

CENTURY BANCORP INC

Form 10-K

March 11, 2011

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

**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 number)*

400 MYSTIC AVENUE, MEDFORD, MA

(Address of principal executive offices)

02155

(Zip Code)

Registrant's telephone number including area code:

(781) 391-4000

Securities registered pursuant to Section 12(b) of the Act:

Class A Common Stock, \$1.00 par value

(Title of class)

Nasdaq Global Market

(Name of Exchange)

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

Edgar Filing: CENTURY BANCORP INC - Form 10-K

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

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 Regulations 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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of the registrant's voting and nonvoting stock held by nonaffiliates, computed using the closing price as reported on Nasdaq as of June 30, 2010 was \$78,476,968.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of February 28, 2011:

Class A Common Stock, \$1.00 par value 3,539,217 Shares
Class B Common Stock, \$1.00 par value 2,001,380 Shares

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

- (1) Portions of the Registrant's Annual Report to Stockholders for the fiscal year ended December 31, 2010 are incorporated into Part II, Items 5-8 of this Form 10-K.
-

CENTURY BANCORP INC.

FORM 10-K

TABLE OF CONTENTS

	Page
<u>PART I</u>	
<u>ITEM 1</u>	<u>BUSINESS</u> 1-5
<u>ITEM 1A</u>	<u>RISK FACTORS</u> 5-6
<u>ITEM 1B</u>	<u>UNRESOLVED STAFF COMMENTS</u> 6
<u>ITEM 2</u>	<u>PROPERTIES</u> 6
<u>ITEM 3</u>	<u>LEGAL PROCEEDINGS</u> 7
<u>ITEM 4</u>	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u> 7
<u>PART II</u>	
<u>ITEM 5</u>	<u>MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u> 8-9
<u>ITEM 6</u>	<u>SELECTED FINANCIAL DATA</u> 9
<u>ITEM 7</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION</u> 9
<u>ITEM 7a</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u> 9
<u>ITEM 8</u>	<u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u> 9
<u>ITEM 9</u>	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u> 10
<u>ITEM 9A</u>	<u>CONTROLS AND PROCEDURES</u> 10
<u>ITEM 9B</u>	<u>OTHER INFORMATION</u> 10
<u>PART III</u>	
<u>ITEM 10</u>	<u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u> 84-89
<u>ITEM 11</u>	<u>EXECUTIVE COMPENSATION</u> 89-99
<u>ITEM 12</u>	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u> 100-101
<u>ITEM 13</u>	<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u> 101
<u>ITEM 14</u>	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u> 101-102
<u>PART IV</u>	
<u>ITEM 15</u>	<u>EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u> 102-103
<u>SIGNATURES</u>	104
<u>EX-21</u>	
<u>EX-23.1</u>	
<u>EX-31.1</u>	

EX-31.2

EX-32.1

EX-32.2

Table of Contents

PART I

ITEM 1. BUSINESS

The Company

Century Bancorp, Inc. (together with its bank subsidiary, unless the context otherwise requires, the Company) is a Massachusetts state-chartered bank holding company headquartered in Medford, Massachusetts. The Company is a Massachusetts corporation formed in 1972 and has one banking subsidiary (the Bank): Century Bank and Trust Company formed in 1969. At December 31, 2010, the Company had total assets of \$2.4 billion. Currently, the Company operates 23 banking offices in 17 cities and towns in Massachusetts, ranging from Braintree in the south to Beverly in the north. The Bank's customers consist primarily of small and medium-sized businesses and retail customers in these communities and surrounding areas, as well as local governments and institutions throughout Massachusetts.

The Company's results of operations are largely dependent on net interest income, which is the difference between the interest earned on loans and securities and the interest paid on deposits and borrowings. The results of operations are also affected by the level of income/fees from loans and deposits, as well as operating expenses, the provision for loan losses, the impact of federal and state income taxes and the relative levels of interest rates and economic activity.

The Company offers a wide range of services to commercial enterprises, state and local governments and agencies, nonprofit organizations and individuals. It emphasizes service to small and medium-sized businesses and retail customers in its market area. The Company makes commercial loans, real estate and construction loans, and consumer loans and accepts savings, time and demand deposits. In addition, the Company offers to its corporate and institutional customers automated lockbox collection services, cash management services and account reconciliation services, and it actively promotes the marketing of these services to the municipal market. Also, the Company provides full-service securities brokerage services through a program called Investment Services at Century Bank, which is supported by LPL Financial, a full-service securities brokerage business.

The Company is also a provider of financial services, including cash management, transaction processing and short-term financing, to municipalities in Massachusetts and Rhode Island. The Company has deposit relationships with 178 (51%) of the 351 cities and towns in Massachusetts.

During August 2009, the Company entered into a lease agreement to open a branch located at Coolidge Corner in Brookline, Massachusetts. The branch opened on April 27, 2010.

During July 2010, the Company entered into a lease agreement to open a branch located at Newton Centre in Newton, Massachusetts. The branch is scheduled to open during the first half of 2011.

During September 2010, the Company entered into a lease agreement to open a branch located in Andover, Massachusetts. The branch is scheduled to open during the fourth quarter of 2011.

Availability of Company Filings

Under the Securities Exchange Act of 1934, Sections 13 and 15(d), periodic and current reports must be filed with the Securities and Exchange Commission (the SEC). The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on

Edgar Filing: CENTURY BANCORP INC - Form 10-K

the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0030. The Company electronically files with the SEC its periodic and current reports, as well as other filings it makes with the SEC from time to time. The SEC maintains an Internet site that contains reports and other information regarding issuers, including the Company, that file electronically with the SEC, at www.sec.gov, in which all forms filed electronically may be accessed. Additionally, our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and additional shareholder information are available free of charge on the Company's website: www.century-bank.com.

Table of Contents

Employees

As of December 31, 2010, the Company had 299 full-time and 81 part-time employees. The Company's employees are not represented by any collective bargaining unit. The Company believes that its employee relations are good.

Financial Services Modernization

On November 12, 1999, President Clinton signed into law The Gramm-Leach-Bliley Act (Gramm-Leach) which significantly altered banking laws in the United States. Gramm Leach enables combinations among banks, securities firms and insurance companies beginning March 11, 2000. As a result of Gramm Leach, many of the depression-era laws that restricted these affiliations and other activities that may be engaged in by banks and bank holding companies were repealed. Under Gramm-Leach, bank holding companies are permitted to offer their customers virtually any type of financial service that is financial in nature or incidental thereto, including banking, securities underwriting, insurance (both underwriting and agency) and merchant banking.

In order to engage in these financial activities, a bank holding company must qualify and register with the Federal Reserve Board as a financial holding company by demonstrating that each of its bank subsidiaries is well capitalized, well managed, and has at least a satisfactory rating under the Community Reinvestment Act of 1977 (the CRA). The Company has not elected to become a financial holding company under Gramm-Leach.

These financial activities authorized by Gramm-Leach may also be engaged in by a financial subsidiary of a national or state bank, except for insurance or annuity underwriting, insurance company portfolio investments, real estate investment and development and merchant banking, which must be conducted in a financial holding company. In order for the new financial activities to be engaged in by a financial subsidiary of a national or state bank, Gramm-Leach requires each of the parent bank (and any bank affiliates) to be well capitalized and well managed; the aggregate consolidated assets of all of that bank's financial subsidiaries may not exceed the lesser of 45% of its consolidated total assets or \$50 billion; the bank must have at least a satisfactory CRA rating; and, if the bank is one of the 100 largest banks, it must meet certain financial rating or other comparable requirements. The Company does not currently conduct activities through a financial subsidiary.

Gramm-Leach establishes a system of functional regulation, under which the federal banking agencies will regulate the banking activities of financial holding companies and banks' financial subsidiaries, the SEC will regulate their securities activities, and state insurance regulators will regulate their insurance activities. Gramm-Leach also provides new protections against the transfer and use by financial institutions of consumers' nonpublic, personal information.

Holding Company Regulation

The Company is a bank holding company as defined by the Bank Holding Company Act of 1956, as amended (the Holding Company Act), and is registered as such with the Board of Governors of the Federal Reserve Bank (the FRB), which is responsible for administration of the Holding Company Act. Although the Company may meet the qualifications for electing to become a financial holding company under Gramm-Leach, the Company has elected to retain its pre-Gramm-Leach status for the present time under the Holding Company Act. As required by the Holding Company Act, the Company files with the FRB an annual report regarding its financial condition and operations, management and intercompany relationships of the Company and the Bank. It is also subject to examination by the FRB and must obtain FRB approval before (i) acquiring direct or indirect ownership or control of more than 5% of the voting stock of any bank, unless it already owns or controls a majority of the voting stock of that bank, (ii) acquiring all or substantially all of the assets of a bank, except through a subsidiary which is a bank, or (iii) merging or consolidating with any other bank holding company. A bank holding company must also give the FRB prior written notice before purchasing or redeeming its equity securities, if the gross consideration for the purchase or redemption,

when aggregated with the net consideration paid by the company for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the Company's consolidated net worth.

The Holding Company Act prohibits a bank holding company, with certain exceptions, from (i) acquiring direct or indirect ownership or control of more than 5% of any class of voting shares of any company which is not a

Table of Contents

bank or a bank holding company, or (ii) engaging in any activity other than managing or controlling banks, or furnishing services to or performing services for its subsidiaries. A bank holding company may own, however, shares of a company engaged in activities which the FRB has determined are so closely related to banking or managing or controlling banks as to be a proper incident thereto.

The Company and its subsidiaries are examined by federal and state regulators. The FRB has responsibility for holding company activities and performed a review of the Company and its subsidiaries as of September 2010.

Federal Deposit Insurance Corporation Improvement Act of 1991

On December 19, 1991, the FDIC Improvement Act of 1991 (the 1991 Act) was enacted. This legislation provides for, among other things: enhanced federal supervision of depository institutions, including greater authority for the appointment of a conservator or receiver for undercapitalized institutions; the establishment of risk-based deposit insurance premiums; a requirement that the federal banking agencies amend their risk-based capital requirements to include components for interest-rate risk, concentration of credit risk, and the risk of nontraditional activities; expanded authority for cross-industry mergers and acquisitions; mandated consumer protection disclosures with respect to deposit accounts; and imposed restrictions on the activities of state-chartered banks, including the Bank.

Provisions of the 1991 Act relating to the activities of state-chartered banks significantly impact the way the Company conducts its business. In this regard, the 1991 Act provides that insured state banks, such as the Bank, may not engage as principal in any activity that is not permissible for a national bank, unless the FDIC has determined that the activity would pose no significant risk to the Bank Insurance Fund (BIF) and the state bank is in compliance with applicable capital standards. Activities of subsidiaries of insured state banks are similarly restricted to those activities permissible for subsidiaries of national banks, unless the FDIC has determined that the activity would pose no significant risk to the BIF and the state bank is in compliance with applicable capital standards.

Interstate Banking

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, as amended (the Interstate Banking Act), generally permits bank holding companies to acquire banks in any state and preempts all state laws restricting the ownership by a bank holding company of banks in more than one state. The Interstate Banking Act also permits a bank to merge with an out-of-state bank and convert any offices into branches of the resulting bank if both states have not opted out of interstate branching; permits a bank to acquire branches from an out-of-state bank if the law of the state where the branches are located permits the interstate branch acquisition; and operated de novo interstate branches whenever the host state opts-in to de novo branching. Bank holding companies and banks seeking to engage in transactions authorized by the Interstate Banking Act must be adequately capitalized and managed.

