fair presentation of results for such periods.

In addition, these interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X, and accordingly, certain information and footnote disclosures normally included in financial statements prepared according to U.S. GAAP have been omitted.

The results for any interim period are not necessarily indicative of results for the full year. These consolidated financial statements should be read in conjunction with the audited financial statements and note disclosures for Berkshire Hills Bancorp, Inc. (the Company ) previously filed with the Securities and Exchange Commission in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

***Reclassifications***

Certain items in prior financial statements have been reclassified to conform to the current presentation.

**Recently Adopted Accounting Principles**

On January 1, 2014 we adopted Accounting Standards Update ( ASU ) ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists to eliminate diversity in practice. This ASU requires that companies net their unrecognized tax benefits against all same-jurisdiction net operating losses or tax credit carryforwards that would be used to settle the position with a tax authority. The adoption of this ASU did not have a material effect on our consolidated financial statements.

**Future Application of Accounting Pronouncements**

In June 2014, the FASB issued ASU No. 2014-11 related to repurchase-to-maturity transactions, repurchase financing and disclosures. The pronouncement changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The pronouncement also requires two new disclosures. The first disclosure requires an entity to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements. The second disclosure provides increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Early adoption is not permitted. The adoption of this pronouncement is not expected

to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09 related to the recognition of revenue from contracts with customers. The new revenue pronouncement creates a single source of revenue guidance for all companies in all industries and is more principles-based than current revenue guidance. The pronouncement provides a five-step model for a company to recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The five steps are (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the separate performance obligations and (5) recognize revenue when each performance obligation is satisfied. The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016 using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. Early adoption is not permitted. The Company is currently evaluating the impact of the adoption of this pronouncement on its Consolidated Financial Statements.

Table of Contents**NOTE 2. BRANCH ACQUISITION****New York Branch Acquisition**

On January 17, 2014, Berkshire Bank purchased twenty branch banking offices located in central and eastern New York State, from Bank of America, National Association. Berkshire Bank received \$423.1 million in cash, which was net of \$17.4 million cash consideration paid and acquisition costs, and assumed certain related deposit liabilities associated with these branches (the branch acquisition). Consideration paid included a 2.25% premium on deposits received. The branch acquisition increased the Bank's customer base and lending opportunities, and enhanced the Bank's geographical market presence between Albany and Syracuse, New York. In addition, the acquired deposits augmented the Bank's sources of liquidity.

On the acquisition date, the acquired branches had assets with a carrying value of approximately \$8.9 million, including loans outstanding with a carrying value of approximately \$4.5 million, as well as deposits with a carrying value of approximately \$440.5 million. The results from the acquired branch operations are included in the Company's Consolidated Statement of Income from the date of acquisition.

The assets and liabilities obtained and assumed in the branch acquisition were recorded at fair value based on management's best estimate using information available at the date of acquisition. Consideration paid, and fair values of the assets acquired and liabilities assumed are summarized in the following table:

(in thousands)	As Acquired	Fair Value Adjustments	As Recorded at Acquisition
Consideration paid:			
Cash consideration paid to Bank of America			\$ 17,105
Recognized amounts of identifiable assets acquired and liabilities assumed, at fair value:			
Cash and short-term investments	\$ 440,521	\$	\$ 440,521
Loans	4,541	(533)(a)	4,008
Premises and equipment	4,381	(710)(b)	3,671
Core deposit intangibles		2,550(c)	2,550
Other intangibles		(79)(d)	(79)
Deposits	(440,507)	(15)(e)	(440,522)
Other liabilities		(944)(f)	(944)
Total identifiable net assets	\$ 8,936	\$ 269	\$ 9,205
Goodwill			\$ 7,900

## Explanation of Certain Fair Value Adjustments

(a) The adjustment represents the write down of the book value of loans to their estimated fair value based on current interest rates and expected cash flows, which includes an estimate of expected loan loss inherent in the portfolio. Loans that met the criteria and are being accounted for in accordance with ASC 310-30 had a carrying amount of \$201 thousand. Non-impaired loans not accounted for under 310-30

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had a carrying value of \$4.3 million.

(b) The amount represents the adjustment of the book value of buildings, and furniture and equipment, to their estimated fair value based on appraisals and other methods. The adjustments will be depreciated over the estimated economic lives of the assets.

(c) The adjustment represents the value of the core deposit base assumed in the acquisition. The core deposit asset was recorded as an identifiable intangible asset and will be amortized over the estimated useful life of the deposit base.

