

CENTURY BANCORP INC
Form 10-Q
May 08, 2012
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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, 2012.

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

04-2498617
 (I.R.S. Employer

incorporation or organization)

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 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 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 April 30, 2012, the Registrant had outstanding:

Class A Common Stock, \$1.00 par value	3,556,429 Shares
Class B Common Stock, \$1.00 par value	1,991,880 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)**

	March 31, 2012	December 31, 2011
Assets		
Cash and due from banks	\$ 43,266	\$ 50,187
Federal funds sold and interest-bearing deposits in other banks	87,996	157,579
Total cash and cash equivalents	131,262	207,766
Short-term investments	13,303	18,351
Securities available-for-sale, amortized cost \$1,297,282 and \$1,244,972, respectively	1,313,839	1,258,676
Securities held-to-maturity, fair value \$321,917 and \$184,822, respectively	316,223	179,368
Federal Home Loan Bank of Boston stock, at cost	15,146	15,531
Loans, net:		
Commercial and industrial	81,882	82,404
Construction and land development	36,937	56,819
Commercial real estate	502,413	487,495
Residential real estate	249,981	239,307
Home equity	109,817	110,786
Consumer and other	6,946	7,681
Total loans, net	987,976	984,492
Less: allowance for loan losses	17,434	16,574
Net loans	970,542	967,918
Bank premises and equipment	21,848	21,757
Accrued interest receivable	6,094	6,022
Goodwill	2,714	2,714
Core deposit intangible	23	120
Other assets	64,978	65,002
Total assets	\$ 2,855,972	\$ 2,743,225
Liabilities		
Deposits:		
Demand deposits	\$ 360,308	\$ 365,854
Savings and NOW deposits	746,741	708,988
Money market accounts	645,143	616,241
Time deposits	439,474	433,501
Total deposits	2,191,666	2,124,584
Securities sold under agreements to repurchase	142,230	143,320
Other borrowed funds	241,143	244,143
Subordinated debentures	36,083	36,083

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Due to broker	44,423	
Other liabilities	34,490	34,446
Total liabilities	2,690,035	2,582,576

Stockholders Equity

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 3,556,429 shares and 3,548,317 shares, respectively	3,556	3,548
Class B common stock, \$1.00 par value per share; authorized 5,000,000 shares; issued 1,991,880 and 1,994,380 shares, respectively	1,992	1,994
Additional paid-in capital	11,708	11,587
Retained earnings	149,302	146,039
	166,558	163,168
Unrealized gains on securities available-for-sale, net of taxes	10,055	8,319
Pension liability, net of taxes	(10,676)	(10,838)
Total accumulated other comprehensive income(loss), net of taxes	(621)	(2,519)
Total stockholders equity	165,937	160,649
Total liabilities and stockholders equity	\$ 2,855,972	\$ 2,743,225

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,	
	2012	2011
Interest income		
Loans	\$ 12,048	\$ 12,105
Securities held-to-maturity	1,463	1,773
Securities available-for-sale	5,715	5,353
Federal funds sold and interest-bearing deposits in other banks	139	347
Total interest income	19,365	19,578
Interest expense		
Savings and NOW deposits	534	712
Money market accounts	605	705
Time deposits	1,681	2,279
Securities sold under agreements to repurchase	92	110
Other borrowed funds and subordinated debentures	2,051	1,845
Total interest expense	4,963	5,651
Net interest income	14,402	13,927
Provision for loan losses	1,100	1,200
Net interest income after provision for loan losses	13,302	12,727
Other operating income		
Service charges on deposit accounts	1,988	1,887
Lockbox fees	699	737
Net gain on sales of investments	148	164
Other income	784	747
Total other operating income	3,619	3,535
Operating expenses		
Salaries and employee benefits	8,141	7,341
Occupancy	1,122	1,251
Equipment	583	558
FDIC assessments	407	735
Other	2,547	2,325
Total operating expenses	12,800	12,210
Income before income taxes	4,121	4,052
Provision for income taxes	313	327
Net income	\$ 3,808	\$ 3,725
Share data:		
Weighted average number of shares outstanding, basic	5,544,748	5,540,583

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Weighted average number of shares outstanding, diluted	5,545,711	5,541,927
Net income per share, basic	\$ 0.69	\$ 0.67
Net income per share, diluted	\$ 0.69	\$ 0.67
Cash dividends paid:		
Class A common stock	\$ 0.12	\$ 0.12
Class B common stock	\$ 0.06	\$ 0.06

See accompanying notes to unaudited consolidated interim financial statements.

