

CENTURY BANCORP INC  
Form 10-Q  
November 07, 2014

**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 September 30, 2014.**

**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)**

**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 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 October 31, 2014, the Registrant had outstanding:

<b>Class A Common Stock, \$1.00 par value</b>	<b>3,600,729 Shares</b>
<b>Class B Common Stock, \$1.00 par value</b>	<b>1,967,180 Shares</b>

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**Century Bancorp, Inc.**

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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.

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

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
<b>Assets</b>		
Cash and due from banks	\$ 57,425	\$ 59,956
Federal funds sold and interest-bearing deposits in other banks	103,537	34,722
Total cash and cash equivalents	160,962	94,678
Short-term investments	2,125	4,617
Securities available-for-sale, amortized cost \$489,876 and \$465,943, respectively	490,683	464,245
Securities held-to-maturity, fair value \$1,463,535 and \$1,464,449, respectively	1,471,137	1,487,884
Federal Home Loan Bank of Boston stock, at cost	22,231	18,072
Loans held-for-sale	16,279	
Loans, net:		
Commercial and industrial	152,823	76,675
Municipal	36,624	32,737
Construction and land development	25,339	33,058
Commercial real estate	695,074	696,317
Residential real estate	268,927	286,041
Home equity	147,593	130,277
Consumer and other	10,253	9,658
Total loans, net	1,336,633	1,264,763
Less: allowance for loan losses	22,469	20,941
Net loans	1,314,164	1,243,822
Bank premises and equipment	23,451	23,400
Accrued interest receivable	6,317	6,539
Goodwill	2,714	2,714
Other assets	87,350	85,183
Total assets	\$ 3,597,413	\$ 3,431,154
<b>Liabilities</b>		
Deposits:		
Demand deposits	\$ 496,583	\$ 475,862
Savings and NOW deposits	1,015,626	992,796

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Money Market Accounts	907,457	864,957
Time deposits	370,779	382,224
Total deposits	2,790,445	2,715,839
Securities sold under agreements to repurchase	195,100	214,440
Other borrowed funds	337,500	255,144
Subordinated debentures	36,083	36,083
Due to broker	7,613	
Other liabilities	35,078	33,176
Total liabilities	3,401,819	3,254,682
<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 3,599,729 shares and 3,580,404 shares, respectively	3,600	3,580
Class B common stock, \$1.00 par value per share; authorized 5,000,000 shares; issued 1,967,180 and 1,976,180 shares, respectively	1,967	1,976
Additional paid-in capital	12,250	11,932
Retained earnings	195,338	180,747
	213,155	198,235
Unrealized gains (losses) on securities available-for-sale, net of taxes	464	(1,045)
Unrealized losses on securities transferred to held-to-maturity, net of taxes	(11,143)	(13,667)
Pension liability, net of taxes	(6,882)	(7,051)
Total accumulated other comprehensive loss, net of taxes	(17,561)	(21,763)
Total stockholders equity	195,594	176,472
Total liabilities and stockholders equity	\$ 3,597,413	\$ 3,431,154

## Century Bancorp, Inc.

## Consolidated Statements of Income (unaudited)

(In thousands, except share data)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Interest income</b>				
Loans	\$ 12,708	\$ 12,856	\$ 37,768	\$ 36,734
Securities held-to-maturity	8,104	6,181	23,904	9,120
Securities available-for-sale	752	1,392	2,366	12,580
Federal funds sold and interest-bearing deposits in other banks	60	120	271	384
<b>Total interest income</b>	<b>21,624</b>	<b>20,549</b>	<b>64,309</b>	<b>58,818</b>
<b>Interest expense</b>				
Savings and NOW deposits	642	674	1,911	1,933
Money market accounts	725	681	2,033	1,795
Time deposits	1,089	1,089	3,315	3,657
Securities sold under agreements to repurchase	90	89	284	268
Other borrowed funds and subordinated debentures	2,333	2,218	6,753	6,310
<b>Total interest expense</b>	<b>4,879</b>	<b>4,751</b>	<b>14,296</b>	<b>13,963</b>
<b>Net interest income</b>	<b>16,745</b>	<b>15,798</b>	<b>50,013</b>	<b>44,855</b>
<b>Provision for loan losses</b>	<b>600</b>	<b>750</b>	<b>1,650</b>	<b>2,250</b>
<b>Net interest income after provision for loan losses</b>	<b>16,145</b>	<b>15,048</b>	<b>48,363</b>	<b>42,605</b>
<b>Other operating income</b>				
Service charges on deposit accounts	2,022	2,064	6,068	6,040
Lockbox fees	723	736	2,345	2,346
Net gains on sales of investments		1,001		2,665
Gains on sales of mortgage loans held for sale	133	247	221	1,238
Other income	880	726	2,209	2,140
<b>Total other operating income</b>	<b>3,758</b>	<b>4,774</b>	<b>10,843</b>	<b>14,429</b>
<b>Operating expenses</b>				
Salaries and employee benefits	8,681	8,858	26,332	25,858
Occupancy	1,341	1,240	4,105	3,715
Equipment	552	554	1,709	1,746



