

BERKSHIRE BANCORP INC /DE/  
Form 10-Q  
November 13, 2013

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2013

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**

(State or Other Jurisdiction of  
Incorporation or Organization)

**94-2563513**

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

**160 Broadway, New York, New York**  
(Address of Principal Executive Offices)

**10038**  
(Zip Code)

Registrant's Telephone Number, Including Area Code: (212) 791-5362

**N/A**

(Former Name, Former Address and Former Fiscal Year, 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  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 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 definitions 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   
(Do not check if a 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

As of November 12, 2013, there were 14,416,198 outstanding shares of the issuer's Common Stock, \$.10 par value.

**BERKSHIRE BANCORP INC. AND SUBSIDIARIES**

**FORWARD-LOOKING STATEMENTS**

**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 actual results and experiences of Berkshire Bancorp Inc. (the "Company") 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; (ix) cost of compliance with new corporate governance requirements, rules and regulations; and other factors referred to in this Quarterly Report and in Item 1A, "Risk Factors", of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.*

*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, Except Share Data)

	September 30, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
Cash and due from banks (including restricted cash of \$4,264 and \$4,082, respectively)	\$ 7,881	\$ 8,637
Interest bearing deposits	92,749	140,517
Total cash and cash equivalents	100,630	149,154
Investment Securities:		
Available-for-sale, at fair value	342,639	355,114
Federal Home Loan Bank of New York stock	722	887
Held-to-maturity, fair value of \$ 259 in 2013 and \$283 in 2012	258	275
Total investment securities	343,619	356,276
Loans, net of unearned income	304,606	295,165
Less: allowance for loan losses	(10,122)	(11,008)
Net loans	294,484	284,157
Accrued interest receivable	3,009	3,099
Premises and equipment, net	6,976	7,113
Real estate owned	-	225
Deferred tax assets, net	22,989	16,392
Other assets	4,071	11,629
Total assets	\$ 775,778	\$ 828,045
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Non-interest bearing	\$ 89,505	\$ 84,163
Interest bearing	523,137	558,307
Total deposits	612,642	642,470
Securities sold under agreements to repurchase	30,000	45,000
Borrowings	-	1,539
Accrued interest payable	1,382	1,699
Other liabilities	4,578	3,031
Total liabilities	648,602	693,739
Stockholders' equity		
Preferred stock - \$ .01 Par value:		
2,000,000 shares authorized - none issued		
Common stock - \$.10 Par value	1,442	1,441
Authorized-25,000,000 Shares		
Issued 14,416,198 shares		
Outstanding 14,416,198 shares		
Additional paid-in capital	143,903	143,903
Accumulated Deficit	(4,999)	(8,061)

Accumulated other comprehensive loss, net	(13,170)	(2,977)
Total stockholders' equity	127,176	134,306
Total liabilities and stockholders' equity	\$ 775,778	\$ 828,045

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
<b>INTEREST AND DIVIDEND INCOME</b>				
Loans, including related fees	\$ 4,265	\$ 4,658	\$ 12,741	\$ 14,445
Investment securities	2,174	2,395	6,452	7,106
Federal Home Loan Bank of New York stock	7	11	26	37
Interest bearing deposits	65	59	249	243
Total interest income	6,511	7,123	19,468	21,831
<b>INTEREST EXPENSE</b>				
Deposits	865	1,144	2,772	3,544
Securities sold under agreements to repurchase	263	446	1,027	1,337
Interest expense on borrowings	-	69	10	410
Total interest expense	1,128	1,659	3,809	5,291
Net interest income	5,383	5,464	15,659	16,540
<b>PROVISION FOR LOAN LOSSES</b>	(264)	(4,193)	(865)	(4,193)
Net interest income after provision for loan losses	5,647	9,657	16,524	20,733
<b>NON-INTEREST INCOME</b>				
Service charges on deposit accounts	96	110	293	344
Investment securities gains	25	61	338	169
Other income	128	595	604	897
Total non-interest income	249	766	1,235	1,410
<b>NON-INTEREST EXPENSE</b>				
Salaries and employee benefits	2,595	2,263	8,190	7,123
Net occupancy expense	636	567	1,937	1,728
Equipment expense	99	86	277	252
FDIC assessment	255	300	552	900
Data processing expense	92	112	326	336
Other	607	652	1,946	1,984
Total non-interest expense	4,284	3,980	13,228	12,323
Income before provision for taxes	1,612	6,443	4,531	9,820
Provision for income taxes	576	3,260	1,667	1,157
Net income	\$ 1,036	\$ 3,183	\$ 2,864	\$ 8,663
Earnings per share:				
Basic - 14,416,000 shares	\$ 0.07	\$ 0.22	\$ 0.20	\$ 0.60
Diluted - 14,416,000 shares	\$ 0.07	\$ 0.22	\$ 0.20	\$ 0.60

