



Beneficial Mutual Bancorp, Inc. Reports Fourth Quarter and Full Year 2008 Results

PHILADELPHIA, Feb 03, 2009 /PRNewswire-FirstCall via COMTEX News Network/ -- Beneficial Mutual Bancorp, Inc. (Beneficial) (Nasdaq: BNCL), the parent company of Beneficial Bank, today announced its financial results for the quarter and year ended December 31, 2008.

For the quarter ended December 31, 2008, Beneficial reported a net loss of \$2.9 million, or (\$0.04) per share compared to a net loss of \$0.2 million for the same quarter in 2007. Beneficial reported net income of \$16.5 million or \$0.21 per share for the year ended December 31, 2008 compared to a net loss of \$1.5 million for the year ended December 31, 2007. During 2008, Beneficial recorded a non-recurring curtailment gain of \$7.3 million related to pension plan modifications. The after-tax impact of this curtailment gain was \$4.7 million.

The fourth quarter loss resulted primarily from a provision for loan losses of \$13.1 million during the period, and an impairment charge of \$2.5 million related to the value of certain equity securities and mutual funds deemed to be other-than-temporarily impaired (OTTI). In the fourth quarter of 2007, the provision for loan losses was \$2.2 million and an OTTI impairment charge of \$1.2 million was recorded with respect to equity securities.

In July 2007, Beneficial completed its initial public offering and acquired FMS Financial Corporation (FMS), the parent company of Farmers & Mechanics Bank of Burlington, New Jersey, which resulted in significant changes to Beneficial's balance sheet and income statement compared to the current year period.

"We continue to grow market share by taking advantage of the opportunities the current environment presents to a well-capitalized company like Beneficial," said Gerard Cuddy, Beneficial's President and CEO. "While our fourth quarter performance was impacted by the severe economic and market deterioration in the U.S. and abroad, I'm encouraged that our core deposit gathering, lending, insurance and wealth management activities remain strong and continue to grow. Our employees are doing a great job. They continue to work hard to help our existing and new customers do the right thing financially. I remain confident that Beneficial's capital strength, asset quality, liquidity, strong customer focus, and values provide a substantial platform for sustained growth."

Highlights for the quarter ended December 31, 2008 included:

- Total loans outstanding grew by \$101.3 million, or 4.4%, to \$2.4 billion at December 31, 2008, up from \$2.3 billion at the end of the third quarter 2008.
- Total deposits increased \$106.5 million, or 4.0%, to \$2.7 billion during the quarter.
- Net interest income increased by \$0.7 million, or 2.2%, to \$29.7 million for the quarter, up from \$29.1 million for the third quarter 2008.
- Due to its strong capital position, Beneficial elected not to participate in the Treasury Department's Capital Purchase Program.

Highlights for the year ended December 31, 2008 included:

- Total loans outstanding grew \$303.7 million, or 14.3% to end the year at \$2.4 billion.
- Total deposits increased during 2008 by \$276.5 million, or 11.2%, to \$2.7 billion.

- Net interest income increased by 35.5% to \$114.0 million, up from \$84.1 million for the year ended December 31, 2007.

- Non-interest income increased \$10.2 million during 2008, or 76.5% to \$23.6 million.

Balance Sheet

During the quarter ended December 31, 2008, total assets increased \$159.1 million, or 4.1%, to \$4.0 billion. Loans outstanding increased by \$101.3 million during the quarter as commercial loans grew by \$76.8 million and consumer loans increased, primarily as a result of the purchase of a guaranteed student loan participation totaling \$40.1 million, partially offset by declines in home equity and auto loans. Investment securities increased by \$81.5 million during the quarter, while cash and cash equivalents decreased \$17.4 million. Total deposits increased \$106.5 million, or 4.0% during the quarter, to \$2.7 billion at December 31, 2008, as core deposits grew by \$78.2 million and time deposits increased by \$29.8 million.

For the year ended December 31, 2008, total assets grew by \$444.2 million or 12.5% over the \$3.6 billion at December 31, 2007. This increase was mainly attributable to an increase in loans outstanding of \$303.7 million and growth in investment securities of \$137.6 million. Total deposits grew by 11.2%, or \$276.5 million, to \$2.7 billion during the year.

At December 31, 2008, Beneficial's stockholders' equity equaled \$610.5 million, or 15.3% of total assets, compared to stockholders' equity of \$606.9 million, or 15.8% of total assets at September 30, 2008. This increase resulted primarily from an increase in unrealized gains on available for sale securities of \$16.2 million, as interest rates declined sharply during the quarter, partially offset by an increase in pension liability of \$10.2 million during the quarter. The increase in pension liabilities was due primarily to a decline in the value of the pension funds' equity holdings. During the year ended December 31, 2008, Beneficial's stockholders' equity decreased 1.5% to \$610.5 million compared to \$619.8 reported at December 31, 2007.