USA PATRIOT Act

Under Title III of the USA PATRIOT Act, also known as the International Money Laundering Abatement and Anti-Terrorism Act of 2001 , all financial institutions are required in general to identify their customers, adopt formal and comprehensive anti-money laundering programs, scrutinize or prohibit altogether certain transactions of special concern, and be prepared to respond to inquiries from U.S. law enforcement agencies concerning their customers and their transactions. Additional information-sharing among financial institutions, regulators, and law enforcement authorities is encouraged by the presence of an exemption from the privacy provisions of the Gramm-Leach Act for financial institutions that comply with this provision and the authorization of the Secretary of the Treasurer to adopt rules to further encourage cooperation and information-sharing. The effectiveness of a financial institution in combating money laundering activities is a factor to be considered in any application submitted by the financial institution under the Bank Merger Act.

Table of Contents

Sarbanes-Oxley Act

The Sarbanes-Oxley Act, signed into law July 30, 2002, addresses, among other issues, corporate governance, auditor independence and accounting standards, executive compensation, insider loans, whistleblower protection and enhanced and timely disclosure of corporate information. The SEC has adopted a substantial number of implementing rules and the Financial Industry Regulatory Authority (FINRA) has adopted corporate governance rules that have been approved by the SEC and are applicable to the Company. The changes are intended to allow stockholders to monitor more effectively the performance of companies and management. As directed by Section 302(a) of the Sarbanes-Oxley Act, the Company's Chief Executive Officer and Chief Financial Officer are each required to certify that the Company's quarterly and annual reports do not contain any untrue statement of a material fact. This requirement has several parts, including certification that these officers are responsible for establishing, maintaining and regularly evaluating the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting; that they have made certain disclosures to the Company's auditors and the Board of Directors about the Company's disclosure controls and procedures and internal control over financial reporting, and that they have included information in the Company's quarterly and annual reports about their evaluation of the Company's disclosure controls and procedures and internal control over financial reporting, and whether there have been significant changes in the Company's internal disclosure controls and procedures or in other factors that could significantly affect such controls and procedures subsequent to the evaluation and whether there have been any significant changes in the Company's internal control over financial reporting that have materially affected or reasonably likely to materially affect the Company's internal control over financial reporting, and compliance with certain other disclosure objectives. Section 906 of the Sarbanes-Oxley Act requires an additional certification that each periodic report containing financial statements fully complies with the requirements of Section 13(a) and 15(d) of the Securities Exchange Act of 1934 and that the information in the report fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Dodd-Frank Wall Street Reform and Consumer Protection Act

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 Dodd-Frank Wall Street Reform and Consumer Protection Act also permanently raises the current standard maximum FDIC deposit insurance amount to \$250,000.

Deposit Insurance Premiums

The Bank's deposits have the benefit of FDIC insurance up to applicable limits. The FDIC's Deposit Insurance Fund is funded by assessments on insured depository institutions, which depend on the risk category of an institution and the amount of assets that it holds. The FDIC may increase or decrease the assessment rate schedule on a semi-annual basis.

The Bank is also a participant in the Temporary Liquidity Guarantee Program as discussed within the Management's Discussion and Analysis of Results of Operations and Financial Condition under Recent Market Developments.

On May 22, 2009, the FDIC announced a special assessment on insured institutions as part of its efforts to rebuild the Deposit Insurance Fund and help maintain public confidence in the banking system. The special assessment is five basis points of each FDIC-insured depository institution's assets minus Tier 1 capital, as of June 30, 2009. The Company recorded a pre-tax charge of approximately \$1.0 million in the second quarter of 2009 in connection with the special assessment.

Table of Contents

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 \$6.1 million as of December 31, 2010. 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.

In February 2011, the FDIC approved a rule to change the assessment base from adjusted domestic deposits to average consolidated total assets minus average tangible equity. The rule should keep the overall amount collected from the industry very close to the amount collected prior to the new calculation.

Competition

The Company experiences substantial competition in attracting deposits and making loans from commercial banks, thrift institutions and other enterprises such as insurance companies and mutual funds. These competitors include several major commercial banks whose greater resources may afford them a competitive advantage by enabling them to maintain numerous branch offices and mount extensive advertising campaigns. A number of these competitors are not subject to the regulatory oversight that the Company is subject to, which increases these competitors' flexibility.

Forward-Looking Statements

Certain statements contained herein are not based on historical facts and are forward-looking statements within the meaning of Section 21A of the Securities Exchange Act of 1934. Forward-looking statements, which are based on various assumptions (some of which are beyond the Company's control), may be identified by a reference to a estimate, anticipate continue or similar terms or variations on those terms, or the negative of these terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, those related to the economic environment, particularly in the market areas in which the Company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset/liability management, the financial and securities market and the availability of and costs associated with sources of liquidity.

The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

ITEM 1A. RISK FACTORS

The risk factors that may affect the Company's performance and results of operations include the following:

- (i) the Company's business is dependent upon general economic conditions in Massachusetts. Currently the national and local economies are in recession; this may adversely affect the Company's performance and results of operations;
- (ii) the Company's earnings depend to a great extent upon the level of net interest income generated by the Company, and therefore the Company's results of operations may be adversely affected by increases or decreases in interest rates or by the shape of the yield curve;

(iii) the banking business is highly competitive and the profitability of the Company depends upon the Company's ability to attract loans and deposits in Massachusetts, where the Company competes with a variety of traditional banking companies, some of which have vastly greater resources, and nontraditional institutions such as credit unions and finance companies;

Table of Contents

(iv) at December 31, 2010, approximately 57.8% of the Company's loan portfolio was comprised of commercial and commercial real estate loans, exposing the Company to the risks inherent in financings 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;

(v) at December 31, 2010, approximately 35.5% of the Company's loan portfolio was comprised of residential real estate loans, exposing the Company to the risks inherent in financings based upon analyses of credit risk and the value of underlying collateral. Accordingly, the Company's profitability may be negatively impacted by errors in risk analyses, by loan defaults and the ability of certain borrowers to repay such loans may be adversely affected by any downturn in general economic conditions;

(vi) economic conditions and interest rate risk could adversely impact the fair value and the ultimate collectability of the Company's investments. Should an investment be deemed other than temporarily impaired, the Company would be required to writedown the carrying value of the investment through earnings. Such writedown(s) may have a material adverse effect on the Company's financial condition and results of operations;

(vii) writedown of goodwill and other identifiable intangible assets would negatively impact our financial condition and results of operations. The amount of the purchase price which is allocated to goodwill is determined by the excess of the purchase price over the net identifiable assets acquired. At December 31, 2010, our goodwill and other identifiable intangible assets were approximately \$3.2 million;

(viii) acts or threats of terrorism and actions taken by the United States or other governments as a result of such acts or threats, including possible military action, could further adversely affect business and economic conditions in the United States of America generally and in the Company's markets, which could adversely affect the Company's financial performance and that of the Company's borrowers and on the financial markets and the price of the Company's Class A common stock;

(ix) changes in the extensive laws, regulations and policies governing bank holding companies and their subsidiaries could alter the Company's business environment or affect the Company's operations; and

(x) the potential need to adapt to industry changes in information technology systems, on which the Company is highly dependent to secure bank and customer financial information, could present operational issues, require significant capital spending or impact the Company's reputation.

These factors, as well as general economic and market conditions in the United States of America, may materially and adversely affect the Company's performance, results of operations and the market price of shares of the Company's Class A common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

No written comments received by the Company from the SEC regarding the Company's periodic or current reports remain unresolved.

ITEM 2. PROPERTIES

The Company owns its main banking office, headquarters, and operations center in Medford, Massachusetts, which were expanded in 2004, and 11 of the 22 other facilities in which its branch offices are located. The remaining offices are occupied under leases expiring on various dates from 2011 to 2026. The Company believes that its banking offices are in good condition.

During August 2009, the Company entered into a lease agreement to open a branch located at Coolidge Corner in Brookline, Massachusetts. The branch opened on April 27, 2010. During July 2010, the Company entered into a lease agreement to open a branch located at Newton Centre in Newton, Massachusetts. The branch is scheduled to open during the first half of 2011. During September 2010, the Company entered into a lease agreement to open a branch located in Andover, Massachusetts. The branch is scheduled to open during the fourth quarter of 2011.

Table of Contents

ITEM 3. *LEGAL PROCEEDINGS*

The Company and its subsidiaries are parties to various claims and lawsuits arising in the course of their normal business activities. Although the ultimate outcome of these suits cannot be ascertained at this time, it is the opinion of management that none of these matters, even if it resolved adversely to the Company, will have a material adverse effect on the Company's consolidated financial position.

ITEM 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

No matters were submitted to a vote of the Company's Stockholders during the fourth quarter of the fiscal year ended December 31, 2010.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

(a) The Class A Common Stock of the Company is traded on the NASDAQ National Global Market under the symbol CNBKA. The price range of the Company's Class A common stock since January 1, 2009 is shown on page 11. The Company's Class B Common Stock is not traded on any national securities exchange or other public trading market.

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs(1)
October 1 – October 31, 2010				300,000
November 1 – November 30, 2010				300,000
December 1 – December 31, 2010				300,000

(1) On July 13, 2010, the Company announced a reauthorization of the Class A common stock repurchase program to repurchase up to 300,000 shares. The Company placed no deadline on the repurchase program. There were no shares purchased other than through a publicly announced plan or program.

The shares of Class A Common Stock are generally not entitled to vote on any matter, including in the election of Company Directors, but, in limited circumstances, may be entitled to vote as a class on certain extraordinary transactions, including any merger or consolidation (other than one in which the Company is the surviving corporation or one which by law may be approved by the directors without any stockholder vote) or the sale, lease, or exchange of all or substantially all of the property and assets of the Company. Since the vote of a majority of the shares of the Company's Class B Common Stock, voting as a separate class, is required to approve certain extraordinary corporate transactions, the holders of Class B Common Stock have the power to prevent any takeover of the Company not approved by them.

(b) Approximate number of equity security holders as of December 31, 2010:

Title of Class	Approximate Number of Record Holders
Class A Common Stock	1,414
Class B Common Stock	100

(c) Under the Company's Articles of Organization, the holders of Class A Common Stock are entitled to receive dividends per share equal to at least 200% of dividends paid, if any, from time to time, on each share of Class B Common Stock.

Table of Contents

The following table shows the dividends paid by the Company on the Class A and Class B Common Stock for the periods indicated.

	Dividends per Share	
	Class A	Class B
2009		
First quarter	\$.12	\$.06
Second quarter	.12	.06
Third quarter	.12	.06
Fourth quarter	.12	.06
2010		
First quarter	\$.12	\$.06
Second quarter	.12	.06
Third quarter	.12	.06
Fourth quarter	.12	.06

As a bank holding company, the Company's ability to pay dividends is dependent in part upon the receipt of dividends from the Bank, which is subject to certain restrictions on the payment of dividends. A Massachusetts trust company may pay dividends out of net profits from time to time, provided that either (i) the trust company's capital stock and surplus account equal an aggregate of at least 10% of its deposit liabilities, or (ii) the amount of its surplus account is equal to at least the amount of its capital account.

(d) The following schedule provides information with respect to the Company's equity compensation plans under which shares of Class A Common Stock are authorized for issuance as of December 31, 2010:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options (a)	Weighted-Average Exercise Price of Outstanding Options (b)	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	38,712	\$ 28.36	222,884
Equity compensation plans not approved by security holders			
Total	38,712	\$ 28.36	222,884

(e) The performance graph information required herein is shown on page 12.