(d) Represents an intangible liability related to assumed leases, which was recorded as an identifiable intangible and will be amortized over the remaining life of the leases.

(e) The adjustment is necessary because the weighted average interest rate of deposits exceeded the cost of similar funding at the time of acquisition.

(f) Represents an establishment of a reserve on certain acquired lines of credit, which were determined to have specific credit risk at the time of acquisition.

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Except for collateral dependent loans with deteriorated credit quality, the fair values for loans acquired were estimated using cash flow projections based on the remaining maturity and repricing terms. Cash flows were adjusted by estimating future credit losses and the rate of prepayments. Projected monthly cash flows were then discounted to present value using a risk-adjusted market rate for similar loans. For collateral dependent loans with deteriorated credit quality, to estimate the fair value we analyzed the value of the underlying collateral of the loans, assuming the fair values of the loans were derived from the eventual sale of the collateral. Those values were discounted using market derived rates of return, with consideration given to the period of time and costs associated with the foreclosure and disposition of the collateral. There was no carryover of the seller's allowance for credit losses associated with the loans that were acquired in the branch acquisition as the loans were initially recorded at fair value.

Information about the acquired loan portfolio subject to ASC 310-30 as of January 17, 2014 is as follows (in thousands):

	ASC 310-30 Loans	
Contractually required principal and interest at acquisition	\$	201
Contractual cash flows not expected to be collected (nonaccretable discount)		(100)
Expected cash flows at acquisition		101
Interest component of expected cash flows (accretable premium)		20
Fair value of acquired loans	\$	121

The core deposit intangible asset recognized is being amortized over its estimated useful life of approximately nine years utilizing a straight-line method. Other intangibles consist of leasehold intangible liability, which is amortized over the remaining life of three years using a straight-line method.

The goodwill, which is not amortized for book purposes, was assigned to our banking segment and is not deductible for tax purposes.

The fair value of savings and transaction deposit accounts acquired in the branch acquisition was assumed to approximate the carrying value as these accounts have no stated maturity and are payable on demand. The fair value of time deposits was estimated by discounting the contractual future cash flows using market rates offered for time deposits of similar remaining maturities.

Direct acquisition and integration costs of the branch acquisition were expensed as incurred, and totaled \$3.7 million during the six months ending June 30, 2014, and none during the same period of 2013.

The following table presents selected unaudited pro forma financial information reflecting the branch acquisition assuming it was completed as of January 1, 2013. The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the combined financial results of the Company and acquired branches had the transaction actually been completed at the beginning of the periods presented, nor does it indicate future results for any other interim or full-year period. Pro forma basic and diluted earnings per common share were calculated using Berkshire's actual weighted-average shares outstanding for the periods presented. The unaudited pro forma information is based on the actual financial statements of Berkshire for the periods shown, and on the calculated results of the acquired branches for the 2013 period shown and in 2014 until the date of acquisition, at which time their operations became included in Berkshire's financial statements.

The unaudited pro forma information, for the six months ended June 30, 2014 and 2013, set forth below reflects adjustments related to (a) purchase accounting fair value adjustments; (b) amortization of core deposit and other intangibles; and (c) adjustments to interest income and expense due to additional investments and borrowing reductions as a result of the branch acquisition. Direct acquisition and integration-related costs incurred by the Company during 2014 are reversed; as those expenses are assumed to have occurred prior to 2013. Furthermore, the unaudited pro forma information does not reflect management's estimate of any revenue-enhancing opportunities beyond investment of cash received from deposits, or anticipated cost-savings.

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Information in the following table is shown in thousands, except earnings per share:

	<b>Pro Forma (unaudited)</b>			
	<b>Six months ended June 30,</b>			
	<b>2014</b>		<b>2013</b>	
Net interest income	\$	88,221	\$	86,428
Non-interest income		19,138		32,914
Net income		12,982		22,030
<b>Pro forma earnings per share:</b>				
Basic	\$	0.53	\$	0.89
Diluted	\$	0.52	\$	0.88

**NOTE 3. TRADING SECURITY**

The Company holds a tax advantaged economic development bond that is being accounted for at fair value. The security had an amortized cost of \$12.8 million and \$13.1 million, and a fair value of \$14.9 million and \$14.8 million, at June 30, 2014 and December 31, 2013, respectively. As discussed further in Note 13 - Derivative Financial Instruments and Hedging Activities, the Company has entered into a swap contract to swap-out the fixed rate of the security in exchange for a variable rate. The Company does not purchase securities with the intent of selling them in the near term, and there are no other securities in the trading portfolio at June 30, 2014.