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





**BERKSHIRE BANCORP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands)  
(unaudited)

	For The Nine Months Ended September 30,	
	2013	2012
Net Income	\$ 2,864	\$ 8,663
Other comprehensive (loss) income, net of tax:		
Unrealized (losses) gains on available-for-sale securities, net of taxes of \$8,168 and \$5,409, in 2013 and 2012, respectively	(10,015)	8,316
Less: Reclassification adjustment for realized (gains) included in net income, net of taxes of \$152 and \$68, in 2013 and 2012, respectively	(178)	(101)
Other comprehensive ( loss) income	\$ (10,193)	\$ 8,215
Comprehensive (loss) income	\$ (7,329)	\$ 16,878

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

**BERKSHIRE BANCORP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

**For The Nine Months Ended September 30, 2013 and 2012**

(Dollars In Thousands, Except Share Data)

(Unaudited)

	Common Shares	Preferred Shares	Common Stock Par Value	Preferred Stock Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss, net	Accumulated deficit	Treasury Stock	Total Stock Equity
Balance at January 1, 2012	14,443	\$-	\$1,444	\$-	\$143,900	\$(10,517)	\$(19,299)	\$-	\$115,521
Net Income							8,663		8,663
Other comprehensive income net of taxes						8,215			8,215
Adjustments	(27)		(2)		3				1
Balance at September 30, 2012	14,416	\$-	\$1,442	\$-	\$143,903	\$(2,302)	\$(10,636)	\$-	\$132,367
Balance at January 1, 2013	14,416	\$-	\$1,441	\$-	\$143,903	\$(2,977)	\$(8,061)	\$-	\$134,266
Net Income							2,864		2,864
Other comprehensive loss net of taxes						(10,193)			(10,193)
Adjustments			1				198		199
Balance at September 30, 2013	14,416	\$-	\$1,442	\$-	\$143,903	\$(13,170)	\$(4,999)	\$-	\$127,176

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

**BERKSHIRE BANCORP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)  
(unaudited)

	For The Nine Months Ended	
	September 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 2,864	\$ 8,663
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized gains on investment securities	(338)	(169)
Net amortization of premiums of investment securities	1,252	1,833
Depreciation and amortization	362	373
Provision for loan losses	(865)	(4,193)
Decrease (increase) in accrued interest receivable	90	(190)
Decrease in other real estate owned	225	
Decrease (increase) in other assets	9,155	(1,376)
Increase (decrease) in accrued interest payable and other liabilities	1,229	(4,908)
Net cash provided by operating activities	13,974	33
Cash flows from investing activities:		
Investment securities available for sale		
Purchases	(306,282)	(382,025)
Sales, maturities and calls	299,697	405,068
Investment securities held to maturity		
Payments	17	17
Decrease in FHLB NY stock	165	
Net (increase) decrease in loans	(9,462)	8,119
Purchases of premises and equipment	(266)	(140)
Net cash (used in) provided by investing activities	(16,131)	31,039
Cash flows from financing activities:		
Net increase in non interest bearing deposits	5,342	4,750
Net decrease in interest bearing deposits	(35,170)	(12,648)
Repayment of borrowings	(1,539)	(18,931)
Repayment of securities sold under repurchase agreements	(15,000)	0
Net cash used in financing activities	(46,367)	(26,829)
Net (decrease) increase in cash and cash equivalents	(48,524)	4,243
Cash and cash equivalents at beginning of period	149,154	101,036
Cash and cash equivalents at end of period	\$ 100,630	\$ 105,279
Supplemental disclosure of cash flow information:		
Cash used to pay interest	\$ 4,126	\$ 10,565
Refund on income taxes, net of taxes paid	\$ 6,680	\$ 2