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

	Three months ended March 31,	
	2012	2011
Net income	\$ 3,808	\$ 3,725
Other comprehensive income, net of tax:		
Unrealized gains(losses) on securities:		
Unrealized holding gains(losses) arising during period	1,884	(523)
Less: reclassification adjustment for gains included in net income	(148)	(164)
	1,736	(687)
Defined benefit pension plans:		
Amortization of prior service cost and loss included in net periodic benefit cost	162	95
Other comprehensive income (loss)	1,898	(592)
Comprehensive income	\$ 5,706	\$ 3,133

See accompanying notes to unaudited consolidated interim financial statements.

Table of Contents**Century Bancorp, Inc.****Consolidated Statements of Changes in Stockholders Equity (unaudited)****For the Three Months Ended March 31, 2012 and 2011**

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings (In thousands)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
Balance at December 31, 2010	\$ 3,529	\$ 2,011	\$ 11,537	\$ 131,526	\$ (3,578)	\$ 145,025
Net income				3,725		3,725
Unrealized holding losses arising during period, net of \$482 in taxes and \$164 in realized net gains					(687)	(687)
Pension liability adjustment, net of \$63 in taxes					95	95
Comprehensive income						
Conversion of class B common stock to class A common stock, 14,500 shares	14	(14)				
Stock options exercised, 350 shares	1		5			6
Cash dividends paid, Class A common stock, \$.12 per share				(424)		(424)
Cash dividends paid, Class B common stock, \$.06 per share				(120)		(120)
Balance at March 31, 2011	\$ 3,544	\$ 1,997	\$ 11,542	\$ 134,707	\$ (4,170)	\$ 147,620
Balance at December 31, 2011	\$ 3,548	\$ 1,994	\$ 11,587	\$ 146,039	\$ (2,519)	\$ 160,649
Net income				3,808		3,808
Unrealized holding gains arising during period, net of \$1,117 in taxes and \$148 in realized net gains					1,736	1,736
Pension liability adjustment, net of \$189 in taxes					162	162
Comprehensive income						
Conversion of class B common stock to class A common stock, 2,500 shares	2	(2)				
Stock options exercised, 5,612 shares	6		121			127
Cash dividends paid, Class A common stock, \$.12 per share				(425)		(425)
Cash dividends paid, Class B common stock, \$.06 per share				(120)		(120)
Balance at March 31, 2012	\$ 3,556	\$ 1,992	\$ 11,708	\$ 149,302	\$ (621)	\$ 165,937

See accompanying notes to unaudited consolidated interim financial statements.

Table of Contents**Century Bancorp, Inc.****Consolidated Statements of Cash Flows (unaudited)****(In thousands)**

	Three months ended March 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,808	\$ 3,725
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gain on sales of investments	(148)	(164)
Provision for loan losses	1,100	1,200
Deferred income taxes	(444)	(421)
Net depreciation and amortization	1,505	1,411
Decrease (increase) in accrued interest receivable	(72)	33
Increase in other assets	(785)	596
Increase (decrease) in other liabilities	325	748
Net cash provided by operating activities	5,289	7,128
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of short-term investments	11,101	37,098
Purchase of short-term investments	(6,053)	(34,131)
Proceeds from maturities of securities available-for-sale	144,891	99,533
Proceeds from sales of securities available-for-sale	72,198	12,642
Purchase of securities available-for-sale	(249,934)	(175,589)
Proceeds from maturities of securities held-to-maturity	24,776	25,918
Purchase of securities held-to-maturity	(137,000)	
Net (increase) decrease in loans	(3,712)	(38,981)
Capital expenditures	(634)	(319)
Net cash used in investing activities	(144,367)	(73,829)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in time deposits	5,973	82,436
Net increase in demand, savings, money market and NOW deposits	61,109	47,919
Net proceeds from exercise of stock options	127	6
Cash dividends	(545)	(544)
Net increase (decrease) in securities sold under agreements to repurchase	(1,090)	11,040
Net decrease in other borrowed funds	(3,000)	(23,975)
Net cash provided by financing activities	62,574	116,882
Net (decrease) increase in cash and cash equivalents	(76,504)	50,181
Cash and cash equivalents at beginning of period	207,766	188,552
Cash and cash equivalents at end of period	\$ 131,262	\$ 238,733
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 5,016	\$ 5,533
Income taxes	190	434
Change in unrealized gains on securities available-for-sale, net of taxes	1,736	(687)