ITEM 6. *SELECTED FINANCIAL DATA*

The information required herein is shown on pages 11 and 12.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION*

The information required herein is shown on pages 13 through 35.

Item 7a. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

The information required herein is shown on page 32.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

The information required herein is shown on pages 36 through 80.

Table of Contents

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

The Company's principal executive officers and principal financial officer have evaluated the Company's disclosure controls and procedures as of December 31, 2010. Based on this evaluation, the principal executive officers and principal financial officer have concluded that the Company's disclosure controls and procedures effectively ensure that information required to be disclosed in the Company's filings and submissions with the Securities and Exchange Commission under the Exchange Act is accumulated and reported to Company management (including the principal executive officer and principal financial officer) and is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. In addition, the Company has reviewed its internal control over financial reporting and there have been no significant changes in its internal control over financial reporting or in other factors that could significantly affect its internal control over financial reporting. Management's report on internal control over financial reporting is shown on page 83. The audit report of the registered public accounting firm is shown on page 82.

ITEM 9B. *OTHER INFORMATION*

None.

Table of Contents**Financial Highlights**

	2010	2009	2008	2007	2006
	(Dollars in thousands, except share data)				
FOR THE YEAR					
Interest income	\$ 76,583	\$ 79,600	\$ 80,693	\$ 83,008	\$ 80,707
Interest expense	24,817	31,723	35,914	43,805	43,944
Net interest income	51,766	47,877	44,779	39,203	36,763
Provision for loan losses	5,575	6,625	4,425	1,500	825
Net interest income after provision for loan losses	46,191	41,252	40,354	37,703	35,938
Other operating income	15,999	16,470	13,975	13,948	11,365
Operating expenses	47,372	46,379	43,028	40,255	40,196
Income before income taxes	14,818	11,343	11,301	11,396	7,107
Provision for income taxes	1,244	1,183	2,255	3,532	2,419
Net income	\$ 13,574	\$ 10,160	\$ 9,046	\$ 7,864	\$ 4,688
Average shares outstanding, basic	5,533,506	5,532,249	5,541,983	5,542,461	5,540,966
Average shares outstanding, diluted	5,535,742	5,534,340	5,543,702	5,546,707	5,550,722
Shares outstanding at year-end	5,540,247	5,530,297	5,538,407	5,543,804	5,541,188
Earnings per share:					
Basic	\$ 2.45	\$ 1.84	\$ 1.63	\$ 1.42	\$ 0.85
Diluted	\$ 2.45	\$ 1.84	\$ 1.63	\$ 1.42	\$ 0.84
Dividend payout ratio	16.0%	21.4%	24.0%	27.6%	46.2%
AT YEAR-END					
Assets	\$ 2,441,684	\$ 2,254,035	\$ 1,801,566	\$ 1,680,281	\$ 1,644,290
Loans	906,164	877,125	836,065	726,251	736,773
Deposits	1,902,023	1,701,987	1,265,527	1,130,061	1,268,965
Stockholders equity	145,025	132,730	120,503	118,806	106,818
Book value per share	\$ 26.18	\$ 24.00	\$ 21.76	\$ 21.43	\$ 19.28
SELECTED FINANCIAL PERCENTAGES					
Return on average assets	0.56%	0.50%	0.54%	0.49%	0.28%
Return on average stockholders equity	9.52%	7.98%	7.43%	7.05%	4.45%
Net interest margin, taxable equivalent	2.52%	2.69%	3.00%	2.65%	2.40%
Net charge-offs as a percent of average loans	0.44%	0.63%	0.38%	0.22%	0.06%
	5.93%	6.26%	7.23%	6.97%	6.39%

Average stockholders' equity to average assets Efficiency ratio	65.0%	68.5%	70.6%	77.5%	83.5%
---	--------------	-------	-------	-------	-------

Per Share Data	2010, Quarter Ended			
	December 31,	September 30,	June 30,	March 31,
Market price range (Class A)				
High	\$ 27.39	\$ 24.00	\$ 23.22	\$ 23.60
Low	22.54	19.40	16.77	18.65
Dividends Class A	0.12	0.12	0.12	0.12
Dividends Class B	0.06	0.06	0.06	0.06

Market price range (Class A)	2009, Quarter Ended			
	December 31,	September 30,	June 30,	March 31,
High	\$ 25.00	\$ 24.99	\$ 18.99	\$ 17.75
Low	18.53	17.60	13.00	9.46
Dividends Class A	0.12	0.12	0.12	0.12
Dividends Class B	0.06	0.06	0.06	0.06

Table of Contents

The stock performance graph below compares the cumulative total shareholder return of the Company's Class A Common Stock from December 31, 2005 to December 31, 2010 with the cumulative total return of the NASDAQ Market Index (U.S. Companies) and the NASDAQ Bank Stock Index. The lines in the table below represent monthly index levels derived from compounded daily returns that include all dividends. If the monthly interval, based on the fiscal year-end, was not a trading day, the preceding trading day was used.

**Comparison of Five-Year
Cumulative Total Return***

Value of \$100 Invested on December 31, 2005 at:	2006	2007	2008	2009	2010
Century Bancorp, Inc.	\$ 94.97	\$ 71.67	\$ 57.57	\$ 82.67	\$ 102.68
NASDAQ Banks	112.23	88.95	64.86	54.35	64.28
NASDAQ U.S.	109.84	119.14	57.41	82.53	97.95

* Assumes that the value of the investment in the Company's Common Stock and each index was \$100 on December 31, 2005 and that all dividends were reinvested.

Table of Contents

Management's Discussion and Analysis of Results of Operations and Financial Condition

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are not based on historical facts and are forward-looking statements within the meaning of Section 21A of the Securities Exchange Act of 1934. Forward-looking statements, which are based on various assumptions (some of which are beyond the Company's control), may be identified by reference to a future period or periods, or by the use of forward-looking terminology, such as may, will, believe, expect, estimate, anticipate, continue or similar terms or variations on those terms, or the negative of these terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, those related to the economic environment, particularly in the market areas in which the Company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset/liability management, the financial and securities markets, and the availability of and costs associated with sources of liquidity.

The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

RECENT MARKET DEVELOPMENTS

The financial services industry is facing unprecedented challenges in the face of the current national and global economic crisis. The global and U.S. economies are experiencing significantly reduced business activity. Dramatic declines in the housing market during the past several years, with falling home prices and increasing foreclosures and unemployment, have resulted in significant writedowns of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative securities, have caused many financial institutions to seek additional capital; to merge with larger and stronger institutions; and, in some cases, to fail. The Company is fortunate that the markets it serves have been impacted to a lesser extent than many areas around the country.

In response to the financial crises affecting the banking system and financial markets, there have been several announcements of federal programs designed to purchase assets from, provide equity capital to, and guarantee the liquidity of the industry.

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the EESA) was signed into law. The EESA authorizes the U.S. Treasury to, among other things, purchase up to \$750 billion of mortgages, mortgage-backed securities, and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. The Company does not expect to participate in the sale of any of our assets into these programs.

On October 14, 2008, the U.S. Treasury announced that it would purchase equity stakes in a wide variety of banks and thrifts. Under this program, known as the Troubled Assets Relief Program Capital Purchase Program (the TARP Capital Purchase Program), the U.S. Treasury made \$250 billion of capital available (from the \$750 billion authorized by the EESA) to U.S. financial institutions in the form of preferred stock. In conjunction with the purchase of preferred stock, the U.S. Treasury received warrants to purchase common stock with an aggregate market price equal to 15% of the preferred investment. Participating financial institutions were required to adopt the U.S. Treasury's standards for executive compensation, dividend restrictions and corporate governance for the period during which the

Treasury holds equity issued under the TARP Capital Purchase Program. The U.S. Treasury also announced that nine large financial institutions had already agreed to participate in the TARP Capital Purchase Program. Subsequently, a number of smaller institutions had participated in the TARP Capital Purchase Program. On December 18, 2008, the Company announced in a press release, it had received preliminary approval from the U.S. Treasury to participate in the TARP Capital Purchase Program, in an amount up to \$30 million in the form of Century Bancorp, Inc. preferred stock and warrants to purchase Class A common stock. In light of uncertainty

Table of Contents

surrounding additional restrictions that may be imposed on participants under pending legislation, the Company, on January 14, 2009, informed the U.S. Treasury that it would not be closing on the transaction on January 16, 2009, as originally scheduled. The Company subsequently withdrew its application.

On October 14, 2008, the U.S. Treasury and the FDIC jointly announced a new program, known as the Temporary Liquidity Guarantee Program (TLGP), to strengthen confidence and encourage liquidity in the nation's banking system. The TLGP consists of two programs: the Debt Guarantee Program (DGP) and the Transaction Account Guarantee Program (TAGP). Under the DGP, as amended, the FDIC guaranteed certain newly issued senior unsecured debt of participating banks, thrifts and certain holding companies issued from October 14, 2008 through October 31, 2009, which debt matures on or prior to December 31, 2012, up to a fixed maximum amount per participant. In addition, under the TAGP, the FDIC fully guaranteed deposits in noninterest bearing transaction accounts without dollar limitation through December 31, 2009. Institutions opting to participate in the DGP were be charged a 50-, 75- or 100-basis point fee (depending on maturity) for the guarantee of eligible debt, and a 10-basis point assessment was applicable to deposits in noninterest bearing transaction accounts at institutions participating in the TAGP that exceed the existing deposit insurance limit of \$250,000. The Company opted to participate in both the DGP and the TAGP. The annual assessment rate that was applied during the extension period was either 15, 20 or 25 basis points, depending on the risk category assigned to the institution under the FDIC's risk-based premium system. On April 13, 2010 the FDIC approved an interim rule to extend the TAGP to December 31, 2010. The Company continued to participate in the TAGP through December 31, 2010. The interim rule gave the FDIC discretion to extend the program to the end of 2011, without additional rulemaking, if it determines that economic conditions warrant such an extension. On November 9, 2010, the FDIC approved temporary unlimited coverage for noninterest-bearing transaction accounts. This coverage became effective on December 31, 2010, and will end on December 31, 2012.

On May 22, 2009, the FDIC announced a special assessment on insured institutions as part of its efforts to rebuild the Deposit Insurance Fund and help maintain public confidence in the banking system. The special assessment was five basis points of each FDIC-insured depository institution's assets minus Tier 1 capital, as of June 30, 2009. The Company recorded a pre-tax charge of approximately \$1.0 million in the second quarter of 2009 in connection with the special assessment.

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 \$6.1 million as of December 31, 2010. 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 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 Dodd-Frank Wall Street Reform and Consumer Protection Act also permanently raises the current standard maximum FDIC deposit insurance amount to \$250,000.

OVERVIEW

Century Bancorp, Inc. (together with its bank subsidiary, unless the context otherwise requires, the Company) is a Massachusetts state-chartered bank holding company headquartered in Medford, Massachusetts. The Company is a Massachusetts corporation formed in 1972 and has one banking subsidiary (the Bank): Century

Table of Contents

Bank and Trust Company formed in 1969. At December 31, 2010, the Company had total assets of \$2.4 billion. Currently, the Company operates 23 banking offices in 17 cities and towns in Massachusetts, ranging from Braintree in the south to Beverly in the north. The Bank's customers consist primarily of small and medium-sized businesses and retail customers in these communities and surrounding areas, as well as local governments and institutions throughout Massachusetts.

The Company's results of operations are largely dependent on net interest income, which is the difference between the interest earned on loans and securities and the interest paid on deposits and borrowings. The results of operations are also affected by the level of income/fees from loans and deposits, as well as operating expenses, the provision for loan losses, the impact of federal and state income taxes and the relative levels of interest rates and economic activity.