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



**BERKSHIRE BANCORP INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**September 30, 2013 and 2012**  
**(unaudited)**

**Note 1. General**

Berkshire Bancorp Inc., a Delaware corporation, is a bank holding company registered under the Bank Holding Company Act of 1956. References herein to "Berkshire", the "Company" or "we" and similar pronouns, shall be deemed to refer to Berkshire Bancorp Inc. and its wholly-owned consolidated subsidiaries unless the context otherwise requires. Berkshire's principal activity is the ownership and management of its indirect wholly-owned subsidiary, The Berkshire Bank (the "Bank"), a New York State chartered commercial bank. The Bank is owned through Berkshire's wholly-owned subsidiary, Greater American Finance Group, Inc. ("GAFG").

The accompanying consolidated financial statements of Berkshire Bancorp Inc. and subsidiaries include the accounts of the parent company, Berkshire Bancorp Inc., and its wholly-owned subsidiaries: The Berkshire Bank, GAFG and East 39, LLC.

We have prepared the accompanying consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial reporting. These consolidated financial statements, including the notes thereto, are unaudited and, in our opinion, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation of our consolidated balance sheets, operating results, and cash flows for the periods presented. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the remaining quarters of fiscal 2013 due to a variety of factors. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been omitted in accordance with the rules and regulations of the SEC. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's 2012 Annual Report on Form 10-K.

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

**Note 2. Earnings Per Share**

Basic earnings per common share is calculated by dividing income available to common stockholders by the weighted average common stock outstanding, excluding stock options from the calculation. As of and for the three and nine-months ended September 30, 2013 and 2012, there were no potential dilutive shares. The following tables present the Company's calculation of earnings per common share:

	For The Three Months Ended September 30, 2013			2012		
	Earnings (numerator) (In thousands, except per share data)	Shares (denominator)	Per share amount	Earnings (numerator)	Shares (denominator)	Per share amount
Basic earnings per common share						
Net income	\$ 1,036			\$ 3,183		
Net income available to common stockholders	\$ 1,036	14,416	\$ 0.07	\$ 3,183	14,416	\$ 0.22

	For The Nine Months Ended September 30, 2013			2012		
	Earnings (numerator) (In thousands, except per share data)	Shares (denominator)	Per share Amount	Earnings (numerator)	Shares (denominator)	Per share amount
Basic earnings per common share						
Net income	\$ 2,864			\$ 8,663		
Net income available to common stockholders	\$ 2,864	14,416	\$ 0.20	\$ 8,663	14,416	\$ 0.60

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

**Note 3. Income Taxes**

The income tax provision for the three months and nine months ended September 30, 2013 was \$576,000 and \$1.7 million, respectively, and the income tax provision for the three months and nine months ended September 30, 2012 was \$3.3 million and \$1.2 million, respectively.

The effective tax rate for the three month and nine month period ended September 30, 2013 was 35.71 and 36.79 percent. The Company's effective tax rate differs from the statutory rate primarily due to benefit related to the dividends received deduction.

There were no significant uncertain tax positions requiring additional recognition in its financial statements as of September 30, 2013, and the Company does not believe that there will be any material changes in its unrecognized tax positions over the next twelve months. In addition, there were no accruals for interest or penalties during the three months and nine months ended September 30, 2013.

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

**Note 4. Loan Portfolio**

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

	September 30, 2013		December 31, 2012			
	Amount	% of Total		Amount	% of Total	
Commercial and industrial and finance leases	\$ 22,661	7.4	%	\$ 23,184	7.8	%
Secured by real estate:						
Residential	78,281	25.7	%	84,207	28.5	%
Multi family	16,235	5.3	%	14,491	4.9	%
Commercial real estate and construction	187,370	61.4	%	172,973	58.5	%
Consumer	536	0.2	%	899	0.3	%
Total loans	305,083	100	%	295,754	100	%
Deferred loan fees	(477)			(589)		
Allowance for loan losses	(10,122)			(11,008)		
Loans, net	\$ 294,484			\$ 284,157		

The Bank did not foreclose on any loans during the nine months ended September 30, 2013. The Bank had one foreclosed real estate property, with a carrying value of \$225,000 in the year ended December 31, 2012 which was sold during the first quarter of 2013.



