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Q&A: Bank of brothers
Century Bancorp co-COOs Barry and Jonathan Sloane

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By Mike Layfield

When Marshall Sloane ultimately retires as CEO of Medford, MA-based Century Bancorp Inc., responsibility for one of New England's few remaining independent banks will fall to his two sons, current co-COOs Barry and Jonathan. As co-CEOs, the brothers say they intend to carry on the bank's tradition of independence, with a continued focus on customer service rather than opportunities for unfettered growth.

While a customer-oriented approach may seem outmoded in the era of mass consolidation, the Sloanes believe that relationship management underpins the strength of their franchise. A good deal of their business, they say, comes from the swelling ranks of those customers who have grown disenchanted with the institutional banking style that dominates the Boston metro area.

In a conversation with SNL, Barry and Jonathan discussed the banking landscape and the direction in which they intend to take Century Bancorp upon their father's retirement.

What follows is an edited transcript of that conversation.

SNL: In April, the bank announced that you two would take over for your father as co-CEOs. Any idea when that will actually occur?

Barry: No announcements have been made. Any announcements will come from him. There is no current news in the marketplace on that subject.

Jonathan: We are running the company as a real triumvirate. The communication level here is very unusual. We "cc" each other on emails, our offices are in the same suite next to each other, we are constantly in touch, almost seven days a week. The family business is intertwined to the utmost.

Barry: That's definitely true. I'd say the two watchwords are communications and teamwork. We work on that everyday. We operate in a management committee structure, and it's a very transparent, consensus-driven management style. But my father is very much the CEO and sets the strategy for the organization.

When you two do eventually assume that mantle, what are your plans for the company? Will it retain its customer orientation, or will it head in a different direction altogether?

Barry: We're not going to speculate, obviously, on a situation like that. I think we're happy to address the current state of the institution and its long-term strategy. This is all about consistency and continuance. We are the second-largest independent, publicly traded bank in Massachusetts, and we think the essential attributes of our franchise are around that independence, and what I like to call client intimacy. That strategy of focusing on the client and the marketplace will continue. So we foresee a long and successful future for us in the shadow of the four giants in [Massachusetts], because by nature and by description they are entirely different in their approach to the marketplace.

Jonathan: We are in concert relative to the three businesses that we operate in: retail banking, with 22 branches and a growth place for that segment of the market; a commercial business base, which hasn't historically driven the train but it equal with the other two; and thirdly, our institutional banking arena, which has a huge government banking and lock box operations for companies that are much bigger than we could ever provide lending services to.

Investment bank Ryan Beck & Co. tabbed Century Bancorp as ripe for the picking. Do other banks frequently approach you with offers?

Barry: We really don't want to discuss those sorts of situations. What I think I'll tell you is that we pride ourselves on independence. We are not for sale. And we intend to remain independent for the foreseeable future.

Consolidation has dramatically transformed the banking landscape in New England, and in Massachusetts particularly. What effect has that had on your business?

Barry: Think of it this way. We have a little less than 1% market share. We can count on the four giants, particularly two of which that are now foreign owned, to make their share of relationship, officer, branch and headquarters mistakes. We don't need a big part of the marketplace to be extremely successful. What I might suggest is that if you look around and each of the major cities that are dominated by three or four global banks, what you'll find in each market is at least one, maybe two, independents that have been extremely successful for a long period of time. And also you'll find in almost every one of those is a significant family component in ownership, management or both. We think this is a consistent theme. We feel there is a meaningful part of the marketplace that wants to know the owners, wants to know the management, and wants to feel like there is somebody in control.

So we would make the case that the giants will do most of the work for us in terms of developing the marketplace. We just need to meet the market with a competitive and a well-delivered product.

Your interest spread has declined over the past couple of years. What are you doing to address that and how much will rising rates help?

Barry: I think like many banks in our peer group, when interest rates are this low you have a difficult time maneuvering within a tighter spread. The only concrete answer I can give you on that is that over the course of the last year as the spread has contracted and competitive pressures have increased, we have always made sure to preserve relationships wherever we could, so that in these periods when the giants have the ability to compact the spread more quickly than we could — or live with that — we've always been as careful as we could to preserve our long-term client relationships. But luckily that period of time is coming to a close. Interest rates are gradually increasing, so we're quite optimistic that situation will recover.

How high do you think rates will climb?

Barry: I'm not sure that either one of us would want to get into the forecasting business with you. I think you could talk to lots of smarter people in that field. All we want to say is our view is that interest rates are likely to gradually increase and that's good for our franchise.

Jonathan: Of course, a 50-basis-point adjustment is a huge adjustment for us.

Loan growth has also been on the downswing. How do you fix that?

Jonathan: We're going to develop certainly more C&I and commercial real estate. Our focus has always been on financing business. We've really kicked off a strong small business loan program this year — stronger than ever before, setting up a direct line manager for it and a very streamlined application process. We have seen, unfortunately, very little borrowing under our existing lines. Only 40% of our lines are being used to any extent right now. Companies have been very conservative as to their growth in plants and equipment. They are working harder and more efficiently, and companies have been banking money. It's been the topic of three Wall Street Journal articles within the last two to three weeks. Companies are conserving cash and not adding plant equipment. Small business has been doing that for about two years now. We're starting to see a breakout of that, so we're starting to see some line usage, which means our clients are more comfortable with the economy. And just as equally, we're seeing some growth in our portfolio from the big guys, making our customer set upset, and those people are beginning to move our way.