

CENTURY BANCORP INC
Form 10-Q
August 08, 2006

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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, 2006**.

or

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

For the transition period from _____.

**Commission file number 0-15752.
CENTURY BANCORP, INC.**

(Exact name of registrant as specified in its charter)

COMMONWEALTH OF MASSACHUSETTS

04-2498617

(State or other jurisdiction of incorporation or organization)

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

400 MYSTIC AVENUE, MEDFORD, MA

02155

(Address of principal executive offices)

(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), and (2) has been subject to such filing requirements for the past 90 days.

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

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, 2006, the Registrant had outstanding:

Class A Common Stock, \$1.00 par value	3,489,938 Shares
Class B Common Stock, \$1.00 par value	2,051,150 Shares

Century Bancorp, Inc.

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PART I Item 1

Century Bancorp, Inc. Consolidated Balance Sheets (unaudited)

(000 s, except share data)	June 30, 2006	December 31, 2005
Assets		
Cash and due from banks	\$ 51,669	\$ 47,626
Federal funds sold and interest-bearing deposits in other banks	38,219	105,053
 Total cash and cash equivalents	 89,888	 152,679
 Securities available-for-sale, amortized cost \$495,864 and \$546,524, respectively	 480,318	 532,982
Securities held-to-maturity, market value \$264,007 and \$277,769, respectively	275,585	286,578
 Loans, net:		
Commercial & industrial	109,078	94,139
Construction & land development	69,090	58,846
Commercial real estate	320,410	302,279
Residential real estate	159,823	146,355
Consumer & other	15,036	11,316
Home equity	71,694	76,710
 Total loans, net	 745,131	 689,645
Less: allowance for loan losses	9,551	9,340
 Net loans	 735,580	 680,305
 Bank premises and equipment	 23,888	 25,228
Accrued interest receivable	6,927	7,127
Goodwill	2,714	2,714
Core deposit intangible	2,253	2,447
Other assets	42,679	38,709
 Total assets	 \$ 1,659,832	 \$ 1,728,769
 Liabilities		
Deposits:		
Demand deposits	\$ 273,543	\$ 296,696
Savings and NOW deposits	283,410	239,326
Money market accounts	332,322	279,245
Time deposits	358,598	401,773

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Total deposits	1,247,873	1,217,040
Securities sold under agreements to repurchase	139,460	50,010
Federal Home Loan Bank (FHLB) borrowings and other borrowed funds	114,324	304,722
Other liabilities	18,698	17,713
Subordinated debentures	36,083	36,083
Total liabilities	1,556,438	1,625,568
Stockholders' equity		
Class A common stock, \$1.00 par value per share; authorized 10,000,000 shares; issued 3,483,638 shares and 3,453,202 shares, respectively	3,484	3,453
Class B common stock, \$1.00 par value per share; authorized 5,000,000 shares; issued 2,057,450 shares and 2,082,240 shares, respectively	2,057	2,082
Additional paid-in capital	11,504	11,416
Retained earnings	98,657	97,338
	115,702	114,289
Unrealized losses on securities available-for-sale, net of taxes	(9,490)	(8,270)
Additional minimum pension liability, net of taxes	(2,818)	(2,818)
Total accumulated other comprehensive loss, net of taxes	(12,308)	(11,088)
Total stockholders' equity	103,394	103,201
Total liabilities and stockholders' equity	\$ 1,659,832	\$ 1,728,769

See accompanying Notes to unaudited Consolidated Financial Statements.

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Century Bancorp, Inc. Consolidated Statements of Income (unaudited)

(000 s except share data)	Three months ended June		Six months ended June 30,	
	2006	30, 2005	2006	2005
Interest income				
Loans	\$ 12,912	\$ 10,086	\$ 24,847	\$ 19,284
Securities held-to-maturity	2,555	2,988	5,168	6,184
Securities available-for-sale	4,215	4,999	8,824	9,934
Federal funds sold and interest-bearing deposits in other banks	51	9	81	332
Total interest income	19,733	18,082	38,920	35,734
Interest expense				
Savings and NOW deposits	1,159	933	2,082	1,648
Money market accounts	2,361	1,769	4,139	3,480
Time deposits	3,731	1,938	6,912	3,995
Securities sold under agreements to repurchase	785	130	1,200	230
Other borrowed funds and subordinated debentures	2,620	2,957	6,183	5,477
Total interest expense	10,656	7,727	20,516	14,830
Net interest income	9,077	10,355	18,404	20,904
Provision for loan losses	225	150	375	300
Net interest income after provision for loan losses	8,852	10,205	18,029	20,604
Other operating income				
Service charges on deposit accounts	1,702	1,537	3,218	2,965
Lockbox fees	762	786	1,437	1,495
Brokerage commissions	30	139	78	292
Other income	279	457	1,167	832
Total other operating income	2,773	2,919	5,900	5,584
Operating expenses				
Salaries and employee benefits	6,001	5,951	12,249	12,054
Occupancy	921	943	1,966	1,929
Equipment	785	714	1,520	1,496
Other	2,418	2,508	4,555	4,671
Total operating expenses	10,125	10,116	20,290	20,150

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Income before income taxes	1,500	3,008	3,639	6,038
Provision for income taxes	527	973	1,236	1,961
Net income	\$ 973	\$ 2,035	\$ 2,403	\$ 4,077

Share data:

Weighted average number of shares outstanding, basic	5,541,088	5,535,317	5,540,807	5,534,986
Weighted average number of shares outstanding, diluted	5,550,784	5,548,674	5,551,746	5,549,519
Net income per share, basic	\$ 0.18	\$ 0.37	\$ 0.43	\$ 0.74
Net income per share, diluted	\$ 0.18	\$ 0.37	\$ 0.43	\$ 0.73
Cash dividends paid:				
Class A common stock	\$ 0.12	\$ 0.12	\$ 0.24	\$ 0.24
Class B common stock	\$ 0.06	\$ 0.06	\$ 0.12	\$ 0.12

See accompanying Notes to unaudited Consolidated Financial Statements.