Asset Quality

Beneficial is not a participant or originator in the subprime mortgage loan or subprime collateralized debt markets, and held no Fannie Mae or Freddie Mac preferred shares or subordinated debt, and therefore has no direct exposure to risks associated with these activities.

Beneficial recorded a \$13.1 million provision for loan losses during the quarter ended December 31, 2008 compared to a provision of \$2.2 million recorded during the quarter ended December 31, 2007. The increase in the provision was due primarily to specific loans evaluated for impairment as noted below, our continuous evaluation of non-performing loans, a risk assessment reflecting a rapid deterioration in the economic environment, and the increase in commercial loans outstanding. Specific details of the provision recorded during the quarter ended December 31, 2008 are as follows:

- \$5.7 million, or 43.5% of the quarterly provision, was related to one shared national credit to a national home builder. As part of the Shared National Credit Program, this loan is reviewed annually by the Federal Deposit Insurance Corporation to ensure an efficient and consistent review and classification. The balance of this loan was \$6.5 million at December 31, 2008. This loan has been reserved to reflect the anticipated net realizable value of the liquidation of the underlying collateral;

- \$1.9 million was associated with reserves for other specific commercial loans to reflect the net realizable value of their underlying collateral;

- \$5.4 million was related to the ongoing evaluation of risk factors applied to the remainder of the loan portfolio.

For the year ended December 31, 2008, a provision for loan losses of \$18.9 million was recorded, bringing the allowance for

loan losses at December 31, 2008 to \$36.9 million, or 1.5% of total loans outstanding, compared to \$23.3 million, or 1.1% of total loans outstanding, at December 31, 2007. This allowance represents management's estimate of the amount necessary to cover known and inherent losses in the loan portfolio.

Net charge-offs for the quarter ended December 31, 2008 equaled \$1.4 million, compared to \$0.9 million for the quarter ended December 31, 2007. Non-performing loans increased to \$38.0 million, or 1.0% of total assets, at December 31, 2008, and were comprised of \$23.6 million in commercial loans, \$7.9 million in consumer loans and \$6.5 million in residential real estate loans. This compares to non-performing loans of \$16.3 million, or 0.5% of total assets, at December 31, 2007.

At December 31, 2008, Beneficial's investments in pooled trust preferred collateralized debt obligations include three securities, each of which are in the most senior tranches, with a total book value of \$25.1 million and an estimated fair value of \$19.3 million. The most senior tranches of collateralized debt obligations generally are protected from defaults by over-collateralization. Based on management's analysis as of December 31, 2008, all of these securities are expected to return 100% of their principal and interest.

Due to the weakened condition of the market for equity securities and mutual funds in the fourth quarter of 2008 and the evaluation of the near term prospects of the issuers in relation to the severity of the decline, Beneficial recorded a charge related to the value of common equity securities of various financial services companies and mutual funds that were deemed to be OTTI. The OTTI charge recognized during the quarter ended December 31, 2008 equaled \$2.5 million, of which \$1.9 million related to equity securities and \$0.6 million related to mutual funds.

Net Interest Income

Beneficial's net interest income increased \$3.7 million, or 14.0%, for the quarter ended December 31, 2008, from \$26.1 million for the same quarter in 2007. For the year ended December 31, 2008, net interest income equaled \$114.0 million, an increase of \$29.9 million, or 35.5%, from the previous year attributable primarily to increased volume levels.

For the quarter ended December 31, 2008, the net interest margin increased seven basis points to 3.34% compared to 3.27% for the same quarter in 2007. The net interest margin increased by 16 basis points for the year ended December 31, 2008 to 3.33%, up from 3.17% for the year ended December 31, 2007.

Non-interest Income

Non-interest income decreased to \$3.9 million for the quarter ended December 31, 2008, down \$0.2 million, or 4.5%, from the quarter ended December 31, 2007, as increases in insurance commission income and service charges and other income were offset by the previously mentioned impairment charge.

For the year ended December 31, 2008, non-interest income rose \$10.2 million, or 76.5%, over the year ended December 31, 2007. The largest contributors to that increase were an increase in insurance commission income of \$4.9 million, or 93.2%, and an increase in service charges and other income of \$6.9 million, or 76.4% over prior year. The increase in insurance commission income was a result of the acquisition of CLA Agency, Inc. (CLA), a full-service property and casualty and professional liability insurance brokerage company during the fourth quarter of 2007.