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

**Note 4. - (continued)**

The following table sets forth information concerning activity in the Company's allowance for loan losses for the indicated periods.

	For The Three Months Ended		For The Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Balance at beginning of period	\$ 10,386	\$ 17,718	\$ 11,008	\$ 17,720
Provision for loan losses	(264)	(4,193)	(865)	(4,193)
Loans charged off	-	-	(21)	(2)
Recoveries	-	-	-	-
Balance at end of period	\$ 10,122	\$ 13,525	\$ 10,122	\$ 13,525

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

**Note 4. - (continued)**

**Allowance for Credit Losses and Recorded Investment in Financing Receivables**

The qualitative factors are determined based on the various risk characteristics of each loan class. Relevant risk characteristics are as follows:

**Commercial and industrial loans** - Loans in this class are made to businesses. Generally these loans are secured by assets of the business and repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer and/or business spending will have an adverse effect on the credit quality in this loan class.

**Commercial real estate** - Loans in this class include non-owner occupied income-producing investment properties and owner-occupied real estate used for business purposes. The underlying properties are generally located largely in our primary market area. The cash flows of the income producing investment properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on credit quality. In the case of owner-occupied real estate used for business purposes a weakened economy and resultant decreased consumer and/or business spending will have an adverse effect on credit quality.

**Construction loans**- Loans in this class primarily include land loans to local individuals, contractors and developers for developing the land for sale or for the purpose of making improvements thereon. Repayment is derived from sale of the lots/units including any pre-sold units. Credit risk is affected by market conditions, time to sell at an adequate price and cost overruns. To a lesser extent this class includes commercial development projects we finance which in most cases have an interest-only phase during construction and then convert to permanent financing. Credit risk is affected by cost overruns, market conditions and the availability of permanent financing, to the extent such permanent financing is not being provided by us.

**Residential real estate** - Loans in this class are made to and secured by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an adverse effect on the credit quality in this loan class. The Company generally does not originate loans with a loan-to-value ratio greater than 80 percent and does not grant subprime loans.

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

**Note 4. - (continued)**

**Multi-Family real estate** - Loans in this class are made to and secured by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this loan class. The Company generally does not originate loans with a loan-to-value ratio greater than 80 percent and does not grant subprime loans.

**Consumer loans**- Loans in this class may be either secured or unsecured and repayment is dependent on the credit quality of the individual borrower and, if applicable, sale of the collateral securing the loan (such as automobile or other secured assets). Therefore the overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this loan class.

**Financing Leases**- Loans in this class may be either secured or unsecured and repayment is dependent on the credit quality of the individual borrower and, if applicable, sale of the collateral securing the loan (such as equipment or other secured assets). Therefore the overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this loan class.

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

**Note 4. - (continued)**

**Allowance for Credit Losses and Recorded Investment in Loans**  
**For the Three Months Ended September 30, 2013**  
**(In thousands)**

	Commercial & industrial	Commercial Real Estate	Construction	Multi family	Residential 1-4 Family	Consumer	Finance Leases	Unallocated	Total
2013									
Allowance for credit losses:									
Beginning balance	\$ 968	\$ 6,524	\$ 1,506	\$ 277	\$ 1,076	\$ 10	\$ 25		\$ 10,386
Charge-offs	-	-	-	-	-	-	-	-	\$ -
Recoveries	-	-	-	-	-	-	-	-	\$ -
Provision	(21)	(630)	328	80	(18)	3	(6)		(264)
Ending balance	\$ 947	\$ 5,894	\$ 1,834	\$ 357	\$ 1,058	\$ 13	\$ 19	\$ -	\$ 10,122
Ending balance: individually evaluated for impairment									
Ending balance: collectively evaluated for impairment	\$ 947	\$ 5,894	\$ 1,834	\$ 357	\$ 1,058	\$ 13	\$ 19	\$ -	\$ 10,122
Financing Receivables:									
Ending balance	\$ 21,863	\$ 157,909	\$ 29,461	\$ 16,235	\$ 78,281	\$ 536	\$ 798	\$ -	\$ 305,083
Ending balance: individually evaluated for impairment	\$ -	\$ 6,752	\$ -	\$ -	\$ 7,950	\$ -	\$ -	\$ -	\$ 14,702
Ending balance: collectively evaluated for impairment	\$ 21,863	\$ 151,157	\$ 29,461	\$ 16,235	\$ 70,331	\$ 536	\$ 798	\$ -	\$ 290,381