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Century Bancorp, Inc. Consolidated Statements of Changes in Stockholders Equity (unaudited)

			Accumulated				Total Stockholders Equity
	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital (000 s)	Retained Earnings	Other Comprehensive Income (Loss)		
	2005						
Balance at December 31, 2004	\$ 3,434	\$ 2,099	\$ 11,395	\$ 92,611	(\$ 4,766)	\$ 104,773	
Net income				4,077		4,077	
Other comprehensive income, net of tax:							
Unrealized holding losses arising during period net of \$998 in taxes					(1,556)	(1,556)	
Minimum pension liability adjustment					163	163	
Comprehensive income						2,684	
Stock Options Exercised, 1,229 shares	2		18			20	
Cash dividends paid, Class A common stock, \$.24 per share				(824)		(824)	
Cash dividends paid, Class B common stock, \$.12 per share				(253)		(253)	
Balance at June 30, 2005	\$ 3,436	\$ 2,099	\$ 11,413	\$ 95,611	(\$ 6,159)	\$ 106,400	
2006							
Balance at December 31, 2005	\$ 3,453	\$ 2,082	\$ 11,416	\$ 97,338	(\$ 11,088)	\$ 103,201	
Net income				2,403		2,403	

Other comprehensive income, net of tax: Unrealized holding losses arising during period net of \$784 in taxes					(1,220)	(1,220)
Comprehensive income						1,183
Conversion of Class B Common Stock to Class A Common Stock	25	(25)				0
Stock Options Exercised, 5,646 shares	6		88			94
Cash dividends paid, Class A common stock, \$.24 per share					(836)	(836)
Cash dividends paid, Class B common stock, \$.12 per share					(248)	(248)
Balance at June 30, 2006	\$ 3,484	\$ 2,057	\$ 11,504	\$ 98,657	(\$ 12,308)	\$ 103,394

See accompanying Notes to unaudited Consolidated Financial Statements.

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Century Bancorp, Inc. Consolidated Statements of Cash Flows (unaudited)

	Six months ended June 30, (000 s)	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,403	\$ 4,077
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	375	300
Deferred income taxes	(395)	(93)
Net depreciation and amortization	1,829	1,534
Decrease (increase) in accrued interest receivable	200	(2)
Increase in other assets	(2,824)	(2,588)
Increase in other liabilities	1,010	495
 Net cash provided by operating activities	 2,598	 3,723
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of securities available-for-sale	50,842	141,823
Purchase of securities available-for-sale	(348)	(111,678)
Proceeds from maturities of securities held-to-maturity	11,047	43,549
Purchase of securities held-to-maturity		(2,022)
Net increase in loans	(55,650)	(75,694)
Capital expenditures	(175)	(1,662)
 Net cash provided by (used in) investing activities	 5,716	 (5,684)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in time deposits	(43,175)	(82,006)
Net increase (decrease) in demand, savings, money market and NOW deposits	74,008	(78,784)
Net proceeds from the exercise of stock options	94	20
Cash dividends	(1,084)	(1,077)
Net increase (decrease) in securities sold under agreements to repurchase	89,450	(6,380)
Net (decrease) increase in FHLB borrowings and other borrowed funds	(190,398)	13,679
Decrease in subordinated debentures		(29,639)
 Net cash used in financing activities	 (71,105)	 (184,187)
 Net decrease in cash and cash equivalents	 (62,791)	 (186,148)
Cash and cash equivalents at beginning of period	152,679	238,235
 Cash and cash equivalents at end of period	 \$ 89,888	 \$ 52,087

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the period for:

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Interest	\$ 20,492	\$ 15,123
Income taxes	1,931	1,941
Change in unrealized gains on securities available-for-sale, net of taxes	(\$ 1,220)	(\$ 1,556)
See accompanying Notes to unaudited Consolidated Financial Statements.		

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Century Bancorp, Inc.

Notes to Consolidated Financial Statements (unaudited)

Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of Century Bancorp, Inc. (the Company) and its wholly-owned subsidiary, Century Bank and Trust Company (the Bank). The consolidated financial statements also include the accounts of the Bank's wholly-owned subsidiaries, Century Subsidiary Investments, Inc. (CSII), Century Subsidiary Investments, Inc. II (CSII II), Century Subsidiary Investments, Inc. III (CSII III). CSII, CSII II, CSII III are engaged in buying, selling and holding investment securities. The Company also owns 100% of Century Bancorp Capital Trust II (CBCT II). The entity is an unconsolidated subsidiary of the Company.

All significant intercompany accounts and transactions have been eliminated in consolidation. The Company provides a full range of banking services to individual, business and municipal customers in Massachusetts. As a bank holding company, the Company is subject to the regulation and supervision of the Federal Reserve Board. The Bank, a state chartered financial institution, is subject to supervision and regulation by applicable state and federal banking agencies, including the Federal Reserve Board, the Federal Deposit Insurance Corporation (the FDIC) and the Commonwealth of Massachusetts Commissioner of Banks. The Bank is also subject to various requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be granted and the interest that may be charged thereon, and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of the Bank. In addition to the impact of regulation, commercial banks are affected significantly by the actions of the Federal Reserve Board as it attempts to control the money supply and credit availability in order to influence the economy. All aspects of the Company's business are highly competitive. The Company faces aggressive competition from other lending institutions and from numerous other providers of financial services. The Company has one reportable operating segment.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and to general practices within the banki