Non-interest Expense

Non-interest expense was \$27.1 million for the quarter ended December 31, 2008, compared to \$32.6 million for the same quarter in 2007. This \$5.4 million decrease was due primarily to a decrease in salaries and employee benefits of \$6.2 million related to severance payments incurred in the fourth quarter of 2007 in connection with the acquisition of FMS and a separate reduction in force, offset by an increase in advertising expense by \$1.0 million.

For the year ended December 31, 2008, non-interest expense decreased \$2.7 million from December 31, 2007. During 2008, Beneficial elected to freeze its defined benefit plans and recorded a pension curtailment gain of \$7.3 million. This gain was offset by an increase in occupancy expense of \$2.3 million and an increase in advertising expense of \$1.8 million. The increase in occupancy expense is a result of the acquisitions of FMS and CLA in 2007.

About Beneficial Mutual Bancorp

Beneficial is a community-based, diversified financial services company providing consumer and commercial banking services. Its principal subsidiary, Beneficial Bank, has served individuals and businesses in the Delaware Valley area for more than 150 years. Beneficial is the oldest and largest bank headquartered in Philadelphia, Pennsylvania with 72 offices in the greater Philadelphia and Southern New Jersey regions. Insurance services are offered through Beneficial Insurance Services, LLC and wealth management services are offered through Beneficial Advisors, LLC, both wholly owned subsidiaries of the Bank. For more information about Beneficial, please visit www.thebeneficial.com.

Forward Looking Statements

This news release may contain forward-looking statements, which can be identified by the use of words such as "believes," "expects," "anticipates," "estimates" or similar expressions. Such forward-looking statements and all other statements that are not historic facts are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated due to a number of factors. These factors include, but are not limited to, general economic conditions, changes in the interest rate environment, legislative or regulatory changes that may adversely affect our business, changes in accounting policies and practices, changes in competition and demand for financial services, adverse changes in the securities markets, changes in deposit flows and changes in the quality or composition of Beneficial's loan or investment portfolios. Additionally, other risks and uncertainties may be described in Beneficial's Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q or its other reports as filed with the Securities and Exchange Commission (SEC), which are available through the SEC's website at www.sec.gov. Should one or more of these risks materialize, actual results may vary from those anticipated, estimated or projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Except as may be required by applicable law or regulation, Beneficial assumes no obligation to update any forward-looking statements.

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BENEFICIAL MUTUAL BANCORP, INC. AND SUBSIDIARIES
 Unaudited Consolidated Statements of Financial Condition
 (Dollars in thousands, except per share amounts)

	December 31, 2008	September 30, 2008	December 31, 2007
ASSETS:			
Cash and Cash Equivalents:			
Cash and due from banks	\$44,380	\$47,674	\$53,545
Interest-bearing deposits	9	11,902	4,782
Federal funds sold	-	2,250	-
Total cash and cash equivalents	44,389	61,826	58,327
Investment Securities:			
Available-for-sale (amortized cost of \$1,095,252 and \$1,032,592 for December 31 and September 30, 2008, respectively and \$938,835 at December 31, 2007)	1,114,086	1,024,390	949,795
Held-to-maturity (estimated fair value of \$77,369 and \$83,963 at December 31 and September 30, 2008, respectively and \$111,127 at December 31, 2007)	76,014	84,401	111,986
Federal Home Loan Bank stock, at cost	28,068	27,872	18,814
Total investment securities	1,218,168	1,136,663	1,080,595
Loans:	2,424,582	2,323,280	2,120,922

Allowance for loan losses	(36,905)	(25,208)	(23,341)
Net loans	2,387,677	2,298,072	2,097,581
Accrued Interest Receivable	17,543	17,506	18,089
Bank Premises and Equipment, net	78,490	77,724	79,027
Other Assets:			
Goodwill	111,462	110,436	110,335
Bank owned life insurance	30,850	30,481	29,405
Other intangibles	23,985	24,893	29,199
Other assets	89,486	85,369	55,260
Total other assets	255,783	251,179	224,199
Total Assets	\$4,002,050	\$3,842,970	\$3,557,818

LIABILITIES AND STOCKHOLDERS' EQUITY:

Liabilities:

Deposits:

Non-interest bearing deposits	\$226,382	\$226,303	\$242,351
Interest bearing deposits	2,515,297	2,408,850	2,222,812
Total deposits	2,741,679	2,635,153	2,465,163
Borrowed funds	580,054	535,896	407,122
Other liabilities	69,777	64,981	65,736
Total liabilities	3,391,510	3,236,030	2,938,021

Commitments and Contingencies

Stockholders' Equity:

Preferred Stock - \$.01 par value, 100,000,000 shares authorized, none issued or outstanding as of December 31 and September 30, 2008 and December 31, 2007	-	-	-
Common Stock - \$.01 par value, 300,000,000 shares authorized, 82,264,457 shares issued and outstanding as of December 31 and September 30, 2008 and December 31, 2007	823	823	823
Additional paid-in capital	342,420	343,765	360,126
Unearned common stock held by the employee savings and stock ownership plan	(28,510)	(29,013)	(30,635)
Retained earnings (partially restricted)	296,106	299,044	291,360
Accumulated other comprehensive loss, net	(299)	(7,679)	(1,877)
Total stockholders' equity	610,540	606,940	619,797

Total Liabilities and Stockholders' Equity	\$4,002,050	\$3,842,970	\$3,557,818
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Unaudited Consolidated Statements of Operations
(Dollars in thousands, except per share amounts)

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2008	2007	2008	2007
INTEREST INCOME:				
Interest and fees on loans	\$33,890	\$33,106	\$132,645	\$117,334
Interest on federal funds sold	1	336	523	1,613
Interest and dividends on investment securities:				
Taxable	14,303	14,042	58,054	37,885
Tax-exempt	540	310	1,704	1,062
Total interest income	48,734	47,794	192,926	157,894
INTEREST EXPENSE:				
Interest on deposits:				
Interest bearing checking				
Accounts	1,560	1,722	5,490	4,250
Money market and savings				
Deposits	3,772	3,556	15,049	12,503
Time deposits	8,627	11,464	38,603	40,501
Total	13,959	16,742	59,142	57,254
Interest on borrowed funds	5,032	4,963	19,773	16,520
Total interest expense	18,991	21,705	78,915	73,774
Net interest income	29,743	26,088	114,011	84,120
Provision for loan losses	13,110	2,170	18,901	2,470
Net interest income after provision for loan losses	16,633	23,918	95,110	81,650
NON-INTEREST INCOME:				
Insurance commission and related income	2,212	2,110	10,090	5,223
Service charges and other income	3,816	3,508	15,973	9,053
Impairment charge on Securities available-for-sale	(2,479)	(1,192)	(3,216)	(1,192)
Net gain on sale of investment securities available for sale	327	(368)	757	288
Total non-interest income	3,876	4,058	23,604	13,372
NON-INTEREST EXPENSE:				
Salaries and employee				
Benefits	12,601	18,832	52,684	51,118
Pension curtailment gain	-	-	(7,289)	-
Occupancy	2,866	2,913	11,693	9,367
Depreciation, amortization and maintenance	2,107	2,227	8,225	6,970

Advertising	2,754	1,747	6,300	4,507
Amortization of intangibles	907	1,810	5,213	3,434
Other	5,897	5,030	21,477	25,636
Total non-interest expense	27,132	32,559	98,303	101,032
Income (Loss) before income Taxes	(6,623)	(4,583)	20,411	(6,010)
Income tax expense (benefit)	(3,685)	(4,415)	3,865	(4,465)
NET INCOME (LOSS)	\$(2,938)	\$(168)	\$16,546	\$(1,545)
EARNINGS (LOSS) PER SHARE - Basic	\$(0.04)	\$(0.00)	\$0.21	\$(0.03)
EARNINGS (LOSS) PER SHARE - Diluted	\$(0.04)	\$(0.00)	\$0.21	\$(0.03)
Average common shares outstanding				
- Basic	77,778,319	79,143,390	78,702,419	61,374,792
Average common shares outstanding				
- Diluted	77,778,319	79,143,390	78,702,419	61,374,792

BENEFICIAL MUTUAL BANCORP, INC. AND SUBSIDIARIES
Unaudited Selected Consolidated Financial and Other Data
(Dollars in thousands)

	December 31, 2008	September 30, 2008	December 31, 2007
ASSET QUALITY INDICATORS:			
Non-performing assets:			
Non-accruing loans	\$17,163	\$13,342	\$7,685
Accruing loans past due 90 days or more	20,883	15,023	8,626
Total non-performing loans	38,046	28,365	16,311
Troubled debt restructurings	16,442	-	-
Real estate owned	6,297	7,355	4,797
Total non-performing assets	\$60,785	\$35,720	\$21,108
ASSET QUALITY RATIOS:			
Non-performing loans to total loans	1.57%	1.22%	0.77%
Non-performing loans to total assets	0.95%	0.74%	0.46%
Non-performing assets to total assets	1.52%	0.93%	0.59%
Non-performing assets less accruing loans Past due 90 days or more to total assets	1.00%	0.54%	0.35%

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2008	2007	2008	2007
PERFORMANCE RATIOS: (annualized)				
Return on average assets (0.30%)		(0.02%)	0.44%	(0.05%)
Return on average equity (1.93%)		(0.11%)	2.70%	(0.35%)
Net interest margin	3.34%	3.27%	3.33%	3.17%

SOURCE Beneficial Mutual Bancorp, Inc.

<http://www.thebeneficial.com>

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