The Company offers a wide range of services to commercial enterprises, state and local governments and agencies, nonprofit organizations and individuals. It emphasizes service to small and medium-sized businesses and retail customers in its market area. The Company makes commercial loans, real estate and construction loans, and consumer loans and accepts savings, time and demand deposits. In addition, the Company offers to its corporate and institutional customers automated lockbox collection services, cash management services and account reconciliation services, and it actively promotes the marketing of these services to the municipal market. Also, the Company provides full-service securities brokerage services through a program called Investment Services at Century Bank, which is supported by LPL Financial, a full-service securities brokerage business.

The Company is also a provider of financial services, including cash management, transaction processing and short-term financing, to municipalities in Massachusetts and Rhode Island. The Company has deposit relationships with 178 (51%) of the 351 cities and towns in Massachusetts.

The Company had net income of \$13,574,000 for the year ended December 31, 2010, compared with net income of \$10,160,000 for the year ended December 31, 2009 and net income of \$9,046,000 for the year ended December 31, 2008. Diluted earnings per share were \$2.45 in 2010, compared to \$1.84 in 2009 and \$1.63 in 2008.

Throughout 2008, the Company had seen improvement in its net interest margin; however, the first quarter of 2009 reflected a decrease in the net interest margin with a modest increase during the second and third quarters of 2009 followed by a general decline through the fourth quarter of 2010 as illustrated in the graph below:

The primary factors accounting for the increase in net interest margin during 2008 are:

- a continuing decline in the cost of funds as a result of increased pricing discipline related to deposits

- an increase in average loans outstanding during 2008

- the maturity of lower-yielding investment securities

- an increase in the slope of the yield curve

- an increase in investment yields due, in part, to taking advantage of elevated yields in the municipal auction rate securities market, particularly in the third quarter of 2008

The primary factors accounting for the general decrease in the net interest margin during 2009 and 2010 were a large influx of deposits, primarily from municipalities, and a corresponding increase in short-term investments.

While management will continue its efforts to improve the net interest margin, there can be no assurance that certain factors beyond its control, such as prepayments of loans and changes in market interest rates, will continue to positively impact the net interest margin.

Table of Contents

A yield curve is a line that typically plots the interest rates of U.S. Treasury Debt, which have different maturity dates but the same credit quality, at a specific point in time. The three main types of yield curve shapes are normal, inverted and flat. Over the past three years, the U.S. economy has experienced low short-term rates. From 2008 to 2009, the yield curve steepened significantly, offset somewhat by a slight flattening from 2009 to 2010.

During 2010, the Company's earnings were positively impacted primarily by an increase in net interest income. This increase was primarily due to an increase in earning assets. During 2010, 2009 and 2008, the U.S. economy has experienced a lower short-term rate environment along with a general steepening of the yield curve, which means that the spread between the long-term and short-term yields has increased. The lower short-term rates negatively impacted the net interest margin for 2010 and 2009 as the rate at which short-term deposits could be invested declined more than the rates offered on those deposits.

Total assets were \$2,441,684,000 at December 31, 2010, an increase of 8.3% from total assets of \$2,254,035,000 on December 31, 2009.

On December 31, 2010, stockholders' equity totaled \$145,025,000, compared with \$132,730,000 on December 31, 2009. Book value per share increased to \$26.18 at December 31, 2010 from \$24.00 on December 31, 2009.

During October 2008, the Company received regulatory approval to close a branch on Albany Street in Boston, Massachusetts. This branch closed in January 2009.

During August 2009, the Company entered into a lease agreement to open a branch located at Coolidge Corner in Brookline, Massachusetts. The branch opened on April 27, 2010.

During July 2010, the Company entered into a lease agreement to open a branch located at Newton Centre in Newton, Massachusetts. The branch is scheduled to open during the first half of 2011.

During September 2010, the Company entered into a lease agreement to open a branch located in Andover, Massachusetts. The branch is scheduled to open during the fourth quarter of 2011.

CRITICAL ACCOUNTING POLICIES

Accounting policies involving significant judgments and assumptions by management, which have, or could have, a material impact on the carrying value of certain assets and impact income, are considered critical accounting policies.

The Company considers impairment of investment securities and allowance for loan losses to be its critical accounting policies. There have been no significant changes in the methods or assumptions used in the accounting policies that require material estimates and assumptions.

Impaired Investment Securities

If a decline in fair value below the amortized cost basis of an investment security is judged to be other-than-temporary, the cost basis of the investment is written down to fair value. The amount of the writedown is included as a charge to earnings. The amount of the impairment charge is recognized in earnings with an offset for

Table of Contents

the noncredit component which is recognized through other comprehensive income. Some factors considered for other-than-temporary impairment related to a debt security include an analysis of yield which results in a decrease in expected cash flows, whether an unrealized loss is issuer specific, whether the issuer has defaulted on scheduled interest and principal payments, whether the issuer's current financial condition hinders its ability to make future scheduled interest and principal payments on a timely basis or whether there was a downgrade in ratings by rating agencies.

The Company does not intend to sell any of its debt securities with an unrealized loss, and it is not likely that it will be required to sell the debt securities before the anticipated recovery of their remaining amortized cost, which may be maturity.

Allowance for Loan Losses

Arriving at an appropriate level of allowance for loan losses necessarily involves a high degree of judgment. Management maintains an allowance for loan losses to absorb losses inherent in the loan portfolio. The allowance is based on assessments of the probable estimated losses inherent in the loan portfolio. Management's methodology for assessing the appropriateness of the allowance consists of several key elements, which include the formula allowance and specific allowances for identified problem loans.

The formula allowance evaluates groups of loans to determine the allocation appropriate within each portfolio segment. Specific allowances for loan losses entail the assignment of allowance amounts to individual loans on the basis of loan impairment. The formula allowance and specific allowances also include management's evaluation of various conditions, including business and economic conditions, delinquency trends, charge-off experience and other quality factors. Further information regarding the Company's methodology for assessing the appropriateness of the allowance is contained within footnote 1 of the Company's financial statements.

Management believes that the allowance for loan losses is adequate. In addition, various regulatory agencies, as part of the examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

FINANCIAL CONDITION

Investment Securities

The Company's securities portfolio consists of securities available-for-sale (AFS) and securities held-to-maturity (HTM).

Securities available-for-sale consist of certain U.S. Treasury and U.S. Government Sponsored Enterprise mortgage-backed securities; state, county and municipal securities; privately issued mortgage-backed securities; foreign debt securities; and other marketable equities.

These securities are carried at fair value, and unrealized gains and losses, net of applicable income taxes, are recognized as a separate component of stockholders' equity. The fair value of securities available-for-sale at December 31, 2010 totaled \$909,391,000 and included gross unrealized gains of \$12,450,000 and gross unrealized losses of \$6,615,000. A year earlier, securities available-for-sale were \$647,796,000 including gross unrealized gains of \$9,442,000 and gross unrealized losses of \$2,656,000. In 2010, the Company recognized gains of \$1,851,000 on the sale of available-for-sale securities. In 2009, the Company recognized gains of \$2,734,000.

Securities which management intends to hold until maturity consist of U.S. Government Sponsored Enterprises and mortgage-backed securities. Securities held-to-maturity as of December 31,2010 are carried at their amortized cost of \$230,116,000 and exclude gross unrealized gains of \$5,394,000 and gross unrealized losses of \$1,986,000. A year earlier, securities held-to-maturity totaled \$217,643,000 excluding gross unrealized gains of \$4,526,000 and gross unrealized losses of \$756,000.

Table of Contents

The following table sets forth the fair value and percentage distribution of securities available-for-sale at the dates indicated.

Fair Value of Securities Available-for-Sale

At December 31,	2010		2009		2008	
	Amount	Percent	Amount	Percent	Amount	Percent
			(Dollars in thousands)			
U.S. Treasury	\$ 2,005	0.2%	\$ 2,003	0.3%	\$ 2,028	0.4%
U.S. Government Sponsored Enterprises	175,663	19.3%	192,364	29.7%	161,292	32.5%
SBA Backed Securities	9,732	1.1%				
U.S. Government Agency and Sponsored Enterprises						
Mortgage-Backed Securities	680,898	74.9%	418,512	64.6%	260,132	52.5%
Privately Issued Residential Mortgage-Backed Securities	3,968	0.4%	4,910	0.8%	5,659	1.1%
Privately Issued Commercial Mortgage-Backed Securities	287	0.1%	544	0.1%	3,367	0.7%
Obligations Issued by States and Political Subdivisions	34,074	3.7%	26,289	4.1%	60,259	12.2%
Other Debt Securities	2,253	0.2%	2,259	0.3%	2,100	0.4%
Equity Securities	511	0.1%	915	0.1%	748	0.2%
Total	\$ 909,391	100.0%	\$ 647,796	100.0%	\$ 495,585	100.0%

Included in Obligations Issued by States and Political Subdivisions as of December 31, 2010, are \$4,393,000 of auction rate municipal obligations (ARSs) and \$10,000,000 of variable rate demand notes (VRDNs) with unrealized losses of \$284,000 for ARSs. VRDNs fair value equals the carrying value. These debt securities were issued by governmental entities but are not necessarily debt obligations of the issuing entity. Of the total of \$14,393,000 of ARSs and VRDNs, \$10,000,000 are obligations of governmental entities and the remainder are the obligation of a large nonprofit entity. These obligations are variable rate securities with long-term maturities whose interest rates are set periodically through an auction process for ARSs and by prevailing market rates for VRDNs. Should the auction not attract sufficient bidders, the interest rate adjusts to the default rate defined in each obligation s underlying documents. The Company increased its holdings in these types of securities during the second and third quarters of 2008 to take advantage of yields available due to market disruption. Although many of these issuers have bond insurance, the Company purchased the securities based on the creditworthiness of the underlying obligor.

In the case of a failed auction, the Company may not have access to funds as only a limited market exists for failed ARSs. As of December 31, 2010, the Company s ARS was purchased subsequent to its failure with a fair value of \$4,393,000 and an amortized cost of \$4,677,000.

As of December 31, 2010, the weighted average taxable equivalent yield on these securities was 0.47%.

The majority of the Company s securities AFS are classified as Level 2, as defined in footnote 1 of the Notes to Consolidated Financial Statements. The fair values of these securities are obtained from a pricing service, which

provides the Company with a description of the inputs generally utilized for each type of security. These inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. Market indicators and industry and economic events are also monitored. The decline in fair value from amortized cost for individual available-for-sale securities that are temporarily impaired is not attributable to changes in credit quality. Because the Company does not intend to sell any of its debt securities and it is not likely that it will be required to sell the debt securities before the anticipated recovery of their remaining amortized cost, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2010.

Table of Contents

Securities available-for-sale totaling \$20,660,000, or 0.85% of assets, are classified as Level 3, as defined in footnote 1 of the Notes to Consolidated Financial Statements. These securities are generally equity investments or municipal securities with no readily determinable fair value. The securities are carried at fair value with periodic review of underlying financial statements and credit ratings to assess the appropriateness of these valuations.

Debt securities of Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and Freddie Mac. Control of these enterprises was directly taken over by the U.S. Government in the third quarter of 2008.

The following table sets forth the amortized cost and percentage distribution of securities held-to-maturity at the dates indicated.

