

CENTURY BANCORP INC
Form 10-Q
August 08, 2017
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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, 2017.

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)

COMMONWEALTH OF MASSACHUSETTS

(State or other jurisdiction of

incorporation or organization)

400 MYSTIC AVENUE, MEDFORD, MA

(Address of principal executive offices)

(781) 391-4000

04-2498617

(I.R.S. Employer

Identification No.)

02155

(Zip Code)

(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 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, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2017, the Registrant had outstanding:

Class A Common Stock, \$1.00 par value	3,603,729 Shares
Class B Common Stock, \$1.00 par value	1,964,180 Shares

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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)**

	June 30, 2017	December 31, 2016
Assets		
Cash and due from banks	\$ 74,787	\$ 62,400
Federal funds sold and interest-bearing deposits in other banks	153,374	173,751
Total cash and cash equivalents	228,161	236,151
Short-term investments		3,183
Securities available-for-sale, amortized cost \$411,709 and \$500,220, respectively	411,340	499,297
Securities held-to-maturity, fair value \$1,706,840 and \$ 1,635,808, respectively	1,722,875	1,653,986
Federal Home Loan Bank of Boston, stock at cost	25,588	21,042
Loans, net:		
Construction and land development	14,159	14,928
Commercial and industrial	650,542	612,503
Municipal	127,259	135,418
Commercial real estate	736,603	696,173
Residential real estate	264,744	241,357
Consumer	10,700	11,013
Home equity	229,274	211,857
Overdrafts	518	684
Total loans, net	2,033,799	1,923,933
Less: allowance for loan losses	25,289	24,406
Net loans	2,008,510	1,899,527
Bank premises and equipment	23,177	23,417
Accrued interest receivable	10,309	9,645
Goodwill	2,714	2,714
Other assets	116,563	113,646
Total assets	\$ 4,549,237	\$ 4,462,608
Liabilities		
Deposits:		
Demand deposits	\$ 687,219	\$ 689,286
Savings and NOW deposits	1,409,327	1,304,394
Money market accounts	897,241	1,181,179
Time deposits	575,410	478,359

Total deposits	3,569,197	3,653,218
Securities sold under agreements to repurchase	167,340	182,280
Other borrowed funds	455,500	293,000
Subordinated debentures	36,083	36,083
Due to broker	6,854	
Other liabilities	59,638	57,986
Total liabilities	4,294,612	4,222,567
Stockholders Equity		
Preferred Stock \$1.00 par value; 100,000 shares authorized; no shares issued and outstanding		
Common stock, Class A, \$1.00 par value per share; authorized 10,000,000 shares; issued 3,603,729 shares and 3,600,729 shares, respectively	3,604	3,601
Common stock, Class B, \$1.00 par value per share; authorized 5,000,000 shares; issued 1,964,180 shares and 1,967,180 shares respectively	1,964	1,967
Additional paid-in capital	12,292	12,292
Retained earnings	256,718	243,565
	274,578	261,425
Unrealized losses on securities available-for-sale, net of taxes	(234)	(567)
Unrealized losses on securities transferred to held-to-maturity, net of taxes	(3,451)	(4,084)
Pension liability, net of taxes	(16,268)	(16,733)
Total accumulated other comprehensive loss, net of taxes	(19,953)	(21,384)
Total stockholders equity	254,625	240,041
Total liabilities and stockholders equity	\$ 4,549,237	\$ 4,462,608

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Consolidated Statements of Income (unaudited)

(In thousands, except share data)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Interest income				
Loans	\$ 16,910	\$ 14,163	\$ 32,010	\$ 28,335
Securities held-to-maturity	9,824	8,128	19,359	15,940
Securities available-for-sale	1,723	1,143	3,334	2,107
Federal funds sold and interest-bearing deposits in other banks	349	308	742	623
Total interest income	28,806	23,742	55,445	47,005
Interest expense				
Savings and NOW deposits	1,500	938	2,727	1,776
Money market accounts	1,234	781	2,508	1,576
Time deposits	1,902	1,394	3,553	2,752
Securities sold under agreements to repurchase	120	126	223	241
Other borrowed funds and subordinated debentures	1,945	2,247	3,873	4,554
Total interest expense	6,701	5,486	12,884	10,899
Net interest income	22,105	18,256	42,561	36,106
Provision for loan losses	490	350	890	800
Net interest income after provision for loan losses	21,615	17,906	41,671	35,306
Other operating income				
Service charges on deposit accounts	2,074	1,962	4,090	3,899
Lockbox fees	861	883	1,632	1,672
Net gains on sales of securities		45		45
Gains on sales of mortgage loans	269	798	370	798
Other income	1,087	955	2,108	1,883
Total other operating income	4,291	4,643	8,200	8,297
Operating expenses				
Salaries and employee benefits	10,719	10,040	21,862	19,816
Occupancy	1,495	1,551	3,236	3,130
Equipment	757	679	1,463	1,315
FDIC assessments	440	592	878	1,160
Other	3,786	3,426	7,483	6,549

Total operating expenses	17,197	16,288	34,922	31,970
Income before income taxes	8,709	6,261	14,949	11,633
Provision for income taxes	552	20	696	84
Net income	\$ 8,157	\$ 6,241	\$ 14,253	\$ 11,549

Share data:

Weighted average number of shares outstanding, basic				
Class A	3,603,729	3,600,729	3,602,229	3,600,729
Class B	1,964,180	1,967,180	1,965,680	1,967,180
Weighted average number of shares outstanding, diluted				
Class A	5,567,909	5,567,909	5,567,909	5,567,909
Class B	1,964,180	1,967,180	1,965,680	1,967,180
Basic earnings per share:				