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Pension liability adjustment, net of taxes	162	95
Due to broker	44,423	1,250
See accompanying notes to unaudited consolidated interim financial statements.		

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Century Bancorp, Inc.

Notes to Unaudited Consolidated Interim Financial Statements

Three Months Ended March 31, 2012 and 2011

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, 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, 2011, 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 unprecedented challenges in the aftermath of the recent national and global economic crisis. Since June 2009, the US 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 US exports; nevertheless, the pace of economic recovery has been extremely slow. The housing markets continue to be depressed. Financial markets have improved since the depths of the crisis, but are still unsettled and volatile. Investors have pulled back from risky assets. Lower equity prices and wider spreads on corporate bonds and other debt instruments and greater pressures on financial institutions have resulted. At the same time, heightened demand for safe assets has put downward pressure on yields. There is continued concern about the US economic outlook and the potential effects of the continued crisis in the European financial markets.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection 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 extends unlimited deposit insurance on non-interest bearing transaction accounts through December 31, 2012.

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. As a result, the Company is carrying a prepaid asset of \$4.3 million as of December 31, 2011. The Company's quarterly risk-based deposit insurance assessments will be paid from this amount until the amount is exhausted or until December 30, 2014, when any amount remaining would be returned to the Company.

On September 30, 2011, the Massachusetts Department of Revenue issued a Draft Directive prohibiting a corporation from pledging more than 50 percent of security corporation stock it owns to secure a borrowing, effective for tax years beginning on or after October, 2012. Century Bank currently utilizes the stock of two of its security corporations to secure Federal Home Loan Bank of Boston (FHLBB) advances. Should this draft directive have become effective, Century Bank would have had fewer assets available to secure FHLBB advances, or would have had a higher tax rate if it chose to utilize security corporations to a lesser extent. On April 6, 2012, the Massachusetts Department of Revenue issued an updated Draft Directive allowing a corporation to pledge up to 100% of security corporation stock it owns to secure a borrowing. This revised Draft Directive would allow Century Bank to continue to utilize existing assets to secure FHLBB advances without pledging limitations.

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Stock option activity under the Company's stock option plan for the three months ended March 31, 2012 is as follows:

	Amount	Weighted Average Exercise Price
Shares under option:		
Outstanding at beginning of year	36,062	\$ 28.90
Exercised	(5,612)	22.61
Forfeited	(450)	22.50
Outstanding at end of period	30,000	\$ 30.17
Exercisable at end of period	30,000	\$ 30.17
Available to be granted at end of period	223,534	

On March 31, 2012, the outstanding options to purchase 30,000 shares of Class A common stock have exercise prices between \$26.68 and \$31.83, with a weighted average exercise price of \$30.17 and a weighted average remaining contractual life of 2.0 years. The intrinsic value of options exercisable at March 31, 2012 had an aggregate value of \$5,952. The intrinsic value of options exercised at March 31, 2012 had an aggregate value of \$26,311.

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 quarter of 2012.