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FDIC assessments	502	462	1,476	1,312
Other	2,900	2,881	8,602	8,491
Total operating expenses	13,976	13,995	42,224	41,122
Income before income taxes	5,927	5,827	16,982	15,912
Provision for income taxes	221	308	745	891
Net income	\$ 5,706	\$ 5,519	\$ 16,237	\$ 15,021

Share data:

Weighted average number of shares outstanding, basic				
Class A	3,594,583	3,578,400	3,588,728	3,574,109
Class B	1,967,180	1,978,180	1,969,647	1,982,413
Weighted average number of shares outstanding, diluted				
Class A	5,563,278	5,558,031	5,559,909	5,557,783
Class B	1,967,180	1,978,180	1,969,647	1,982,413
Basic earnings per share:				
Class A	\$ 1.25	\$ 1.21	\$ 3.55	\$ 3.29
Class B	\$ 0.62	\$ 0.60	\$ 1.78	\$ 1.64
Diluted earnings per share				
Class A	\$ 1.03	\$ 0.99	\$ 2.92	\$ 2.70
Class B	\$ 0.62	\$ 0.60	\$ 1.78	\$ 1.64

See accompanying notes to unaudited consolidated interim financial statements.

## Century Bancorp, Inc.

## Consolidated Statements of Comprehensive Income (unaudited)

(In thousands)

	Three months ended September 30,	
	2014	2013
Net income	\$ 5,706	\$ 5,519
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on securities:		
Unrealized gains (losses) arising and transferred during period	1,004	(4,968)
Less: reclassification adjustment for gains included in net income		(1,001)
Total unrealized gains (losses) on securities	1,004	(5,969)
Accretion of net unrealized losses transferred	792	910
Defined benefit pension plans:		
Amortization of prior service cost and loss included in net periodic benefit cost	56	173
Other comprehensive income (loss)	1,852	(4,886)
Comprehensive income (loss)	\$ 7,558	\$ 633
	Nine months ended September 30,	
	2014	2013
Net income	\$ 16,237	\$ 15,021
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on securities:		
Unrealized gains (losses) arising and transferred during period	1,509	(25,857)
Less: reclassification adjustment for gains included in net income		(2,665)
Total unrealized gains (losses) on securities	1,509	(28,522)
Accretion of net unrealized losses transferred	2,524	910
Defined benefit pension plans:		
Amortization of prior service cost and loss included in net periodic benefit cost	169	520
Other comprehensive income (loss)	4,202	(27,092)
Comprehensive income (loss)	\$ 20,439	\$ (12,071)

See accompanying notes to unaudited consolidated interim financial statements.