Amortized Cost of Securities Held-to-Maturity

At December 31,	2010		2009		2008	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)					
U.S. Government Sponsored Enterprises	\$ 84,534	36.7%	\$ 69,555	32.0%	\$ 44,000	23.9%
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	145,582	63.3%	148,088	68.0%	140,047	76.1%
Total	\$ 230,116	100.0%	\$ 217,643	100.0%	\$ 184,047	100.0%

For all years presented, all mortgage-backed securities are obligations of U.S. Government Sponsored Enterprises.

The following two tables set forth contractual maturities of the Bank's securities portfolio at December 31, 2010. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Fair Value of Securities Available-for-Sale Amounts Maturing

	Within One Year	% of Total	Weighted Average Yield	One Year to Five Years	% of Total	Weighted Average Yield	Five Years to Ten Years	% of Total	Weighted Average Yield	Over Ten Years	% of Total
	\$ 2,005	0.2%	0.95%	\$	0.0%	0.00%	\$	0.0%	0.00%	\$	0.0%
		0.0%	0.00%	148,019	16.3%	1.41%	27,644	3.0%	1.22%		0.0%
		0.0%	0.00%	1,158	0.1%	0.71%	3,983	0.4%	0.77%	4,591	0.5%
	21,536	2.4%	5.21%	539,454	59.3%	2.71%	118,267	13.0%	2.84%	1,641	0.2%

ment

acked

ued

acked

ued

acked

f

ities

		0.0%	0.00%	3,968	0.4%	2.88%		0.0%	0.00%		0.0%
	287	0.0%	3.78%		0.0%	0.00%		0.0%	0.00%		0.0%
	17,505	2.0%	1.39%	2,176	0.3%	4.98%	5,000	0.6%	0.41%	9,393	1.0%
	200	0.0%	5.38%	600	0.1%	2.10%		0.0%	0.00%		0.0%
		0.0%	0.00%		0.0%	0.00%		0.0%	0.00%		0.0%
	\$ 41,533	4.6%	3.36%	\$ 695,375	76.5%	2.44%	\$ 154,894	17.0%	2.42%	\$ 15,625	1.7%

Table of Contents

	Non-Maturing	% of Total	Weighted Average Yield (Dollars in thousands)	Total	% of Total	Weighted Average Yield
U.S. Treasury	\$	0.0%	0.00%	\$ 2,005	0.2%	0.95%
U.S. Government Sponsored Enterprises		0.0%	0.00%	175,663	19.3%	1.38%
SBA Backed Securities		0.0%	0.00%	9,732	1.1%	0.84%
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities		0.0%	0.00%	680,898	75.0%	2.82%
Privately Issued Residential Mortgage-Backed Securities		0.0%	0.00%	3,968	0.4%	2.88%
Privately Issued Commercial Mortgage-Backed Securities		0.0%	0.00%	287	0.0%	3.78%
Obligations of States and Political Subdivisions		0.0%	0.00%	34,074	3.7%	1.22%
Other Debt Securities	1,453	0.1%	4.63%	2,253	0.2%	4.02%
Equity Securities	511	0.1%	1.71%	511	0.1%	1.71%
Total	\$ 1,964	0.2%	3.87%	\$ 909,391	100.0%	2.45%

Amortized Cost of Securities Held-to-Maturity Amounts Maturing

Within One Year	% of Total	Weighted Average Yield	One Year to Five Years	% of Total	Weighted Average Yield	Five Years to Ten Years	% of Total	Weighted Average Yield	Total	% of Total
\$	0.0%	0.00%	\$ 9,998	4.4%	1.63%	\$ 74,536	32.4%	1.67%	\$ 84,534	36.7%
7,298	3.2%	4.49%	113,059	49.1%	4.11%	25,225	11.0%	2.69%	145,582	63.3%
\$ 7,298	3.2%	4.49%	\$ 123,057	53.5%	3.91%	\$ 99,761	43.4%	1.93%	\$ 230,116	100.0%

At December 31, 2010 and 2009, the Bank had no investments in obligations of individual states, counties, municipalities or nongovernment corporate entities which exceeded 10% of stockholders' equity. In 2010, sales of securities totaling \$41,251,000 in gross proceeds resulted in a net realized gain of \$1,851,000. There were no sales of

state, county or municipal securities during 2010. In 2009, there were sales totaling \$16,185,000 in gross proceeds in state, county or municipal securities resulting in gross gains of \$0 and gross losses of \$0. In 2009, sales of securities totaling \$94,142,000 in gross proceeds resulted in a net realized gain of \$2,734,000.

Management reviews the investment portfolio for other-than-temporary impairment of individual securities on a regular basis. The results of such analysis are dependent upon general market conditions and specific conditions related to the issuers of our securities.

Loans

The Company's lending activities are conducted principally in Massachusetts. The Company grants single and multi-family residential loans, commercial and commercial real estate loans, and a variety of consumer loans. To a lesser extent, the Company grants loans for the construction of residential homes, multi-family properties, commercial real estate properties and land development. Most loans granted by the Company are secured by real estate collateral. The ability and willingness of commercial real estate, commercial, construction, residential and consumer loan borrowers to honor their repayment commitments are generally dependent on the health of the real estate market in the borrowers' geographic areas and of the general economy.

Table of Contents

The following summary shows the composition of the loan portfolio at the dates indicated.

December 31,	2010		2009		2008		2007		2006	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)									
Construction and land development	\$ 53,583	5.9%	\$ 60,349	6.9%	\$ 59,511	7.1%	\$ 62,412	8.6%	\$ 49,709	
Commercial and industrial	90,654	10.0%	141,061	16.1%	141,373	16.9%	117,332	16.2%	117,497	10.0%
Commercial real estate	433,337	47.8%	361,823	41.2%	332,325	39.8%	299,920	41.3%	327,040	40.0%
Family residential real estate	207,787	22.9%	188,096	21.4%	194,644	23.3%	168,204	23.2%	167,946	20.0%
Consumer	5,957	0.7%	7,105	0.8%	8,246	1.0%	8,359	1.1%	7,104	0.9%
Equity	114,209	12.6%	118,076	13.5%	98,954	11.8%	68,585	9.4%	66,157	8.0%
Leases	637	0.1%	615	0.1%	1,012	0.1%	1,439	0.2%	1,320	0.2%
	\$ 906,164	100.0%	\$ 877,125	100.0%	\$ 836,065	100.0%	\$ 726,251	100.0%	\$ 736,773	100.0%

At December 31, 2010, 2009, 2008, 2007 and 2006, loans were carried net of discounts of \$598,000, \$645,000, \$692,000, \$3,000 and \$3,000, respectively. Net deferred loan fees of \$186,000, \$71,000, \$81,000, \$38,000 and \$183,000 were carried in 2010, 2009, 2008, 2007 and 2006, respectively.

The following table summarizes the remaining maturity distribution of certain components of the Company's loan portfolio on December 31, 2010. The table excludes loans secured by 1-4 family residential real estate and loans for household and family personal expenditures. Maturities are presented as if scheduled principal amortization payments are due on the last contractual payment date.

Remaining Maturities of Selected Loans at December 31, 2010

	One Year or Less	One to Five Years	Over Five Years	Total
	(Dollars in thousands)			
Construction and land development	\$ 12,379	\$ 32,322	\$ 8,882	\$ 53,583
Commercial and industrial	36,995	28,602	25,057	90,654
Commercial real estate	30,238	135,767	267,332	433,337
Total	\$ 79,612	\$ 196,691	\$ 301,271	\$ 577,574

The following table indicates the rate variability of the above loans due after one year.

December 31, 2010	One to Five Years	Over Five Years	Total
	(Dollars in thousands)		
Predetermined interest rates	\$ 91,435	\$ 50,431	\$ 141,866
Floating or adjustable interest rates	105,256	250,840	356,096
Total	\$ 196,691	\$ 301,271	\$ 497,962

The Company's commercial and industrial (C&I) loan customers represent various small and middle-market established businesses involved in manufacturing, distribution, retailing and services. Most clients are privately owned with markets that range from local to national in scope. Many of the loans to this segment are secured by liens on corporate assets and the personal guarantees of the principals. The regional economic strength or weakness impacts the relative risks in this loan category. There is little concentration in any one business sector, and loan risks are generally diversified among many borrowers.

Commercial real estate loans are extended to finance various manufacturing, warehouse, light industrial, office, retail and residential properties in the Bank's market area, which generally includes Eastern Massachusetts and Southern New Hampshire. Also included are loans to educational institutions, hospitals and other non-profit organizations. Loans are normally extended in amounts up to a maximum of 80% of appraised value and normally

Table of Contents

for terms between three and ten years. Amortization schedules are long term and thus a balloon payment is generally due at maturity. Under most circumstances, the Bank will offer to rewrite or otherwise extend the loan at prevailing interest rates. During recent years, the Bank has emphasized nonresidential-type owner-occupied properties. This complements our C&I emphasis placed on the operating business entities and will continue. The regional economic environment affects the risk of both nonresidential and residential mortgages.

Residential real estate (1-4 family) includes two categories of loans. Included in residential real estate are approximately \$11,109,000 of C&I type loans secured by 1-4 family real estate. Primarily, these are small businesses with modest capital or shorter operating histories where the collateral mitigates some risk. This category of loans shares similar risk characteristics with the C&I loans, notwithstanding the collateral position.

The other category of residential real estate loans is mostly 1-4 family residential properties located in the Bank's market area. General underwriting criteria are largely the same as those used by Fannie Mae. The Bank utilizes mortgage insurance to provide lower down payment products and has provided a First Time Homebuyer product to encourage new home ownership. Residential real estate loan volume has increased and remains a core consumer product. The economic environment impacts the risks associated with this category.

Home equity loans are extended as both first and second mortgages on owner-occupied residential properties in the Bank's market area. Loans are underwritten to a maximum loan to property value of 75%.

Bank officers evaluate the feasibility of construction projects, based on independent appraisals of the project, architects' or engineers' evaluations of the cost of construction and other relevant data. As of December 31, 2010, the Company was obligated to advance a total of \$22,337,000 to complete projects under construction.

The composition of nonperforming assets is as follows:

December 31,	2010	2009	2008	2007	2006
	(Dollars in thousands)				
Total nonperforming loans	\$ 8,068	\$ 12,311	\$ 3,661	\$ 1,312	\$ 135
Other real estate owned				452	
Total nonperforming assets	\$ 8,068	\$ 12,311	\$ 3,661	\$ 1,764	\$ 135
Accruing troubled debt restructured loans	\$ 1,248	\$ 521	\$	\$	\$
Loans past due 90 and still accruing	50		89	122	789
Nonperforming loans as a percent of gross loans	0.89%	1.40%	0.44%	0.18%	0.02%
Nonperforming assets as a percent of total assets	0.33%	0.55%	0.20%	0.10%	0.01%

The composition of impaired loans at December 31, is as follows:

2010	2009	2008	2007	2006
-------------	-------------	-------------	-------------	-------------

Edgar Filing: CENTURY BANCORP INC - Form 10-K

Residential real estate, multi-family	\$	\$	\$ 194	\$	\$
Commercial real estate	2,492	4,260	1,175		
Construction and land development	4,000	4,900			
Commercial and industrial	1,471	1,356	1,329	196	16
Total impaired loans	\$ 7,963	\$ 10,516	\$ 2,698	\$ 196	\$ 16

At December 31, 2010, 2009, 2008 and 2007, impaired loans had specific reserves of \$317,000, \$745,000, \$600,000 and \$75,000, respectively. There were no impaired loans with specific reserves at December 31, 2006.