Table of Contents**NOTE 4. SECURITIES AVAILABLE FOR SALE AND HELD TO MATURITY**

The following is a summary of securities available for sale and held to maturity:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>June 30, 2014</b>				
<b>Securities available for sale</b>				
<i>Debt securities:</i>				
Municipal bonds and obligations	\$ 133,188	\$ 4,739	\$ (513)	\$ 137,414
Government-guaranteed residential mortgage-backed securities	79,095	787	(159)	79,723
Government-sponsored residential mortgage-backed securities	796,407	5,956	(5,272)	797,091
Trust preferred securities	15,763	1,170	(1,276)	15,657
Other bonds and obligations	3,237	1	(73)	3,165
Total debt securities	1,027,690	12,653	(7,293)	1,033,050
Marketable equity securities	45,139	3,194	(715)	47,618
<b>Total securities available for sale</b>	<b>1,072,829</b>	<b>15,847</b>	<b>(8,008)</b>	<b>1,080,668</b>
<b>Securities held to maturity</b>				
Municipal bonds and obligations	4,259			4,259
Government-sponsored residential mortgage-backed securities	71	3		74
Tax advantaged economic development bonds	38,509	1,377	(199)	39,687
Other bonds and obligations	339			339
<b>Total securities held to maturity</b>	<b>43,178</b>	<b>1,380</b>	<b>(199)</b>	<b>44,359</b>
<b>Total</b>	<b>\$ 1,116,007</b>	<b>\$ 17,227</b>	<b>\$ (8,207)</b>	<b>\$ 1,125,027</b>
<b>December 31, 2013</b>				
<b>Securities available for sale</b>				
<i>Debt securities:</i>				
Municipal bonds and obligations	\$ 77,852	\$ 1,789	\$ (1,970)	\$ 77,671
Government-guaranteed residential mortgage-backed securities	78,885	544	(658)	78,771
Government-sponsored residential mortgage-backed securities	531,441	2,000	(10,783)	522,658
Corporate bonds	40,945	157	(1,822)	39,280
Trust preferred securities	16,927	1,249	(1,565)	16,611
Other bonds and obligations	3,250		(166)	3,084
Total debt securities	749,300	5,739	(16,964)	738,075
Marketable equity securities	20,042	2,266	(335)	21,973
<b>Total securities available for sale</b>	<b>769,342</b>	<b>8,005</b>	<b>(17,299)</b>	<b>760,048</b>
<b>Securities held to maturity</b>				
Municipal bonds and obligations	4,244			4,244
Government-sponsored residential mortgage-backed securities	73	2		75
Tax advantaged economic development bonds	40,260	1,255	(414)	41,101
Other bonds and obligations	344			344

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<b>Total securities held to maturity</b>		44,921		1,257		(414)		45,764
<b>Total</b>	\$	814,263	\$	9,262	\$	(17,713)	\$	805,812

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The amortized cost and estimated fair value of available for sale ( AFS ) and held to maturity ( HTM ) securities, segregated by contractual maturity at June 30, 2014 are presented below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. Mortgage-backed securities are shown in total, as their maturities are highly variable. Equity securities have no maturity and are also shown in total.

(In thousands)	Available for sale		Held to maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	\$	\$	\$ 1,423	\$ 1,423
Over 1 year to 5 years		1,258	17,241	18,131
Over 5 years to 10 years		17,922	11,558	11,546
Over 10 years		133,008	12,885	13,185
Total bonds and obligations		152,188	43,107	44,285
Marketable equity securities		45,139		
Residential mortgage-backed securities		875,502	71	74
<b>Total</b>	\$	1,072,829	\$ 43,178	\$ 44,359

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Securities with unrealized losses, segregated by the duration of their continuous unrealized loss positions, are summarized as follows:

(In thousands)	Less Than Twelve Months		Over Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
<b>June 30, 2014</b>						
<b>Securities available for sale</b>						
<i>Debt securities:</i>						
Municipal bonds and obligations	\$ 2	\$ 401	\$ 511	\$ 12,503	\$ 513	\$ 12,904
Government-guaranteed residential mortgage-backed securities	43	11,313	116	4,437	159	15,750
Government-sponsored residential mortgage-backed securities	1,022	151,880	4,250	160,445	5,272	312,325
Trust preferred securities			1,276	2,288	1,276	2,288
Other bonds and obligations	1	53	72	2,937	73	2,990
<b>Total debt securities</b>	<b>1,068</b>	<b>163,647</b>	<b>6,225</b>	<b>182,610</b>	<b>7,293</b>	<b>346,257</b>
Marketable equity securities	472	17,514	243	2,757	715	20,271
<b>Total securities available for sale</b>	<b>1,540</b>	<b>181,161</b>	<b>6,468</b>	<b>185,367</b>	<b>8,008</b>	<b>366,528</b>
<b>Securities held to maturity</b>						
Tax advantaged economic development bonds			199	7,932	199	7,932
<b>Total securities held to maturity</b>			<b>199</b>	<b>7,932</b>	<b>199</b>	<b>7,932</b>
<b>Total</b>	<b>\$ 1,540</b>	<b>\$ 181,161</b>	<b>\$ 6,667</b>	<b>\$ 193,299</b>	<b>\$ 8,207</b>	<b>\$ 374,460</b>
<b>December 31, 2013</b>						
<b>Securities available for sale</b>						
<i>Debt securities:</i>						
Municipal bonds and obligations	\$ 1,657	\$ 17,776	\$ 313	\$ 1,854	\$ 1,970	\$ 19,630
Government guaranteed residential mortgage-backed securities	658	35,631			658	35,631
Government-sponsored residential mortgage-backed securities	10,783	423,203			10,783	423,203
Corporate bonds	1,822	29,124			1,822	29,124
Trust preferred securities			1,565	2,039	1,565	2,039
Other bonds and obligations	166	3,082			166	3,082
<b>Total debt securities</b>	<b>15,086</b>	<b>508,816</b>	<b>1,878</b>	<b>3,893</b>	<b>16,964</b>	<b>512,709</b>
Marketable equity securities	117	1,653	218	1,782	335	3,435
<b>Total securities available for sale</b>	<b>15,203</b>	<b>510,469</b>	<b>2,096</b>	<b>5,675</b>	<b>17,299</b>	<b>516,144</b>
<b>Securities held to maturity</b>						
Tax advantaged economic development bonds	57	9,429	357	7,901	414	17,330
<b>Total securities held to maturity</b>	<b>57</b>	<b>9,429</b>	<b>357</b>	<b>7,901</b>	<b>414</b>	<b>17,330</b>
<b>Total</b>	<b>\$ 15,260</b>	<b>\$ 519,898</b>	<b>\$ 2,453</b>	<b>\$ 13,576</b>	<b>\$ 17,713</b>	<b>\$ 533,474</b>

*Debt Securities*

The Company expects to recover its amortized cost basis on all debt securities in its AFS and HTM portfolios. Furthermore, the Company does not intend to sell nor does it anticipate that it will be required to sell any of its securities in an unrealized loss position as of June 30, 2014, prior to this recovery. The Company's ability and intent to hold these securities until recovery is supported by the Company's strong capital and liquidity positions as well as its historically low portfolio turnover. The following summarizes, by investment security type, the basis for the conclusion that the debt securities in an unrealized loss position within the Company's AFS and HTM portfolios were not other-than-temporarily impaired at June 30, 2014:

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AFS municipal bonds and obligations

At June 30, 2014, 19 of the total 193 securities in the Company's portfolio of AFS municipal bonds and obligations were in unrealized loss positions. Aggregate unrealized losses represented 3.8% of the amortized cost of securities in unrealized loss positions. The Company continually monitors the municipal bond sector of the market carefully and periodically evaluates the appropriate level of exposure to the market. At this time, the Company feels the bonds in this portfolio carry minimal risk of default and the Company is appropriately compensated for that risk. There were no material underlying credit downgrades during the second quarter of 2014. All securities are performing.

AFS residential mortgage-backed securities

At June 30, 2014, 55 out of the total 240 securities in the Company's portfolios of AFS residential mortgage-backed securities were in unrealized loss positions. Aggregate unrealized losses represented 1.6% of the amortized cost of securities in unrealized loss positions within the AFS portfolio. The Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Government National Mortgage Association (GNMA) guarantee the contractual cash flows of all of the Company's residential mortgage-backed securities. The securities are investment grade rated and there were no material underlying credit downgrades during the past quarter. All securities are performing.

AFS trust preferred securities

At June 30, 2014, 2 out of the total 5 securities in the Company's portfolio of AFS trust preferred securities were in unrealized loss positions. Aggregate unrealized losses represented 35.8% of the amortized cost of securities in unrealized loss positions. The Company's evaluation of the present value of expected cash flows on these securities supports its conclusions about the recoverability of the securities' amortized cost basis. Of the 2 securities, 1 security is investment grade rated. The Company reviews the financial strength of all of the single issue trust issuers and has concluded that the amortized cost remains supported by the market value of these securities and they are performing.