## Century Bancorp, Inc.

## Consolidated Statements of Changes in Stockholders Equity (unaudited)

For the Nine Months Ended September 30, 2014 and 2013

	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, 2012	\$ 3,568	\$ 1,986	\$ 11,891	\$ 162,892	\$ (347)	\$ 179,990
Net income				15,021		15,021
Other comprehensive income, net of tax:						
Unrealized holding (losses) gains arising during period, net of \$8,266 in taxes and \$2,665 in realized net gains					(12,969)	(12,969)
Unrealized losses on securities transferred to held-to-maturity net of \$9,206 in taxes					(14,643)	(14,643)
Pension liability adjustment, net of \$346 in taxes					520	520
Conversion of class B common stock to class A common stock, 8,700 shares	8	(8)				
Stock options exercised, 1,625 shares	2		41			43
Cash dividends paid, Class A common stock, \$.36 per share				(1,285)		(1,285)
Cash dividends paid, Class B common stock, \$.18 per share				(357)		(357)
Balance at September 30, 2013	\$ 3,578	\$ 1,978	\$ 11,932	\$ 176,271	\$ (27,439)	\$ 166,320
Balance at December 31, 2013	\$ 3,580	\$ 1,976	\$ 11,932	\$ 180,747	\$ (21,763)	\$ 176,472
Net income				16,237		16,237
Other comprehensive income, net of tax:						
Unrealized holding gains arising during period, net of \$996 in taxes					1,509	1,509
Accretion of unrealized losses on securities transferred to held-to-maturity, net of \$1,485 in taxes					2,524	2,524
Pension liability adjustment, net of \$113 in taxes					169	169
	9	(9)				

Conversion of class B common stock  
to class A common stock, 9,000  
shares

Stock options exercised, 10,325 shares	11		318			329
Cash dividends paid, Class A common stock, \$.36 per share				(1,290)		(1,290)
Cash dividends paid, Class B common stock, \$.18 per share				(356)		(356)
Balance at September 30, 2014	\$ 3,600	\$ 1,967	\$ 12,250	\$ 195,338	\$ (17,561)	\$ 195,594

See accompanying notes to unaudited consolidated interim financial statements.

## Century Bancorp, Inc.

## Consolidated Statements of Cash Flows (unaudited)

(In thousands)

	<b>Nine months ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 16,237	\$ 15,021
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sales of mortgage loans held for sale	(221)	(1,238)
Net gain on sales of investments		(2,665)
Provision for loan losses	1,650	2,250
Deferred income taxes	(2,648)	(1,297)
Net depreciation and amortization	2,337	4,421
Decrease(increase) in accrued interest receivable	222	(265)
Increase in other assets	(2,238)	(4,321)
Increase in other liabilities	2,184	3,527
Net cash provided by operating activities	17,523	15,433
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from maturities of short-term investments	3,561	16,317
Purchase of short-term investments	(1,069)	(8,561)
Proceeds from calls/maturities of securities available-for-sale	112,242	228,212
Proceeds from sales of securities available-for-sale		216,078
Purchase of securities available-for-sale	(132,953)	(536,612)
Proceeds from calls/maturities of securities held-to-maturity	183,533	79,249
Purchase of securities held-to-maturity	(163,064)	(190,718)
Net increase in loans	(101,378)	(182,406)
Proceeds from sales of portfolio loans	13,364	64,219
Capital expenditures	(1,780)	(1,232)
Net cash used in investing activities	(87,544)	(315,454)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net decrease in time deposits	(11,445)	(68,433)
Net increase in demand, savings, money market and NOW deposits	86,051	311,489
Net proceeds from exercise of stock options	329	43
Cash dividends	(1,646)	(1,642)
Net decrease in securities sold under agreements to repurchase	(19,340)	(6,230)
Net increase in other borrowed funds	82,356	46,000
Net cash provided by financing activities	136,305	281,227
Net increase (decrease) in cash and cash equivalents	66,284	(18,794)

Cash and cash equivalents at beginning of period	94,678	152,283
Cash and cash equivalents at end of period	\$ 160,962	\$ 133,489

## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

## Cash paid during the period for:

Interest	\$ 14,295	\$ 13,993
Income taxes	2,807	2,898
Change in unrealized gains (losses) on securities available-for-sale, net of taxes	1,509	(12,969)
Change in unrealized losses on securities transferred to held-to-maturity, net of taxes	2,524	(14,643)
Pension liability adjustment, net of taxes	169	520
Due to broker	7,613	3,086
Transfer of securities available-for-sale to held-to-maturity		987,037

See accompanying notes to unaudited consolidated interim financial statements.