Note 4. Securities Available-for-Sale

	March 31, 2012			December 31, 2011				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)							
U.S. Treasury	\$ 1,999	\$ 9	\$	\$ 2,008	\$ 1,999	\$ 13	\$	\$ 2,012
U.S. Government Sponsored Enterprises	116,957	165	21	117,101	174,657	311	11	174,957
Small Business Administration	8,430	94		8,524	8,714	87		8,801
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	1,121,934	17,909	781	1,139,062	1,020,752	16,262	1,176	1,035,838
Privately Issued Residential Mortgage Backed Securities	3,392		167	3,225	3,509		311	3,198
Obligations Issued by States and Political Subdivisions	30,802	76	958	29,920	21,515	84	957	20,642
Other Debt Securities	13,258	165	44	13,379	13,293		683	12,610
Equity Securities	510	110		620	533	85		618
Total	\$ 1,297,282	\$ 18,528	\$ 1,971	\$ 1,313,839	\$ 1,244,972	\$ 16,842	\$ 3,138	\$ 1,258,676

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 \$476,920,000 and \$488,690,000

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at March 31, 2012 and December 31, 2011, respectively. Also included in securities available-for-sale are securities pledged for borrowing at the Federal Home Loan Bank of Boston amounting to \$265,267,000 and \$246,036,000 at March 31, 2012 and December 31, 2011, respectively. The Company realized gross gains of \$148,000 from the proceeds of \$72,198,000 from the sales of available-for-sale securities for the three months ended March 31, 2012. The Company realized gross gains of \$164,000 from the proceeds of \$12,642,000 from the sales of available-for-sale securities for the three months ended March 31, 2011.

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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 March 31, 2012.

	Amortized Cost	Fair Value
(In thousands)		
Within one year	\$ 83,590	\$ 84,599
After one but within five years	963,384	977,449
After five but within ten years	233,396	235,375
More than 10 years	14,902	14,339
Non-maturing	2,010	2,077
 Total	 \$ 1,297,282	 \$ 1,313,839

The weighted average remaining life of investment securities available-for-sale at March 31, 2012 was 3.9 years. Included in the weighted average remaining life calculation at March 31, 2012 was \$106,957,000 of U.S. Government Sponsored Enterprises obligations that are callable at the discretion of the issuer. These call dates were not utilized in computing the weighted average remaining life. The contractual maturities, which were used in the table above, of mortgage-backed securities will differ from the actual maturities, due to the ability of the issuers to prepay underlying obligations.

As of March 31, 2012 and December 31, 2011, management concluded that the unrealized losses of its investment securities are temporary in nature since they are not related to the underlying credit quality of the issuers, and the Company does not intend to sell these debt securities and it is not likely that it will be required to sell these debt securities before the anticipated recovery of its remaining amortized cost. In making its other-than-temporary impairment evaluation, the Company considered the fact that the principal and interest on these securities are from issuers that are investment grade. The change in the unrealized losses on the state and municipal securities and the nonagency mortgage-backed securities was primarily caused by changes in credit spreads and liquidity issues in the marketplace.

The unrealized loss on U.S. Government Sponsored Enterprises and U.S. Government Sponsored Enterprises Mortgage Backed Securities related primarily to interest rates and not credit quality and because the Company has the ability and intent to hold these investments until recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired. The change in the unrealized losses on the state and municipal securities and the nonagency mortgage-backed securities were primarily caused by changes in credit spreads and liquidity issues in the marketplace.

In evaluating the underlying credit quality of a security, management considers several factors such as the credit rating of the obligor and the issuer, if applicable. Internal reviews of issuer financial statements are performed as deemed necessary. In the case of privately issued mortgage-backed securities, the performance of the underlying loans is analyzed as deemed necessary to determine the estimated future cash flows of the securities. Factors considered include the level of subordination, current and estimated future default rates, current and estimated prepayment rates, estimated loss severity rates, geographic concentrations and origination dates of underlying loans. In the case of marketable equity securities, the severity of the unrealized loss, the length of time the unrealized loss has existed, and the issuer's financial performance are considered.

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The following table shows the temporarily impaired securities of the Company's available-for-sale portfolio at March 31, 2012. This table shows the unrealized market loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 65 and 6 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 419 holdings at March 31, 2012.

	Less than 12 months		March 31, 2012 12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In thousands)						
Temporarily Impaired Investments						
U.S. Government Sponsored Enterprises	\$ 19,976	\$ 21	\$	\$	\$ 19,976	\$ 21
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	368,548	781			368,548	781
Privately Issued Residential Mortgage Backed Securities			3,225	167	3,225	167
Obligations Issued by States and Political Subdivisions			3,725	958	3,725	958
Other Debt Securities	5,538	1	1,457	43	6,995	44
Total temporarily impaired securities	394,062	\$ 803	\$ 8,407	\$ 1,168	\$ 402,469	\$ 1,971

The following table shows the temporarily impaired securities of the Company's available-for-sale portfolio at December 31, 2011. This table shows the unrealized market loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 60 and 6 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 393 holdings at December 31, 2011.