At June 30, 2014, \$1.1 million of the total unrealized losses was attributable to a \$2.8 million investment in a Mezzanine Class B tranche of a \$360 million pooled trust preferred security collateralized by banking and insurance entities. The Company evaluated the security, with a Level 3 fair value of \$1.4 million, for potential other-than-temporary-impairment (OTTI) at June 30, 2014 and determined that OTTI was not evident based on both the Company's ability and intent to hold the security until the recovery of its remaining amortized cost and the protection from credit loss afforded by \$44 million in excess subordination above current and projected losses. The security is performing.

AFS other bonds and obligations

At June 30, 2014, 4 of the total 8 securities in the Company's portfolio of other bonds and obligations were in unrealized loss positions. Aggregate unrealized losses represented 2.4% of the amortized cost of securities in unrealized loss positions. The securities are investment grade rated and there were no material underlying credit downgrades during the second quarter of 2014. All securities are performing.

HTM tax advantaged economic development bonds

At June 30, 2014, 1 of the total 7 securities in the Company's portfolio of tax advantaged economic development bonds was in an unrealized loss position. Aggregate unrealized losses represented 2.5% of the amortized cost of securities in unrealized loss positions. The Company has the intent of maintaining these bonds to recovery. These securities are performing. The Company expects to receive all future cash flows associated with these securities.

*Marketable Equity Securities*

In evaluating its marketable equity securities portfolio for OTTI, the Company considers its ability to more likely than not hold an equity security to recovery. The Company additionally considers other various factors including

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the length of time and the extent to which the fair value has been less than cost and the financial condition and near term prospects of the issuer. Any OTTI is recognized immediately through earnings.

At June 30, 2014, 9 out of the total 29 securities in the Company's portfolio of marketable equity securities were in an unrealized loss position. The unrealized loss represented 3.4% of the amortized cost of the securities. The Company has the ability and intent to hold the securities until a recovery of their cost basis and does not consider the securities other-than-temporarily impaired at June 30, 2014. As new information becomes available in future periods, changes to the Company's assumptions may be warranted and could lead to a different conclusion regarding the OTTI of these securities.

**NOTE 5. LOANS**

The Company's loan portfolio is segregated into the following segments: residential mortgage, commercial real estate, commercial and industrial, and consumer. Residential mortgage loans include classes for 1-4 family owner occupied and construction loans. Commercial real estate loans include construction, single and multi-family, and other commercial real estate classes. Commercial and industrial loans include asset based lending loans, lease financing and other commercial business loan classes. Consumer loans include home equity, direct and indirect auto and other. These portfolio segments each have unique risk characteristics that are considered when determining the appropriate level for the allowance for loan losses.

A substantial portion of the loan portfolio is secured by real estate in western Massachusetts, southern Vermont, northeastern New York, and in the Bank's other New England lending areas. The ability of many of the Bank's borrowers to honor their contracts is dependent, among other things, on the specific economy and real estate markets of these areas.

Total loans include business activity loans and acquired loans. Acquired loans are those loans acquired from the acquisitions of the 20 acquired branches, Beacon Federal Bancorp, Inc., The Connecticut Bank and Trust Company, Legacy Bancorp, Inc., and Rome Bancorp, Inc. The following is a summary of total loans:

(In thousands)	June 30, 2014			December 31, 2013		
	Business Activities Loans	Acquired Loans	Total	Business Activities Loans	Acquired Loans	Total
<b>Residential mortgages:</b>						
1-4 family	\$ 1,073,431	\$ 305,595	\$ 1,379,026	\$ 1,027,737	\$ 333,367	\$ 1,361,104
Construction	17,162	1,043	18,205	18,158	5,012	23,170
Total residential mortgages	1,090,593	306,638	1,397,231	1,045,895	338,379	1,384,274
<b>Commercial real estate:</b>						
Construction	165,276	6,824	172,100	125,247	13,770	139,017
Single and multi-family	89,684	61,420	151,104	63,493	64,827	128,320
Other commercial real estate	1,007,268	249,028	1,256,296	871,271	278,512	1,149,783
	1,262,228	317,272	1,579,500	1,060,011	357,109	1,417,120

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Total commercial real estate

Commercial and industrial loans:

Asset based lending	328,681		328,681	294,241	3,130	297,371
Other commercial and industrial loans	337,801	61,477	399,278	323,196	66,726	389,922
Total commercial and industrial loans	666,482	61,477	727,959	617,437	69,856	687,293
Total commercial loans	1,928,710	378,749	2,307,459	1,677,448	426,965	2,104,413

Consumer loans:

Home equity	240,301	69,708	310,009	232,677	74,154	306,831
Auto and other	297,010	138,594	435,604	213,171	171,834	385,005
Total consumer loans	537,311	208,302	745,613	445,848	245,988	691,836

Total loans	\$	3,556,614	\$	893,689	\$	4,450,303	\$	3,169,191	\$	1,011,332	\$	4,180,523
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The carrying amount of the acquired loans at June 30, 2014 totaled \$894 million. These loans consisted of loans determined to be impaired at the time of acquisition, which are accounted for in accordance with ASC Topic 310-30, with a carrying amount of \$23 million (and a note balance of \$41 million) and loans that were considered not impaired at the acquisition date with a carrying amount of \$871 million.

The following table summarizes activity in the accretable yield for the acquired loan portfolio that falls under the purview of ASC 310-30, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*.

(In thousands)	Three Months Ended June 30,	
	2014	2013
Balance at beginning of period	\$ 3,154	\$ 5,666
Sales		(301)
Reclassification from nonaccretable difference for loans with improved cash flows	39	
Changes in expected cash flows that do not affect nonaccretable difference	(149)	
Accretion	(604)	(2,037)
Balance at end of period	\$ 2,440	\$ 3,328

(In thousands)	Six months ended June 30,	
	2014	2013
Balance at beginning of period	\$ 2,559	\$ 8,247
Acquisitions		
Sales		(301)
Reclassification from nonaccretable difference for loans with improved cash flows	1,579	
Changes in expected cash flows that do not affect nonaccretable difference	(149)	
Accretion	(1,549)	(4,618)
Balance at end of period	\$ 2,440	\$ 3,328

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The following is a summary of past due loans at June 30, 2014 and December 31, 2013:

**Business Activities Loans**

(in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Past Due > 90 days and Accruing
<b>June 30, 2014</b>							
<b>Residential mortgages:</b>							
1-4 family	\$ 2,785	\$ 169	\$ 4,885	\$ 7,839	\$ 1,065,592	\$ 1,073,431	\$ 1,533
Construction					17,162	17,162	
Total	2,785	169	4,885	7,839	1,082,754	1,090,593	1,533
<b>Commercial real estate:</b>							
Construction			1,370	1,370	163,906	165,276	
Single and multi-family	293	73	832	1,198	88,486	89,684	216
Other commercial real estate	2,567	1,486	9,204	13,257	994,011	1,007,268	1,721
Total	2,860	1,559	11,406	15,825	1,246,403	1,262,228	1,937
<b>Commercial and industrial loans:</b>							
Asset based lending					328,681	328,681	
Other commercial and industrial loans	271	41	3,730	4,042	333,759	337,801	123
Total	271	41	3,730	4,042	662,440	666,482	123
<b>Consumer loans:</b>							
Home equity	490		1,284	1,774	238,527	240,301	303
Auto and other	700	35	344	1,079	295,931	297,010	14
Total	1,190	35	1,628	2,853	534,458	537,311	317
<b>Total</b>	<b>\$ 7,106</b>	<b>\$ 1,804</b>	<b>\$ 21,649</b>	<b>\$ 30,559</b>	<b>\$ 3,526,055</b>	<b>\$ 3,556,614</b>	<b>\$ 3,910</b>

**Business Activities Loans**

(in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Past Due > 90 days and Accruing
<b>December 31, 2013</b>							
<b>Residential mortgages:</b>							
1-4 family	\$ 2,500	\$ 623	\$ 7,382	\$ 10,505	\$ 1,017,232	\$ 1,027,737	\$ 1,451
Construction			41	41	18,117	18,158	
Total	2,500	623	7,423	10,546	1,035,349	1,045,895	1,451
<b>Commercial real estate:</b>							
Construction	174		3,176	3,350	121,897	125,247	
Single and multi-family	139	654	679	1,472	62,021	63,493	168
Other commercial real estate	622	4,801	6,912	12,335	858,936	871,271	865
Total	935	5,455	10,767	17,157	1,042,854	1,060,011	1,033
<b>Commercial and industrial loans:</b>							
Asset based lending					294,241	294,241	
Other commercial and industrial loans	1,136	386	1,477	2,999	320,197	323,196	42
Total	1,136	386	1,477	2,999	614,438	617,437	42
<b>Consumer loans:</b>							