**Century Bancorp, Inc.**

**Notes to Unaudited Consolidated Interim Financial Statements**

**Nine Months Ended September 30, 2014 and 2013**

**Note 1. 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) and Century Financial Services Inc. (CFSI). CSII, CSII II, and CSII III are engaged in buying, selling and holding investment securities. CFSI has the power to engage in financial agency, securities brokerage, and investment and financial advisory services and related securities credit. 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 financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and general practices within the banking industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates. The Company's quarterly report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as filed with the Securities and Exchange Commission.

Material estimates that are susceptible to change in the near term relate to the allowance for loan losses. Management believes that the allowance for loan losses is adequate based on independent appraisals and review of other factors, including historical charge-off rates with additional allocations based on risk factors for each category and general economic factors. While management uses available information to recognize loan losses, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, regulatory agencies periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination.

Certain reclassifications are made to prior-year amounts whenever necessary to conform with the current-year presentation.



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**Note 2. Recent Market Developments**

The financial services industry continues to face challenges in the aftermath of the recent national and global economic crisis. Since June 2009, the U.S. economy has been recovering from the most severe recession and financial crisis since the Great Depression. There have been some improvements in private sector employment, industrial production and U.S. exports; nevertheless, the pace of economic recovery has been slow. Financial markets have improved since the depths of the crisis but are still unsettled and volatile. There is continued concern about the U.S. economic outlook.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) became law. The Act was intended to address many issues arising in the recent financial crisis and is exceedingly broad in scope, affecting many aspects of bank and financial market regulation. The Act requires, or permits by implementing regulation, enhanced prudential standards for banks and bank holding companies inclusive of capital, leverage, liquidity, concentration and exposure measures. In addition, traditional bank regulatory principles such as restrictions on transactions with affiliates and insiders were enhanced. The Act also contains reforms of consumer mortgage lending practices and creates a Bureau of Consumer Financial Protection, which is granted broad authority over consumer financial practices of banks and others. It is expected as the specific new or incremental requirements applicable to the Company become effective that the costs and difficulties of remaining compliant with all such requirements will increase. The Act broadens the base for FDIC assessments to average consolidated assets less tangible equity of financial institutions and also permanently raises the current standard maximum FDIC deposit insurance amount to \$250,000. The Act extended unlimited deposit insurance on non-interest bearing transaction accounts through December 31, 2012. In addition, the Act added a new Section 13 to the Bank Holding Company Act, the so-called Volcker Rule, (the Rule) which generally restricts certain banking entities such as the Company and its subsidiaries or affiliates, from engaging in proprietary trading activities and owning equity in or sponsoring any private equity or hedge fund. The Rule became effective July 21, 2012. The final implementing regulations for the Rule were issued by various regulatory agencies in December, 2013 and under an extended conformance regulation compliance must be achieved by July 21, 2015. Under the Rule, the Company may be restricted from engaging in proprietary trading, investing in third party hedge or private equity funds or sponsoring new funds unless it qualifies for an exemption from the rule. The Company has little involvement in prohibited proprietary trading or investment activities in covered funds and the Company does not expect that complying with the requirements of the Rule will have any material effect on the Company's financial condition or results of operation.

On September 29, 2009, the FDIC adopted a Notice of Proposed Rulemaking (NPR) that would require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The FDIC Board voted to adopt a uniform three-basis point increase in assessment rates effective on January 1, 2011, and extend the restoration period from seven to eight years. This rule was finalized on November 2, 2009. The Company's quarterly risk-based deposit insurance assessments were paid from this amount until June 30, 2013. The Company received a refund of \$2.4 million of prepaid FDIC assessments in June 2013.

Federal banking regulators have issued risk-based capital guidelines, which assign risk factors to asset categories and off-balance-sheet items. Also, the Basel Committee has issued capital standards entitled Basel III: A global regulatory framework for more resilient banks and banking systems (Basel III). The Federal Reserve Board has finalized its rule implementing the Basel III regulatory capital framework. The rule, that will come into effect in January 2015, sets the Basel III minimum regulatory

capital requirements for all organizations. It includes a new common equity Tier I ratio of 4.5 percent of risk-weighted assets, raises the minimum Tier I capital ratio from 4 percent to 6 percent of risk-weighted assets and would set a new conservation buffer of 2.5 percent of risk-weighted assets. The Company has analyzed the final rules; the implementation of the framework will not have a material impact on the Company's financial condition or results of operations.