**Allowance for Credit Losses and Recorded Investment in Loans**  
**For the Three Months Ended September 30, 2012**  
**(In thousands)**

Commercial Real Estate      Construction      Multi family      Consumer      Unallocated      Total

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	Commercial & industrial				Residential 1-4 Family		Finance Leases		
2012									
Allowance for credit losses:									
Beginning balance	\$ 673	\$ 7,658	\$ 1,113	\$ 470	\$ 6,082	\$ 26	\$ 63	\$ 1,633	\$ 17,718
Charge-offs	-	-	-	-	-	-	-	-	\$ -
Recoveries	-	-	-	-	-	-	-	-	\$ -
Provision	(22)	(1,234)	8	23	(1,372)	57	(20)	(1,633)	(4,193)
Ending balance	\$ 651	\$ 6,424	\$ 1,121	\$ 493	\$ 4,710	\$ 83	\$ 43	\$ -	\$ 13,525
Ending balance: individually evaluated for impairment									
Ending balance: collectively evaluated for impairment	\$ 651	\$ 6,424	\$ 1,121	\$ 493	\$ 4,710	\$ 83	\$ 43	\$ -	\$ 13,525
Financing Receivables:									
Ending balance	\$ 14,242	\$ 157,750	\$ 20,766	\$ 14,593	\$ 98,347	\$ 2,073	\$ 1,725	\$ -	\$ 309,496
Ending balance: individually evaluated for impairment	\$ -	\$ 17,597	\$ 9,730	\$ -	\$ 8,152	\$ -	\$ -	\$ -	\$ 35,479
Ending balance: collectively evaluated for impairment	\$ 14,242	\$ 140,153	\$ 11,036	\$ 14,593	\$ 90,195	\$ 2,073	\$ 1,725	\$ -	\$ 274,017

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

**Note 4. - (continued)**

**Allowance for Credit Losses and Recorded Investment in Loans**  
**For the Nine Months Ended September 30, 2013**  
**(In thousands)**

	Commercial & industrial	Commercial Real Estate	Construction	Multi family	Residential 4 Family	1- Consumer	Finance Leases	Unallocated	Total
2013									
Allowance for credit losses:									
Beginning balance	\$ 989	\$ 6,309	\$ 1,441	\$ 326	\$ 1,529	\$ 15	\$ 62	\$ 337	\$ 11,008
Charge-offs	-	-	-	-	(21)	-	-	-	(21)
Recoveries	-	-	-	-	-	-	-	-	-
Provision	(42)	(415)	393	31	(450)	(2)	(43)	(337)	\$ (865)
Ending balance	\$ 947	\$ 5,894	\$ 1,834	\$ 357	\$ 1,058	\$ 13	\$ 19	\$ -	\$ 10,122
Ending balance: individually evaluated for impairment									
Ending balance: collectively evaluated for impairment	\$ 947	\$ 5,894	\$ 1,834	\$ 357	\$ 1,058	\$ 13	\$ 19	\$ -	\$ 10,122
Financing Receivables:									
Ending balance	\$ 21,863	\$ 157,909	\$ 29,461	\$ 16,235	\$ 78,281	\$ 536	\$ 798	\$ -	305,083
Ending balance: individually evaluated for impairment	\$ -	\$ 6,752	\$ -	\$ -	\$ 7,950	\$ -	\$ -	\$ -	\$ 14,702
Ending balance: collectively evaluated for impairment	\$ 21,863	\$ 151,157	\$ 29,461	\$ 16,235	\$ 70,331	\$ 536	\$ 798	\$ -	290,381

