

CENTURY BANCORP INC  
Form 10-Q  
August 06, 2013  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2013.

or

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

Commission file number: 0-15752

**CENTURY BANCORP, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: CENTURY BANCORP INC - Form 10-Q

**COMMONWEALTH OF MASSACHUSETTS**

(State or other jurisdiction of

incorporation or organization)

**400 MYSTIC AVENUE,**

**MEDFORD, MA**

(Address of principal executive offices)

**04-2498617**

(I.R.S. Employer

Identification No.)

**02155**

(Zip Code)

**(781) 391-4000**

(Registrant's telephone number, including area code)

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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), (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, or a non-accelerated filer. (See definition of accelerated filer and large accelerated filer 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

As of July 31, 2013, the Registrant had outstanding:

Class A Common Stock, \$1.00 par value	3,574,404 Shares
Class B Common Stock, \$1.00 par value	1,982,180 Shares

**Table of Contents****Century Bancorp, Inc.**

	Index	Page Number
Part I	Financial Information	
	<u>Forward Looking Statements</u>	3
Item 1.	Financial Statements (unaudited)	
	<u>Consolidated Balance Sheets: June 30, 2013 and December 31, 2012</u>	4
	<u>Consolidated Statements of Income: Three months and six months ended June 30, 2013 and 2012</u>	5
	<u>Consolidated Statements of Comprehensive Income: Three months and six months ended June 30, 2013 and 2012</u>	6
	<u>Consolidated Statements of Changes in Stockholders' Equity: Six months ended June 30, 2013 and 2012</u>	7
	<u>Consolidated Statements of Cash Flows: Six months ended June 30, 2013 and 2012</u>	8
	<u>Notes to Consolidated Financial Statements</u>	9-27
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	27-38
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	38
Item 4.	<u>Controls and Procedures</u>	38
Part II.	Other Information	
Item 1.	<u>Legal Proceedings</u>	38
Item 1A.	<u>Risk Factors</u>	39
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
Item 3.	<u>Defaults Upon Senior Securities</u>	39
Item 5.	<u>Other Information</u>	39
Item 6.	<u>Exhibits</u>	39-40
	<u>Signatures</u>	41
Exhibits	Ex-31.1	
	Ex-31.2	
	Ex-32.1	
	Ex-32.2	
	Ex-101 Instance Document	
	Ex-101 Schema Document	
	Ex-101 Calculation Linkbase Document	
	Ex-101 Labels Linkbase Document	
	Ex-101 Presentation Linkbase Document	
	Ex-101 Definition Linkbase Document	

**Table of Contents**

**Forward Looking Statements**

Except for the historical information contained herein, this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended. Investors are cautioned that forward-looking statements are inherently uncertain. Actual performance and results of operations may differ materially from those projected or suggested in the forward-looking statements due to certain risks and uncertainties, including, without limitation, (i) the fact that the Company's success is dependent to a significant extent upon general economic conditions in New England, (ii) the fact that the Company's earnings depend to a great extent upon the level of net interest income (the difference between interest income earned on loans and investments and the interest expense paid on deposits and other borrowings) generated by the Bank and thus the Bank's results of operations may be adversely affected by increases or decreases in interest rates, (iii) the fact that the banking business is highly competitive and the profitability of the Company depends upon the Bank's ability to attract loans and deposits within its market area, where the Bank competes with a variety of traditional banking and other institutions such as credit unions and finance companies, and (iv) the fact that a significant portion of the Company's loan portfolio is comprised of commercial loans, exposing the Company to the risks inherent in loans based upon analyses of credit risk, the value of underlying collateral, including real estate, and other more intangible factors, which are considered in making commercial loans. Accordingly, the Company's profitability may be negatively impacted by errors in risk analyses, and by loan defaults, and the ability of certain borrowers to repay such loans may be adversely affected by any downturn in general economic conditions. These factors, as well as general economic and market conditions, may materially and adversely affect the market price of shares of the Company's common stock. Because of these and other factors, past financial performance should not be considered an indicator of future performance. The forward-looking statements contained herein represent the Company's judgment as of the date of this Form 10-Q, and the Company cautions readers not to place undue reliance on such statements.