The Company was servicing mortgage loans sold to others without recourse of approximately \$983,000, \$1,127,000, \$768,000, \$559,000 and \$798,000 at December 31, 2010, 2009, 2008, 2007 and 2006, respectively. Additionally, the Company services mortgage loans sold to others with limited recourse. The outstanding balance of these loans with limited recourse was approximately \$36,000, \$47,000, \$56,000, \$65,000 and \$72,000 at December 31, 2010, 2009, 2008, 2007 and 2006, respectively.

Table of Contents

Directors and officers of the Company and their associates are customers of, and have other transactions with, the Company in the normal course of business. All loans and commitments included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than normal risk of collection or present other unfavorable features.

Loans are placed on nonaccrual status when any payment of principal and/or interest is 90 days or more past due, unless the collateral is sufficient to cover both principal and interest and the loan is in the process of collection. The Company monitors closely the performance of its loan portfolio. In addition to internal loan review, the Company has contracted with an independent organization to review the Company's commercial and commercial real estate loan portfolios. This independent review was performed in each of the past five years. The status of delinquent loans, as well as situations identified as potential problems, is reviewed on a regular basis by senior management and monthly by the Board of Directors of the Bank.

Nonaccrual loans decreased during 2010 primarily as a result of resolution of a \$2,479,000 commercial real estate loan as well as \$900,000 in charge-offs from two construction loans during 2010. Nonaccrual loans increased from 2008 to 2009 primarily as a result of three loan relationships, one primarily commercial real estate and two construction totaling \$7,379,000. Nonaccrual loans increased from 2007 to 2008 primarily as a result of eight consumer mortgages totaling \$1,649,000. Nonaccrual loans increased from 2006 to 2007 primarily as a result of three consumer mortgages totaling \$938,000. The relatively low level of nonperforming assets of \$135,000 in 2006 and \$949,000 in 2005 resulted from fewer additions to nonperforming assets during the year combined with an improvement in the resolution of nonperforming assets, including payments on nonperforming loans.

The Company continues to monitor closely \$32,905,000 and \$35,229,000 at December 31, 2010 and 2009, respectively, of loans for which management has concerns regarding the ability of the borrowers to perform. The majority of the loans are secured by real estate and are considered to have adequate collateral value to cover the loan balances at December 31, 2010, although such values may fluctuate with changes in the economy and the real estate market.

Allowance for Loan Losses

The Company maintains an allowance for loan losses in an amount determined by management on the basis of the character of the loans, loan performance, the financial condition of borrowers, the value of collateral securing

Table of Contents

loans and other relevant factors. The following table summarizes the changes in the Company's allowance for loan losses for the years indicated.

Year Ended December 31,	2010	2009	2008	2007	2006
	(Dollars in thousands)				
Year-end loans outstanding (net of unearned discount and deferred loan fees)	\$ 906,164	\$ 877,125	\$ 836,065	\$ 726,251	\$ 736,773
Average loans outstanding (net of unearned discount and deferred loan fees)	\$ 877,858	\$ 853,422	\$ 775,337	\$ 725,903	\$ 723,825
Balance of allowance for loan losses at the beginning of year	\$ 12,373	\$ 11,119	\$ 9,633	\$ 9,713	\$ 9,340
Loans charged-off:					
Commercial	1,559	1,498	2,869	1,828	386
Construction	900	3,639	15		
Commercial real estate	922				
Residential real estate	515	490			
Consumer	547	443	489	311	322
Total loans charged-off	4,443	6,070	3,373	2,139	708
Recovery of loans previously charged-off:					
Commercial	172	352	159	268	96
Construction		25			
Real estate	8	4	5	149	49
Consumer	368	318	270	142	111
Total recoveries of loans previously charged-off:	548	699	434	559	256
Net loan charge-offs	3,895	5,371	2,939	1,580	452
Provision charged to operating expense	5,575	6,625	4,425	1,500	825
Balance at end of year	\$ 14,053	\$ 12,373	\$ 11,119	\$ 9,633	\$ 9,713
Ratio of net charge-offs during the year to average loans outstanding	0.44%	0.63%	0.38%	0.22%	0.06%
Ratio of allowance for loan losses to loans outstanding	1.55%	1.41%	1.33%	1.33%	1.32%

These provisions are the result of management's evaluation of the quality of the loan portfolio considering such factors as loan status, specific reserves on impaired loans, collateral values, financial condition of the borrower, the state of the economy and other relevant information. The pace of the charge-offs depends on many factors, including the national and regional economy. Cyclical lagging factors may result in charge-offs being higher than historical levels. Charge-offs increased during 2006 through 2009 due to an increase in commercial loan charge-offs and construction loan charge-offs for 2009 as a result of the weakening of the overall economy and real estate market. Charge-offs declined in 2010 as a result of the overall decrease in the level of nonaccrual loans.

In evaluating the allowance for loan losses the Company considered the following categories to be higher risk:

Construction loans The outstanding loan balance of construction loans at December 31, 2010 is \$53,583,000. A major factor in nonaccrual loans are two large construction loans. Based on this fact, and the general local construction conditions facing construction, the management closely monitors all construction loans and considers this type of loan to be higher risk.

Table of Contents

Higher balance loans Loans greater than \$1.0 million are considered high balance loans. The balance of these loans is \$434,829,000 at December 31, 2010. These loans are considered higher risk due to the concentration in individual loans. Additional allowance allocations are made based upon the level of high balance loans. Included in high balance loans are loans greater than \$10.0 million. The balance of these loans is \$124,685,000 at December 31, 2010. Additional allowance allocations are made based upon the level of this type of high balance loans that is separate and greater than the \$1.0 million allocation.

Small business loans The outstanding loan balances of small business loans is \$47,815,000 at December 31, 2010. These are considered higher risk loans because small businesses have been negatively impacted by the current economic conditions. In a liquidation scenario, the collateral, if any, is often not sufficient to fully recover the outstanding balance of the loan. As a result, the Company often seeks additional collateral prior to renewing maturing small business loans. In addition, the payment status of the loans is monitored closely in order to initiate collection efforts in a timely fashion.

The allowance for loan losses is an estimate of the amount needed for an adequate reserve to absorb losses in the existing loan portfolio. This amount is determined by an evaluation of the loan portfolio, including input from an independent organization engaged to review selected larger loans, a review of loan experience and current economic conditions. Although the allowance is allocated between categories, the entire allowance is available to absorb losses attributable to all loan categories. At December 31 of each year listed below, the allowance was comprised of the following:

	2010		2009		2008		2007		2006	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)									
Construction and land development	\$ 1,752	5.9%	\$ 362	6.9%	\$ 677	7.1%	\$ 583	8.6%	\$ 849	6.7%
Commercial and industrial	3,163	10.0	4,972	16.1	5,125	16.9	4,645	16.2	1,916	15.9
Commercial real estate	5,671	47.8	2,983	41.2	2,620	39.8	2,548	41.3	4,502	44.4
Residential real estate	1,718	22.9	1,304	21.4	778	23.3	637	23.2	512	22.8
Consumer and other	298	0.8	1,753	0.9	342	1.1	392	1.3	135	1.2
Home equity	725	12.6	761	13.5	1,527	11.8	686	9.4	219	9.0
Unallocated	726		238		50		142		1,580	
Total	\$ 14,053	100.0%	\$ 12,373	100.0%	\$ 11,119	100.0%	\$ 9,633	100.0%	\$ 9,713	100.0%

The shift in the allocations of the allowance for loan losses in 2007 is the result of the implementation of guidance issued by the FDIC. The current allocation is based on historical charge-off rates with additional allocations based on risk factors for each category and general economic factors. Prior to 2007, the allowance related to general economic factors was included solely in the unallocated category. Further information regarding the allocation of the allowance is contained within footnote 6 of the Company's financial statements.

Management believes that the allowance for loan losses is adequate. In addition, various regulatory agencies, as part of the examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Deposits

The Company offers savings accounts, NOW accounts, demand deposits, time deposits and money market accounts. Additionally, the Company offers cash management accounts which provide either automatic transfer of funds above a specified level from the customer's checking account to a money market account or short-term borrowings. Also, an account reconciliation service is offered whereby the Company provides a computerized report balancing the customer's checking account.

Table of Contents

Interest rates on deposits are set bi-monthly by the Bank's rate-setting committee, based on factors including loan demand, maturities and a review of competing interest rates offered. Interest rate policies are reviewed periodically by the Executive Management Committee.

The following table sets forth the average balances of the Bank's deposits for the periods indicated.

	2010		2009		2008	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)					
Demand Deposits	\$ 298,825	15.8%	\$ 277,300	17.8%	\$ 267,966	22.0%
Savings and Interest						
Checking	696,232	36.7%	528,973	34.0%	369,687	30.3%
Money Market	543,432	28.7%	432,159	27.8%	308,432	25.3%
Time Certificates of Deposit	356,457	18.8%	318,413	20.4%	273,925	22.4%
Total	\$ 1,894,946	100.0%	\$ 1,556,845	100.0%	\$ 1,220,010	100.0%

Time Deposits of \$100,000 or more as of December 31 are as follows:

	2010	
	(Dollars in thousands)	
Three months or less	\$	16,215
Three months through six months		43,910
Six months through twelve months		99,533
Over twelve months		86,816
	\$	246,474

Borrowings

The Bank's borrowings consisted primarily of Federal Home Loan Bank of Boston (FHLBB) borrowings collateralized by a blanket pledge agreement on the Bank's FHLBB stock, certain qualified investment securities, deposits at the FHLBB and residential mortgages held in the Bank's portfolios. The Bank's borrowings from the FHLBB totaled \$221,000,000, a decrease of \$11,500,000 from the prior year. The Bank's remaining term borrowing capacity at the FHLBB at December 31, 2010 was approximately \$73,241,000. In addition, the Bank has a \$14,500,000 line of credit with the FHLBB. See Note 12, Other Borrowed Funds and Subordinated Debentures, for a schedule, their interest rates and other information.

Subordinated Debentures

In May 1998, the Company consummated the sale of a Trust Preferred Securities offering, in which it issued \$29,639,000 of subordinated debt securities due 2029 to its newly formed unconsolidated subsidiary, Century Bancorp Capital Trust.

Century Bancorp Capital Trust then issued 2,875,000 shares of Cumulative Trust Preferred Securities with a liquidation value of \$10 per share. These securities pay dividends at an annualized rate of 8.30%. The Company redeemed through its subsidiary, Century Bancorp Capital Trust, its 8.30% Trust Preferred Securities, January 10, 2005.

In December 2004, the Company consummated the sale of a Trust Preferred Securities offering, in which it issued \$36,083,000 of subordinated debt securities due 2034 to its newly formed unconsolidated subsidiary, Century Bancorp Capital Trust II.

Century Bancorp Capital Trust II then issued 35,000 shares of Cumulative Trust Preferred Securities with a liquidation value of \$1,000 per share. These securities pay dividends at an annualized rate of 6.65% for the first ten years and then convert to the three-month LIBOR rate plus 1.87% for the remaining 20 years. The Company is using the proceeds primarily for general business purposes.

Table of Contents

Securities Sold Under Agreements to Repurchase

The Bank's remaining borrowings consist primarily of securities sold under agreements to repurchase. Securities sold under agreements to repurchase totaled \$108,550,000, a decrease of \$10,195,000 from the prior year. See Note 11, Securities Sold Under Agreements to Repurchase, for a schedule, including their interest rates and other information.