**Allowance for Credit Losses and Recorded Investment in Loans**  
**For the Nine Months Ended September 30, 2012**  
**(In thousands)**

Commercial & industrial	Commercial Real Estate	Construction	Multi family	Residential 4 Family	1- Consumer	Finance Leases	Unallocated	Total
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2012

Allowance for  
credit losses:

Beginning balance	\$ 950	\$ 7,857	\$ 609	\$ 411	\$ 6,490	\$ 53	\$ 126	\$ 1,224	\$ 17,720
Charge-offs	(2)	-	-	-	-	-	-	-	\$ (2)

Recoveries	-	-	-	-	-	-	-	-	-
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Provision	(297)	(1,433)	512	82	(1,779)	29	(83)	(1,224)	(4,193)
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Ending balance	\$ 651	\$ 6,424	\$ 1,121	\$ 493	\$ 4,711	\$ 82	\$ 43	\$ -	\$ 13,525
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Ending balance:  
individually  
evaluated for  
impairmentEnding balance:  
collectively  
evaluated for  
impairment

	\$ 651	\$ 6,424	\$ 1,121	\$ 493	\$ 4,711	\$ 82	\$ 43	\$ -	\$ 13,525
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## Financing

## Receivables:

Ending balance	\$ 14,242	\$ 157,750	\$ 20,766	\$ 14,593	\$ 98,347	\$ 2,073	\$ 1,725	\$ -	309,496
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Ending balance:  
individually  
evaluated for  
impairment

	\$ -	\$ 17,597	\$ 9,730	\$ -	\$ 8,152	\$ -	\$ -	\$ -	\$ 35,479
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Ending balance:  
collectively  
evaluated for  
impairment

	\$ 14,242	\$ 140,153	\$ 11,036	\$ 14,593	\$ 90,195	\$ 2,073	\$ 1,725	\$ -	274,017
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Among the loans reviewed for impairment, \$1.3 million and \$2.4 million of residential loans and \$7.9 million and \$1.3 million of commercial real estate loans were identified as troubled debt restructurings ("TDRs") at September 30, 2013 and September 30, 2012, respectively. TDRs are the result of an economic concession being granted to borrowers experiencing financial difficulties. Certain TDRs are classified as nonperforming at the time of restructuring and may only return to performing status after considering the borrower's sustained repayment performance under the revised payment terms for a reasonable period, generally six months. We evaluated all of the impaired loans by analyzing the collateral value and by evaluating the discounted cash flow. Based on the nature of the modifications no impairment was required.

**Allowance for Credit Losses and Recorded Investment in Loans**  
**For the Year Ended December 31, 2012**  
(In thousands)

	Commercial & industrial	Commercial Real Estate	Construction	Multi family	Residential 4 Family	1- Consumer	Finance Leases	Unallocated	Total
2012									
Allowance for credit losses:									
Beginning balance	\$ 950	\$ 7,857	\$ 609	\$ 411	\$ 6,490	\$ 53	\$ 126	\$ 1,224	\$ 17,720
Charge-offs	(2)	-	-	-	(50)	-	-	-	\$ (52)
Recoveries	33	-	-	-	-	-	-	-	\$ 33
Provision	8	(1,548)	832	(85)	(4,911)	(38)	(64)	(887)	(6,693)
Ending balance	\$ 989	\$ 6,309	\$ 1,441	\$ 326	\$ 1,529	\$ 15	\$ 62	\$ 337	\$ 11,008
Ending balance: individually evaluated for impairment									
Ending balance: collectively evaluated for impairment	\$ 989	\$ 6,309	\$ 1,441	\$ 326	\$ 1,529	\$ 15	\$ 62	\$ 337	\$ 11,008
Financing Receivables:									
Ending balance	\$ 21,814	\$ 149,184	\$ 23,789	\$ 14,491	\$ 84,207	\$ 899	\$ 1,370	\$ -	295,754
Ending balance: individually evaluated for impairment	\$ -	\$ 1,277		\$ -	\$				