

CENTURY BANCORP INC
Form 10-Q
May 08, 2018
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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 March 31, 2018.

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)

04-2498617
(I.R.S. Employer
Identification No.)

400 MYSTIC AVENUE, MEDFORD, MA
(Address of principal executive offices)
(781) 391-4000

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 April 30, 2018, the Registrant had outstanding:

Class A Common Stock, \$1.00 par value	3,608.029 Shares
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Class B Common Stock, \$1.00 par value

1,959,880 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)**

Assets	March 31, 2018	December 31, 2017
Cash and due from banks	\$ 64,544	\$ 77,199
Federal funds sold and interest-bearing deposits in other banks	186,125	279,231
Total cash and cash equivalents	250,669	356,430
Securities available-for-sale, amortized cost \$371,013 and \$395,947, respectively	370,976	395,831
Securities held-to-maturity, fair value \$1,760,498 and \$1,668,827, respectively	1,817,633	1,701,233
Federal Home Loan Bank of Boston, stock at cost	20,050	21,779
Equity securities, amortized cost \$ 1,635 and \$1,635, respectively	1,654	1,663
Loans, net:		
Construction and land development	17,583	18,931
Commercial and industrial	758,621	763,807
Municipal	104,044	106,599
Commercial real estate	726,440	732,491
Residential real estate	300,941	287,731
Consumer	18,635	18,458
Home equity	260,179	247,345
Overdrafts	704	582
Total loans, net	2,187,147	2,175,944
Less: allowance for loan losses	26,695	26,255
Net loans	2,160,452	2,149,689
Bank premises and equipment	23,220	23,527
Accrued interest receivable	10,844	11,179
Goodwill	2,714	2,714
Other assets	118,470	121,527
Total assets	\$ 4,776,682	\$ 4,785,572
Liabilities		
Deposits:		
Demand deposits	\$ 715,032	\$ 736,020
Savings and NOW deposits	1,409,157	1,367,358
Money market accounts	1,195,785	1,188,228
Time deposits	615,822	625,361

Total deposits	3,935,796	3,916,967
Securities sold under agreements to repurchase	141,560	158,990
Other borrowed funds	317,054	347,778
Subordinated debentures	36,083	36,083
Due to broker	10,011	
Other liabilities	67,978	65,457
Total liabilities	4,508,482	4,525,275
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 3,608,029 shares and 3,605,829 shares, respectively	3,608	3,606
Common stock, Class B, \$1.00 par value per share; authorized 5,000,000 shares; issued 1,959,880 shares and 1,962,080 shares respectively	1,960	1,962
Additional paid-in capital	12,292	12,292
Retained earnings	274,636	263,666
	292,496	281,526
Unrealized losses on securities available-for-sale, net of taxes	(32)	(62)
Unrealized losses on securities transferred to held-to-maturity, net of taxes	(3,270)	(3,050)
Pension liability, net of taxes	(20,994)	(18,117)
Total accumulated other comprehensive loss, net of taxes	(24,296)	(21,229)
Total stockholders equity	268,200	260,297
Total liabilities and stockholders equity	\$ 4,776,682	\$ 4,785,572

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)**

	Three months ended March 31,	
	2018	2017
Interest income		
Loans	\$ 18,267	\$ 15,100
Securities held-to-maturity	10,288	9,535
Securities available-for-sale	1,992	1,611
Federal funds sold and interest-bearing deposits in other banks	883	393
Total interest income	31,430	26,639
Interest expense		
Savings and NOW deposits	2,223	1,227
Money market accounts	2,453	1,274
Time deposits	2,363	1,651
Securities sold under agreements to repurchase	181	103
Other borrowed funds and subordinated debentures	1,742	1,928
Total interest expense	8,962	6,183
Net interest income	22,468	20,456
Provision for loan losses	450	400
Net interest income after provision for loan losses	22,018	20,056
Other operating income		
Service charges on deposit accounts	2,067	2,016
Lockbox fees	791	771
Net gains on sales of securities	197	
Gains on sales of mortgage loans		101
Other income	1,138	1,021
Total other operating income	4,193	3,909
Operating expenses		
Salaries and employee benefits	11,225	10,794
Occupancy	1,637	1,741
Equipment	794	706
FDIC assessments	383	438
Other	3,962	4,046

Total operating expenses	18,001	17,725
Income before income taxes	8,210	6,240
Provision for income taxes	501	144
Net income	\$ 7,709	\$ 6,096
Share data:		
Weighted average number of shares outstanding, basic		
Class A	3,608,029	3,600,729
Class B	1,959,880	1,967,180
Weighted average number of shares outstanding, diluted		
Class A	5,567,909	5,567,909
Class B	1,959,880	1,967,180
Basic earnings per share:		
Class A	\$ 1.68	\$ 1.33
Class B	\$ 0.84	\$ 0.66
Diluted earnings per share		
Class A	\$ 1.38	\$ 1.09
Class B	\$ 0.84	\$ 0.66

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Consolidated Statements of Comprehensive Income (unaudited)

(In thousands)

	Three months ended March 31,	
	2018	2017
Net income	\$ 7,709	\$ 6,096
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on securities:		
Unrealized (losses) gains arising during period	213	135
Less: reclassification adjustment for gains included in net income	(142)	
Total unrealized (losses) gains on securities	71	135
Accretion of net unrealized losses transferred	381	373
Defined benefit pension plans:		
Amortization of prior service cost and loss included in net periodic benefit cost	293	232
Other comprehensive income	745	740
Comprehensive income	\$ 8,454	\$ 6,836

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Consolidated Statements of Changes in Stockholders' Equity (unaudited)

For the Three Months Ended March 31, 2018 and 2017

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
				(In thousands)		
Balance at December 31, 2016	\$ 3,601	\$ 1,967	\$ 12,292	\$ 243,565	\$ (21,384)	\$ 240,041
Net income				6,096		6,096
Other comprehensive income, net of tax:						