RESULTS OF OPERATIONS

Net Interest Income

The Company's operating results depend primarily on net interest income and fees received for providing services. Net interest income on a fully taxable equivalent basis increased 11.1% in 2010 to \$56,893,000, compared with \$51,215,000 in 2009. The increase in net interest income for 2010 was mainly due to an 18.8% increase in the average balances of earning assets, combined with a similar increase in deposits. The increased volume was partially offset by a decrease of seventeen basis points in the net interest margin. The level of interest rates, the ability of the Company's earning assets and liabilities to adjust to changes in interest rates and the mix of the Company's earning assets and liabilities affect net interest income. The net interest margin on a fully taxable equivalent basis decreased to 2.52% in 2010 from 2.69% in 2009 and decreased from 3.00% in 2008.

Additional information about the increased net interest margin is contained in the Overview section of this report. Also, there can be no assurance that certain factors beyond its control, such as the prepayment of loans and changes in market interest rates, will continue to positively impact the net interest margin. Management believes that the current yield curve environment will continue to present challenges as deposit and borrowing costs may have the potential to increase at a faster rate than corresponding asset categories.

Table of Contents

The following table sets forth the distribution of the Company's average assets, liabilities and stockholders' equity, and average rates earned or paid on a fully taxable equivalent basis for each of the years indicated.

Ended December 31,	Average Balance	2010 Interest Income/ Expense(1)	Rate Earned/ Paid(1)	Average Balance	2009 Interest Income/ Expense(1)	Rate Earned/ Paid(1)	Average Balance	2008 Interest Income/ Expense(1)	F
(Dollars in thousands)									
ASSETS									
Earning assets:	\$ 877,858	\$ 53,356	6.08%	\$ 853,422	\$ 51,174	6.00%	\$ 775,337	\$ 50,199	
Available-for-sale:(3)	756,544	18,958	2.51	562,899	20,439	3.63	411,938	18,183	
Mortgage	32,407	596	1.84	48,347	1,061	2.19	61,406	3,204	
Held-to-maturity:									
Mortgage	222,154	7,158	3.22	193,520	8,093	4.18	193,584	8,265	
Mortgage							99,784	2,442	
Mortgage	371,665	1,642	0.44	245,002	2,171	0.87	14,478	371	
Interest-earning assets	2,260,628	81,710	3.61%	1,903,190	82,938	4.36%	1,556,527	82,664	
Non-interest-earning assets	155,956			143,984			136,830		
Provision for loan losses	(13,686)			(13,331)			(9,997)		
Total Assets	\$ 2,402,898			\$ 2,033,843			\$ 1,683,360		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Earning deposits:									
Checking accounts	\$ 423,693	\$ 2,504	0.59%	\$ 279,213	\$ 2,396	0.86%	\$ 203,678	\$ 3,076	
Savings accounts	272,539	1,568	0.58	249,761	2,862	1.15	166,009	2,929	
Money market accounts	543,432	3,942	0.73	432,159	6,100	1.41	308,432	7,260	
Certificates of deposit	356,457	7,914	2.22	318,412	9,438	2.96	273,925	9,744	
Interest-bearing deposits	1,596,121	15,928	1.00	1,279,545	20,796	1.63	952,044	23,009	
Deposits sold under									
Repurchase agreements	133,080	573	0.43	98,635	576	0.58	94,526	1,393	
Borrowed funds and									
Issued debentures	201,273	8,316	4.13	219,713	10,351	4.71	225,743	11,512	
Interest-bearing liabilities	1,930,474	24,817	1.29%	1,597,893	31,723	1.99%	1,272,313	35,914	
Non-interest-bearing liabilities									
Deposits	298,825			277,300			267,966		
Other liabilities	31,074			31,289			21,363		
Total liabilities	2,260,373			1,906,482			1,561,642		

Owners equity	142,525	127,361	121,718
Liabilities and stockholders			
	\$ 2,402,898	\$ 2,033,843	\$ 1,683,360
Net income on a fully equivalent basis	\$ 56,893	\$ 51,215	\$ 46,750
Provision for doubtful and uncollectible equivalent	(5,127)	(3,338)	(1,971)
Net interest income	\$ 51,766	\$ 47,877	\$ 44,779
Net interest spread	2.32%	2.37%	
Net interest margin	2.52%	2.69%	

(1) On a fully taxable equivalent basis calculated using a federal tax rate of 34%.

(2) Nonaccrual loans are included in average amounts outstanding.

(3) At amortized cost.

Table of Contents

The following table summarizes the year-to-year changes in the Company's net interest income resulting from fluctuations in interest rates and volume changes in earning assets and interest-bearing liabilities. Changes due to rate are computed by multiplying the change in rate by the prior year's volume. Changes due to volume are computed by multiplying the change in volume by the prior year's rate. Changes in volume and rate that cannot be separately identified have been allocated in proportion to the relationship of the absolute dollar amounts of each change.

Year Ended December 31,	2010 Compared with 2009 Increase/(Decrease) Due to Change in			2009 Compared with 2008 Increase/(Decrease) Due to Change in		
	Volume	Rate	Total (Dollars in thousands)	Volume	Rate	Total
Interest income:						
Loans	\$ 1,465	\$ 717	\$ 2,182	\$ 5,110	\$ (4,135)	\$ 975
Securities available-for-sale:						
Taxable	5,885	(7,366)	(1,481)	5,867	(3,611)	2,256
Tax-exempt	(312)	(153)	(465)	(574)	(1,569)	(2,143)
Securities held-to-maturity:						
Taxable	1,090	(2,025)	(935)	(3)	(169)	(172)
Federal funds sold				(2,442)		(2,442)
Interest-bearing deposits in other banks	822	(1,351)	(529)	2,198	(398)	1,800
Total interest income	8,950	(10,178)	(1,228)	10,156	(9,882)	274
Interest expense:						
Deposits:						
NOW accounts	999	(891)	108	913	(1,593)	(680)
Savings accounts	241	(1,535)	(1,294)	1,172	(1,239)	(67)
Money market accounts	1,306	(3,464)	(2,158)	2,329	(3,489)	(1,160)
Time deposits	1,036	(2,560)	(1,524)	1,452	(1,758)	(306)
Total interest-bearing deposits	3,582	(8,450)	(4,868)	5,866	(8,079)	(2,213)
Securities sold under agreements to repurchase	171	(174)	(3)	58	(875)	(817)
Other borrowed funds and subordinated debentures	(825)	(1,210)	(2,035)	(301)	(860)	(1,161)
Total interest expense	2,928	(9,834)	(6,906)	5,623	(9,814)	(4,191)
Change in net interest income	\$ 6,022	\$ (344)	\$ 5,678	\$ 4,533	\$ (68)	\$ 4,465

Average earning assets were \$2,260,628,000 in 2010, an increase of \$357,438,000 or 18.8% from the average in 2009, which was 22.3% higher than the average in 2008. Total average securities, including securities available-for-sale and securities held-to-maturity, were \$1,011,105,000, an increase of 25.6% from the average in 2009. The increase in securities volume was mainly attributable to an increase in taxable securities. An increase in securities balances offset

by lower securities returns resulted in lower securities income, which decreased 9.7% to \$26,712,000 on a fully tax equivalent basis. Total average loans increased 2.9% to \$877,858,000 after increasing \$78,085,000 in 2009. The primary reason for the increase in loans was due in large part to an increase in tax-exempt commercial real estate lending as well as residential first and second mortgage lending. The increase in loan volume as well as an increase in loan rates resulted in higher loan income, which increased by 4.3% or \$2,182,000 to \$53,356,000. Total loan income was \$50,199,000 in 2008.

The Company's sources of funds include deposits and borrowed funds. On average, deposits increased 21.7% or \$338,101,000 in 2010 after increasing by 27.6% or \$336,835,000 in 2009. Deposits increased in 2010, primarily as a result of increases in demand deposits, savings, money market, NOW and time deposit accounts. Deposits

Table of Contents

increased in 2009 primarily as a result of increases in savings, money market, NOW and time deposit accounts. Borrowed funds and subordinated debentures increased by 5.0% in 2010 following a decrease of 0.6% in 2009. The majority of the Company's borrowed funds are borrowings from the FHLBB and retail repurchase agreements. Average borrowings from the FHLBB decreased by approximately \$18,568,000, and average retail repurchase agreements increased by \$34,445,000 in 2010. Interest expense totaled \$24,817,000 in 2010, a decrease of \$6,906,000 or 21.8% from 2009 when interest expense decreased 11.7% from 2008. The decrease in interest expense is primarily due to market decreases in deposit rates and continued deposit pricing discipline.

Provision for Loan Losses

The provision for loan losses was \$5,575,000 in 2010, compared with \$6,625,000 in 2009 and \$4,425,000 in 2008. These provisions are the result of management's evaluation of the amounts and quality of the loan portfolio considering such factors as loan status, collateral values, financial condition of the borrower, the state of the economy and other relevant information. The provision for loan losses decreased during 2010, primarily as a result of decreases in loans on nonaccrual as well as management's quantitative analysis of the loan portfolio. The provision increased during 2009 primarily as a result of growth in the loan portfolio, nonperforming loans and an increase in net charge-offs during the year as well as management's quantitative analysis of the loan portfolio.

The allowance for loan losses was \$14,053,000 at December 31, 2010, compared with \$12,373,000 at December 31, 2009. Expressed as a percentage of outstanding loans at year-end, the allowance was 1.55% in 2010 and 1.41% in 2009. This ratio increased as a result of management's evaluation of the loan portfolio.

Nonperforming loans, which include all nonaccruing loans, totaled \$8,068,000 on December 31, 2010, compared with \$12,311,000 on December 31, 2009. Nonperforming loans decreased primarily as a result of resolution of a \$2,479,000 commercial real estate loan as well as \$900,000 in charge-offs from two construction loans during 2010.

Other Operating Income

During 2010, the Company continued to experience positive results in its fee-based services, including fees derived from traditional banking activities such as deposit-related services, its automated lockbox collection system and full-service securities brokerage supported by LPL Financial, a full-service securities brokerage business.

Under the lockbox program, which is not tied to extensions of credit by the Company, the Company's customers arrange for payments of their accounts receivable to be made directly to the Company. The Company records the amounts paid to its customers, deposits the funds to the customer's account and provides automated records of the transactions to customers. Typical customers for the lockbox service are municipalities that use it to automate tax collections, cable TV companies and other commercial enterprises.

Through a program called Investment Services at Century Bank, the Bank provides full-service securities brokerage services supported by LPL Financial, a full-service securities brokerage business. Registered representatives employed by Century Bank offer limited investment advice, execute transactions and assist customers in financial and retirement planning. LPL Financial provides research to the Bank's representatives. The Bank receives a share in the commission revenues.

Total other operating income in 2010 was \$15,999,000, a decrease of \$471,000 or 2.9% compared to 2009. This decrease followed an increase of \$2,495,000 or 17.9% in 2009, compared to 2008. Included in other operating income are net gains on sales of securities of \$1,851,000, \$2,734,000 and \$249,000 in 2010, 2009 and 2008, respectively. Service charge income, which continues to be a major area of other operating income, totaling \$7,876,000 in 2010, decreased \$127,000 compared to 2009. This followed a decrease of \$187,000 compared to 2008. Service charges on

deposit accounts decreased during 2010 mainly because of decreases in fees collected. The decrease in fees collected was mainly attributable to a reduction in processing activity as well as a decrease in money service business activity. Service charges on deposit accounts decreased during 2009 mainly because of decreases in overdraft fees. The decrease in overdraft fees was mainly attributable to a decrease in overdraft lines. Lockbox revenues totaled \$2,911,000, up \$97,000 in 2010 following a decrease of \$139,000 in 2009. Other income totaled \$3,131,000, up \$352,000 in 2010 following an increase of \$300,000 in 2009. The increase in 2010 was

Table of Contents

mainly attributable to an increase of \$378,000 in the growth of cash surrender values on life insurance policies, which was attributable to additional earnings as a result of certain policies reaching their twenty year anniversary during the first quarter of 2010. The increase in 2009 was mainly attributable to an increase of \$263,000 in the growth of cash surrender values on life insurance policies, which was attributable to higher returns on life insurance policies.