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Home equity	732	54	1,655	2,441	230,236	232,677	572
Auto and other	524	231	390	1,145	212,026	213,171	142
Total	1,256	285	2,045	3,586	442,262	445,848	714
<b>Total</b>	\$ 5,827	\$ 6,749	\$ 21,712	\$ 34,288	\$ 3,134,903	\$ 3,169,191	\$ 3,240

Table of Contents**Acquired Loans**

(in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Past Due > 90 days and Accruing
<b>June 30, 2014</b>							
<b>Residential mortgages:</b>							
1-4 family	\$ 1,319	\$ 801	\$ 2,612	\$ 4,732	\$ 300,863	\$ 305,595	\$ 669
Construction					1,043	1,043	
<b>Total</b>	<b>1,319</b>	<b>801</b>	<b>2,612</b>	<b>4,732</b>	<b>301,906</b>	<b>306,638</b>	<b>669</b>
<b>Commercial real estate:</b>							
Construction		179	805	984	5,840	6,824	805
Single and multi-family	409	189	1,205	1,803	59,617	61,420	508
Other commercial real estate	782		4,578	5,360	243,668	249,028	2,161
<b>Total</b>	<b>1,191</b>	<b>368</b>	<b>6,588</b>	<b>8,147</b>	<b>309,125</b>	<b>317,272</b>	<b>3,474</b>
<b>Commercial and industrial loans:</b>							
Asset based lending							
Other commercial and industrial loans	544	116	1,820	2,480	58,997	61,477	606
<b>Total</b>	<b>544</b>	<b>116</b>	<b>1,820</b>	<b>2,480</b>	<b>58,997</b>	<b>61,477</b>	<b>606</b>
<b>Consumer loans:</b>							
Home equity	386	20	898	1,304	68,404	69,708	496
Auto and other	1,605	151	1,674	3,430	135,164	138,594	28
<b>Total</b>	<b>1,991</b>	<b>171</b>	<b>2,572</b>	<b>4,734</b>	<b>203,568</b>	<b>208,302</b>	<b>524</b>
<b>Total</b>	<b>\$ 5,045</b>	<b>\$ 1,456</b>	<b>\$ 13,592</b>	<b>\$ 20,093</b>	<b>\$ 873,596</b>	<b>\$ 893,689</b>	<b>\$ 5,273</b>

**Acquired Loans**

(in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Past Due > 90 days and Accruing
<b>December 31, 2013</b>							
<b>Residential mortgages:</b>							
1-4 family	\$ 1,891	\$ 437	\$ 2,577	\$ 4,905	\$ 328,462	\$ 333,367	\$ 805
Construction	134	32	625	791	4,221	5,012	501
<b>Total</b>	<b>2,025</b>	<b>469</b>	<b>3,202</b>	<b>5,696</b>	<b>332,683</b>	<b>338,379</b>	<b>1,306</b>
<b>Commercial real estate:</b>							
Construction			805	805	12,965	13,770	805
Single and multi-family	350	188	1,335	1,873	62,954	64,827	512
Other commercial real estate	537	518	6,108	7,163	271,349	278,512	2,925
<b>Total</b>	<b>887</b>	<b>706</b>	<b>8,248</b>	<b>9,841</b>	<b>347,268</b>	<b>357,109</b>	<b>4,242</b>
<b>Commercial and industrial loans:</b>							
Asset based lending					3,130	3,130	
Other commercial and industrial loans	440	135	1,239	1,814	64,912	66,726	318
<b>Total</b>	<b>440</b>	<b>135</b>	<b>1,239</b>	<b>1,814</b>	<b>68,042</b>	<b>69,856</b>	<b>318</b>
<b>Consumer loans:</b>							
Home equity	425	545	636	1,606	72,548	74,154	35
Auto and other	2,606	641	1,641	4,888	166,946	171,834	82
<b>Total</b>	<b>3,031</b>	<b>1,186</b>	<b>2,277</b>	<b>6,494</b>	<b>239,494</b>	<b>245,988</b>	<b>117</b>
<b>Total</b>	<b>\$ 6,383</b>	<b>\$ 2,496</b>	<b>\$ 14,966</b>	<b>\$ 23,845</b>	<b>\$ 987,487</b>	<b>\$ 1,011,332</b>	<b>\$ 5,983</b>



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The following is summary information pertaining to non-accrual loans at June 30, 2014 and December 31, 2013:

(In thousands)	June 30, 2014			December 31, 2013		
	Business Activities Loans	Acquired Loans	Total	Business Activities Loans	Acquired Loans	Total
<b>Residential mortgages:</b>						
1-4 family	\$ 3,352	\$ 1,943	\$ 5,295	\$ 5,931	\$ 1,772	\$ 7,703
Construction				41	123	164
Total	3,352	1,943	5,295	5,972	1,895	7,867
<b>Commercial real estate:</b>						
Construction	1,370		1,370	3,176		3,176
Single and multi-family	616	697	1,313	511	823	1,334
Other commercial real estate	7,483	2,417	9,900	6,047	3,183	9,230
Total	9,469	3,114	12,583	9,734	4,006	13,740
<b>Commercial and industrial loans:</b>						
Other commercial and industrial loans	3,607	1,214	4,821	1,434	921	2,355
Total	3,607	1,214	4,821	1,434	921	2,355
<b>Consumer loans:</b>						
Home equity	981	402	1,383	1,083	602	1,685
Auto and other	330	1,646	1,976	249	1,559	1,808
Total	1,311	2,048	3,359	1,332	2,161	3,493
<b>Total non-accrual loans</b>	<b>\$ 17,739</b>	<b>\$ 8,319</b>	<b>\$ 26,058</b>	<b>\$ 18,472</b>	<b>\$ 8,983</b>	<b>\$ 27,455</b>

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Loans evaluated for impairment as of June 30, 2014 and December 31, 2013 were as follows:

**Business Activities Loans**

(In thousands)	Residential mortgages	Commercial real estate	Commercial and industrial loans	Consumer	Total
<b>June 30, 2014</b>					
<b>Loans receivable:</b>					
Balance at end of period					
Individually evaluated for impairment	\$ 3,872	\$ 21,572	\$ 3,505	\$ 304	\$ 29,253
Collectively evaluated	1,086,721	1,240,656	662,977	537,007	3,527,361
Total	\$ 1,090,593	\$ 1,262,228	\$ 666,482	\$ 537,311	\$ 3,556,614

**Business Activities Loans**

(In thousands)	Residential mortgages	Commercial real estate	Commercial and industrial loans	Consumer	Total
<b>December 31, 2013</b>					
<b>Loans receivable:</b>					
Balance at end of year					
Individually evaluated for impairment	\$ 6,237	\$ 22,429	\$ 1,380	\$ 515	\$ 30,561
Collectively evaluated for impairment	1,039,658	1,037,582	616,057	445,333	3,138,630
Total	\$ 1,045,895	\$ 1,060,011	\$ 617,437	\$ 445,848	\$ 3,169,191

**Acquired Loans**

(In thousands)	Residential mortgages	Commercial real estate	Commercial and industrial loans	Consumer	Total
<b>June 30, 2014</b>					
<b>Loans receivable:</b>					
Balance at end of Period					
Individually evaluated for impairment	\$ 1,054	\$ 5,315	\$ 485	\$	\$ 6,854
Collectively evaluated	305,584	311,957	60,992	208,302	886,835
Total	\$ 306,638	\$ 317,272	\$ 61,477	\$ 208,302	\$ 893,689

**Acquired Loans**

(In thousands)	Residential mortgages	Commercial real estate	Commercial and industrial loans	Consumer	Total
<b>December 31, 2013</b>					
<b>Loans receivable:</b>					

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Balance at end of year							
Individually evaluated for impairment	\$	1,568	\$	6,295	\$	367	\$ 154 8,384
Collectively evaluated for impairment		336,811		350,814		69,489	245,834 1,002,948
Total	\$	338,379	\$	357,109	\$	69,856	\$ 245,988 1,011,332

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The following is a summary of impaired loans at June 30, 2014:

**Business Activities Loans**

(In thousands)	Recorded Investment	At June 30, 2014 Unpaid Principal Balance		Related Allowance
<b>With no related allowance:</b>				
Residential mortgages - 1-4 family	\$ 3,338	\$	3,338	\$
Other commercial real estate loans	17,341		17,341	
Commercial real estate - construction	1,370		1,370	
Other commercial and industrial loans	566		566	
Consumer - home equity	183		183	
Consumer - other	121		121	
<b>With an allowance recorded:</b>				
Residential mortgages - 1-4 family	\$ 477	\$	534	\$ 57
Other commercial real estate loans	2,149		2,861	712
Other commercial and industrial loans	2,464		2,939	475