### **Note 3. Stock Option Accounting**

Stock option activity under the Company's stock option plan for the nine months ended September 30, 2014 is as follows:

	Amount	Weighted Average Exercise Price
Shares under option:		
Outstanding at beginning of year	20,225	\$ 31.82
Exercised	(10,325)	31.83
Forfeited	(8,900)	31.83
Outstanding at end of period	1,000	\$ 31.60
Exercisable at end of period	1,000	\$ 31.60
Available to be granted at end of period	233,784	

On September 30, 2014, the outstanding options to purchase 1,000 shares of Class A common stock has an exercise price of \$31.60 with a weighted average exercise price of \$31.60 and a weighted average remaining contractual life of 13 days. The intrinsic value of options exercisable at September 30, 2014 had an aggregate value of \$3,020. The intrinsic value of options exercised at September 30, 2014 had an aggregate value of \$28,807.

The Company uses the fair value method to account for stock options. All of the Company's stock options are vested and there were no options granted during the first nine months of 2014.

### **Note 4. Securities Available-for-Sale**

	September 30, 2014			December 31, 2013			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Treasury	\$ 1,999	\$ 2	\$	\$ 1,997	\$ 1	\$	\$ 1,998
U.S. Government Sponsored Enterprises				9,995	9		10,004
Small Business Administration	6,787	42		7,270	32		7,302

( In thousands)

U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	<b>391,721</b>	<b>2,185</b>	<b>623</b>	<b>393,283</b>	404,103	588	1,501	403,190
Privately Issued Residential Mortgage Backed Securities	<b>1,993</b>	<b>9</b>	<b>11</b>	<b>1,991</b>	2,294	6	23	2,277
Obligations Issued by States and Political Subdivisions	<b>83,749</b>	<b>2</b>	<b>873</b>	<b>82,878</b>	37,578	15	870	36,723
Other Debt Securities	<b>3,300</b>	<b>5</b>	<b>109</b>	<b>3,196</b>	2,300		125	2,175
Equity Securities	<b>327</b>	<b>178</b>		<b>505</b>	406	170		576
<b>Total</b>	<b>\$ 489,876</b>	<b>\$ 2,423</b>	<b>\$ 1,616</b>	<b>\$ 490,683</b>	\$ 465,943	\$ 821	\$ 2,519	\$ 464,245

During the third quarter of 2013, securities available-for-sale with an amortized cost of \$1,012,370,000 were transferred to securities held-to-maturity at their fair value of \$987,037,000 in response to rising interest rates. Rising interest rates have the potential to increase unrealized losses on the available-for-sale portfolio. The transfer was implemented to lessen the effects of rising interest rates.

Included in U.S. Government Sponsored Enterprise Securities and U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities are securities at fair value pledged to secure public deposits and repurchase agreements amounting to \$333,036,000 and \$368,137,000 at September 30, 2014 and December 31, 2013, respectively. Also included in securities available-for-sale are securities pledged for borrowing at the Federal Home Loan Bank of Boston amounting to \$21,706,000 and \$12,214,000 at September 30, 2014 and December 31, 2013, respectively. There were no realized gains on sales of investments for the nine months ended September 30, 2014. The Company realized gross gains of \$2,665,000 from the proceeds of \$216,078,000 from the sales of available-for-sale securities for the nine months ended September 30, 2013.

Debt securities of Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and Freddie Mac.

The following table shows the maturity distribution of the Company's securities available-for-sale at September 30, 2014.

	<b>Amortized Cost</b>	<b>Fair Value</b>
	( In thousands)	
Within one year	<b>\$ 77,321</b>	<b>\$ 77,322</b>
After one but within five years	<b>175,594</b>	<b>176,505</b>
After five but within ten years	<b>226,116</b>	<b>226,788</b>
More than 10 years	<b>9,018</b>	<b>8,172</b>
Non-maturing	<b>1,827</b>	<b>1,896</b>
<b>Total</b>	<b>\$ 489,876</b>	<b>\$ 490,683</b>

The weighted average remaining life of investment securities available-for-sale at September 30, 2014 was 4.4 years. The contractual maturities, which were used in the table ab