	Less than 12 months		December 31, 2011 12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In thousands)						
Temporarily Impaired Investments						
U.S. Government Sponsored Enterprises	\$ 14,989	\$ 11	\$	\$	\$ 14,989	\$ 11
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	331,469	1,176			331,469	1,176
Privately Issued Residential Mortgage Backed Securities			3,198	311	3,198	311
Obligations Issued by States and Political Subdivisions			3,725	957	3,725	957
Other Debt Securities	10,542	652	1,468	31	12,010	683
Equity Securities						
Total temporarily impaired securities	\$ 357,000	\$ 1,839	\$ 8,391	\$ 1,299	\$ 365,391	\$ 3,138

Note 5. Investment Securities Held-to-Maturity

	March 31, 2012				December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(In thousands)								
U.S. Government Sponsored Enterprises	\$ 24,665	\$ 9	\$ 44	\$ 24,620	\$ 26,979	\$ 36	\$ 2	\$ 27,013
	291,568	6,115	386	297,297	152,389	5,435	15	157,809

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U.S. Government Agency and Sponsored
Enterprises Mortgage Backed Securities

Total	\$ 316,223	\$ 6,124	\$ 430	\$ 321,917	\$ 179,368	\$ 5,471	\$ 17	\$ 184,822
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Included in U.S. Government and Agency Securities are securities pledged to secure public deposits and repurchase agreements at fair value amounting to \$24,377,000 and \$8,885,000 at March 31, 2012 and December 31, 2011, respectively. Also included are securities pledged for borrowing at the Federal Home Loan Bank of Boston at fair value amounting to \$114,692,000 and \$49,345,000 at March 31, 2012 and December 31, 2011, respectively.

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At March 31, 2012 and December 31, 2011, all mortgage-backed securities are obligations of U.S. Government Agencies and Government Sponsored Enterprises. 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 held-to-maturity at March 31, 2012.

	Amortized Cost	Fair Value
	(In thousands)	
Within one year	\$ 6,311	\$ 6,440
After one but within five years	239,130	244,509
After five but within ten years	70,499	70,682
More than ten years	283	286
Total	\$ 316,223	\$ 321,917

The weighted average remaining life of investment securities held-to-maturity at March 31, 2012 was 4.3 years. Included in the weighted average remaining life calculation at March 31, 2012 were \$19,655,000 of U.S. Government Sponsored Enterprises obligations that are callable at the discretion of the issuer. The actual maturities, which were used in the table above, of mortgage-backed securities, will differ from the contractual maturities, due to the ability of the issuers to prepay underlying obligations.

As of March 31, 2012 and December 31, 2011, management concluded that the unrealized losses of its investment securities are temporary in nature since they are not related to the underlying credit quality of the issuers, and the Company does not intend to sell these debt securities and it is not likely that it will be required to sell these debt securities before the anticipated recovery of their remaining amortized costs. In making its other-than-temporary impairment evaluation, the Company considered the fact that the principal and interest on these securities are from issuers that are investment grade.

The unrealized loss on U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities related primarily to interest rates and not credit quality, and because the Company does not intend to sell any of these securities and it is not likely that it will be required to sell these securities before the anticipated recovery of the remaining amortized cost, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2012 and December 31, 2011.

In evaluating the underlying credit quality of a security, management considers several factors such as the credit rating of the obligor and the issuer, if applicable. Internal reviews of issuer financial statements are performed as deemed necessary.

The following table shows the temporarily impaired securities of the Company's held-to-maturity portfolio at March 31, 2012. This table shows the unrealized market loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 8 and 1 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 107 holdings at March 31, 2012.

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		March 31, 2012		
		Less Than 12 Months		Total
		Unrealized		Unrealized
Fair Value	Losses	Fair Value	Losses	Fair Value