**Table of Contents****PART I Item 1****Century Bancorp, Inc.****Consolidated Balance Sheets (unaudited)****(In thousands, except share data)**

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
<b>Assets</b>		
Cash and due from banks	\$ 49,192	\$ 53,646
Federal funds sold and interest-bearing deposits in other banks	122,713	98,637
Total cash and cash equivalents	171,905	152,283
Short-term investments	19,611	17,367
Securities available-for-sale, amortized cost \$1,568,936 and \$1,414,595, respectively	1,552,216	1,434,801
Securities held-to-maturity, fair value \$268,802 and \$281,924, respectively	267,613	275,507
Federal Home Loan Bank of Boston stock, at cost	16,082	15,146
Loans, net:		
Commercial and industrial	101,918	88,475
Construction and land development	34,919	38,618
Commercial real estate	609,462	576,465
Residential real estate	283,392	281,857
Home equity	125,918	118,923
Consumer and other	8,123	7,450
Total loans, net	1,163,732	1,111,788
Less: allowance for loan losses	20,500	19,197
Net loans	1,143,232	1,092,591
Bank premises and equipment	23,367	23,899
Accrued interest receivable	6,005	5,811
Goodwill	2,714	2,714
Other assets	83,191	66,090
Total assets	\$ 3,285,936	\$ 3,086,209
<b>Liabilities</b>		
Deposits:		
Demand deposits	\$ 440,120	\$ 438,429
Savings and NOW deposits	964,923	933,316
Money Market Accounts	769,660	653,345
Time deposits	466,492	419,983
Total deposits	2,641,195	2,445,073
Securities sold under agreements to repurchase	214,290	191,390
Other borrowed funds	177,144	195,144
Subordinated debentures	36,083	36,083
Due to broker	10,711	
Other liabilities	40,280	38,529

Edgar Filing: CENTURY BANCORP INC - Form 10-Q

Total liabilities	3,119,703	2,906,219
<b>Stockholders Equity</b>		
Preferred stock \$1.00 par value; 100,000 shares authorized; no shares issued and outstanding		
Class A common stock, \$1.00 par value per share; authorized 10,000,000 shares; issued 3,574,379 shares and 3,568,079 shares, respectively	3,574	3,568
Class B common stock, \$1.00 par value per share; authorized 5,000,000 shares; issued 1,982,180 and 1,986,880 shares, respectively	1,982	1,986
Additional paid-in capital	11,931	11,891
Retained earnings	171,299	162,892
	188,786	180,337
Unrealized (losses)gains on securities available-for-sale, net of taxes	(10,223)	12,330
Pension liability, net of taxes	(12,330)	(12,677)
Total accumulated other comprehensive loss, net of taxes	(22,553)	(347)
Total stockholders equity	166,233	179,990
Total liabilities and stockholders equity	\$ 3,285,936	\$ 3,086,209

See accompanying notes to unaudited consolidated interim financial statements.

**Table of Contents****Century Bancorp, Inc.****Consolidated Statements of Income (unaudited)****(In thousands, except share data)**

	<b>Three months ended June 30,</b>		<b>Six months ended</b>	
	<b>2013</b>	<b>2012</b>	<b>June 30,</b>	<b>2012</b>
<b>Interest income</b>				
Loans	\$ 11,997	\$ 12,572	\$ 23,878	\$ 24,620
Securities held-to-maturity	1,419	1,924	2,939	3,387
Securities available-for-sale	5,571	5,668	11,188	11,383
Federal funds sold and interest-bearing deposits in other banks	145	148	264	287
<b>Total interest income</b>	<b>19,132</b>	<b>20,312</b>	<b>38,269</b>	<b>39,677</b>
<b>Interest expense</b>				
Savings and NOW deposits	649	560	1,259	1,087
Money market accounts	582	618	1,114	1,230
Time deposits	1,234	1,600	2,568	3,281
Securities sold under agreements to repurchase	89	88	179	180
Other borrowed funds and subordinated debentures	2,066	2,057	4,092	4,108
<b>Total interest expense</b>	<b>4,620</b>	<b>4,923</b>	<b>9,212</b>	<b>9,886</b>
<b>Net interest income</b>	<b>14,512</b>	<b>15,389</b>	<b>29,057</b>	<b>29,791</b>
Provision for loan losses	750	900	1,500	2,000
<b>Net interest income after provision for loan losses</b>	<b>13,762</b>	<b>14,489</b>	<b>27,557</b>	<b>27,791</b>
<b>Other operating income</b>				
Service charges on deposit accounts	2,034	1,922	3,976	3,910
Lockbox fees	838	781	1,610	1,480
Net gains on sales of investments	781	442	1,664	590
Gains on sales of mortgage loans held for sale	821	131	991	131
Other income	747	712	1,414	1,496
<b>Total other operating income</b>	<b>5,221</b>	<b>3,988</b>	<b>9,655</b>	<b>7,607</b>
<b>Operating expenses</b>				
Salaries and employee benefits	8,382	8,191		