Operating Expenses

Total operating expenses were \$47,372,000 in 2010, compared to \$46,379,000 in 2009 and \$43,028,000 in 2008.

Salaries and employee benefits expenses increased by \$1,479,000 or 5.5% in 2010, after increasing by 5.1% in 2009. The increase in 2010 was mainly attributable to \$916,000 due to Jonathan G. Sloane, former Co-CEO, in accordance with his separation agreement as previously announced as well as an increase in staff levels and merit increases in salaries and increases in health insurance costs. The increase in 2009 was mainly attributable to increases in pension expense and health insurance costs.

Occupancy expense decreased by \$67,000 or 1.6% in 2010, following a decrease of \$142,000 or 3.3% in 2009. The decrease in 2010 was primarily attributable to a decrease in utility and building maintenance costs offset somewhat by an increase in rent expense and real estate taxes. The decrease in 2009 was primarily attributable to a decrease in depreciation offset, somewhat, by an increase in rent expense associated with full year costs of branch expansion as well as general rent escalations.

Equipment expense decreased by \$240,000 or 10.1% in 2010, following a decrease of \$502,000 or 17.5% in 2009. The decrease in 2010 and 2009 was primarily attributable to a decrease in depreciation expense. Other operating expenses increased by \$192,000 in 2010, which followed a \$32,000 decrease in 2009. The increase in 2010 was primarily attributable to an increase in marketing expense and software maintenance offset somewhat by decreases in legal expense. The decrease in 2009 was primarily attributable to a decrease in personnel recruitment expense and other real estate owned expense, offset, somewhat by an increase in legal expense.

FDIC assessments decreased by \$371,000 or 11.1% in 2010, following an increase of \$2,723,000 or 444.2% in 2009. FDIC assessments decreased in 2010 mainly as a result of a special assessment \$1,000,000 during 2009, offset somewhat by an increase in the deposit base. FDIC assessments increased in 2009 by \$2,723,000, mainly because of an increase in the assessment rate, a special assessment and an increase in the deposit base. The FDIC assessment rate was raised beginning on January 1, 2009 and contributed approximately \$1,000,000 to the increase in assessments. On May 22, 2009, the FDIC announced a special assessment on insured institutions as part of its efforts to rebuild the Deposit Insurance Fund and help maintain public confidence in the banking system. The special assessment was five basis points of each FDIC-insured depository institution's assets minus Tier 1 capital, as of June 30, 2009. The Company recorded a pre-tax charge of approximately \$1,000,000 in the second quarter of 2009 in connection with the special assessment. The remainder of the increase was associated with an increase in the deposit base and from participation in the TAGP. Participation in the TAGP is discussed in the Recent Market Developments section.

Provision for Income Taxes

Income tax expense was \$1,244,000 in 2010, \$1,183,000 in 2009 and \$2,255,000 in 2008. The effective tax rate was 8.4% in 2010, 10.4% in 2009 and 20.0% in 2008. The decreases in the effective tax rate for 2010 and 2009 were mainly attributable to an increase in tax-exempt interest income and tax credits as a percentage of taxable income. The federal tax rate was 34% in 2010, 2009 and 2008.

On July 3, 2008, the Commonwealth of Massachusetts enacted a law that included reducing the tax rates on net income applicable to financial institutions. The rate drops from 10.5% to 10% for tax years beginning on or after

January 1, 2010 to 9.5% for tax years beginning on or after January 1, 2011 and to 9% for tax years beginning on or after January 1, 2012 and thereafter. The Company has analyzed the impact of this law and as a result of revaluing its net deferred tax assets; we calculated the impact to be additional tax expense of approximately \$80,000 that was recognized during 2008.

Table of Contents**Market Risk and Asset Liability Management**

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises primarily from interest rate risk inherent in its lending and deposit taking activities. To that end, management actively monitors and manages its interest rate risk exposure.

The Company's profitability is affected by fluctuations in interest rates. A sudden and substantial change in interest rates may adversely impact the Company's earnings to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis. The Company monitors the impact of changes in interest rates on its net interest income using several tools. One measure of the Company's exposure to differential changes in interest rates between assets and liabilities is an interest rate risk management test.

This test measures the impact on net interest income of an immediate change in interest rates in 100-basis point increments as set forth in the following table:

Change in Interest Rates (in Basis Points)	Percentage Change in Net Interest Income(1)
+400	(10.1)%
+300	(7.6)%
+ 200	(5.6)%
+ 100	(2.8)%
-100	2.9%
-200	4.9%

- (1) The percentage change in this column represents net interest income for 12 months in various rate scenarios versus the net interest income in a stable interest rate environment.

The Company's primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on the Company's net interest income and capital, while structuring the Company's asset-liability structure to obtain the maximum yield-cost spread on that structure. The Company relies primarily on its asset-liability structure to control interest rate risk.

Liquidity and Capital Resources

Liquidity is provided by maintaining an adequate level of liquid assets that include cash and due from banks, federal funds sold and other temporary investments. Liquid assets totaled \$302,470,000 on December 31, 2010, compared with \$417,160,000 on December 31, 2009. In each of these two years, deposit and borrowing activity has generally been adequate to support asset activity.

The source of funds for dividends paid by the Company is dividends received from the Bank and liquid funds held by the Company. The Company and the Bank are regulated enterprises and their abilities to pay dividends are subject to regulatory review and restriction. Certain regulatory and statutory restrictions exist regarding dividends, loans and advances from the Bank to the Company. Generally, the Bank has the ability to pay dividends to the Company subject to minimum regulatory capital requirements.

Capital Adequacy

Total stockholders' equity was \$145,025,000 at December 31, 2010, compared with \$132,730,000 at December 31, 2009. The increase in 2010 was primarily the result of earnings and a decrease in accumulated other comprehensive loss, net of taxes, offset by dividends paid. The decrease in accumulated other comprehensive loss was mainly attributable to a decrease of \$1,259,000 in the pension liability, net of taxes, offset by a decrease of \$536,000 in the net unrealized gains on the Company's available-for-sale portfolio, net of taxes.

Federal banking regulators have issued risk-based capital guidelines, which assign risk factors to asset categories and off-balance-sheet items. The current guidelines require a Tier 1 capital-to-risk assets ratio of at least 4.00% and a total capital-to-risk assets ratio of at least 8.00%. The Company and the Bank exceeded these

Table of Contents

requirements with a Tier 1 capital-to-risk assets ratio of 14.86% and 12.43%, respectively, and total capital-to-risk assets ratio of 16.03% and 13.61%, respectively, at December 31, 2010. Additionally, federal banking regulators have issued leverage ratio guidelines, which supplement the risk-based capital guidelines. The minimum leverage ratio requirement applicable to the Company is 4.00%; and at December 31, 2010, the Company and the Bank exceeded this requirement with leverage ratios of 7.35% and 6.14%, respectively.

Contractual Obligations, Commitments, and Contingencies

The Company has entered into contractual obligations and commitments. The following tables summarize the Company's contractual cash obligations and other commitments at December 31, 2010.

Contractual Obligations and Commitments by Maturity

Contractual Obligations	Total	Payments Due By Period			
		Less Than One Year	One to Three Years	Three to Five Years	After Five Years
		(Dollars in thousands)			
FHLBB advances	\$ 221,000	\$ 91,500	\$ 50,500	\$ 37,000	\$ 42,000
Subordinated debentures	36,083				36,083
Retirement benefit obligations	25,024	1,924	3,995	4,215	14,890
Lease obligations	8,552	1,856	2,530	1,765	2,401
Other					
Treasury, tax and loan	975	975			
Customer repurchase agreements	108,550	108,550			
Total contractual cash obligations	\$ 400,184	\$ 204,805	\$ 57,025	\$ 42,980	\$ 95,374

Other Commitments	Total	Amount of Commitment Expiring By Period			
		Less Than One Year	One to Three Years	Three to Five Years	After Five Years
Lines of credit	\$ 169,862	\$ 86,403	\$ 11,198	\$ 14,050	\$ 58,211
Standby and commercial letters of credit	4,935	4,539	396		
Other commitments	40,309	15,468	4,216	1,863	18,762
Total commitments	\$ 215,106	\$ 106,410	\$ 15,810	\$ 15,913	\$ 76,973

Financial Instruments with Off-Balance-Sheet Risk

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments primarily include commitments to originate and sell loans, standby letters of credit, unused lines of credit and unadvanced portions of construction loans. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet. The contract or notational amounts of those instruments reflect the extent of involvement the Company has in these particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for loan commitments, standby letters of credit and unadvanced portions of construction loans is represented by the contractual amount of those instruments. The Company uses the same credit policies in making

Table of Contents

commitments and conditional obligations as it does for on-balance-sheet instruments. Financial instruments with off-balance-sheet risk at December 31 are as follows:

Contract or Notational Amount	2010	2009
	(Dollars in thousands)	
Financial instruments whose contract amount represents credit risk:		
Commitments to originate 1-4 family mortgages	\$ 14,635	\$ 1,262
Standby and commercial letters of credit	4,935	8,904
Unused lines of credit	169,862	143,556
Unadvanced portions of construction loans	22,337	22,699
Unadvanced portions of other loans	3,337	4,407

Commitments to originate loans, unadvanced portions of construction loans and unused letters of credit are generally agreements to lend to a customer provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The fair value of standby letters of credit was \$68,000 and \$93,000 for 2010 and 2009, respectively.

Recent Accounting Developments

FASB ASC 860, *Transfers and Servicing* (formerly Statement of Financial Accounting Standards No. 166, *Accounting for Transfers of Financial Assets* – an amendment of FASB Statement No. 140). In June 2009, the FASB issued FASB ASC 860. FASB ASC 860 was issued to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. Specifically to address: (1) practices that have developed since the issuance of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, that are not consistent with the original intent and key requirements of that Statement and (2) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. This Statement must be applied to transfers occurring on or after the effective date. Additionally, on or after the effective date, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. FASB ASC 860 must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter with early application prohibited. The adoption of this Statement did not have a material effect on the Company's financial statements at the date of adoption, January 1, 2010.

FASB ASC 810, *Consolidation* (formerly Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)*). In June 2009, the FASB issued FASB ASC 810. FASB ASC 810 was issued to improve financial reporting by enterprises involved with variable interest entities, specifically to address: (1) the

effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, as a result of the elimination of the qualifying special-purpose entity concept in FASB ASC 860 and (2) constituent concerns about the application of certain key provisions of FASB ASC 860, including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. FASB ASC 810 must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter with early

Table of Contents

application prohibited. The adoption of this Statement did not have a material effect on the Company's financial statements at the date of adoption, January 1, 2010.

In January 2010, the FASB issued an amendment to the Fair Value Measurements and Disclosures topic of the ASC. This amendment requires disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This amendment is effective for periods beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements, which will be effective for fiscal years beginning after December 15, 2010. The adoption of this Statement did not have a material effect on the Company's financial statements at the date of adoption, January 1, 2010.

In July, 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. This Statement will significantly increase disclosures that entities must make about the credit quality of financing receivables and the allowance for credit losses. The Statement will require reporting entities to make new disclosures about (a) the nature of credit risk inherent in the entity's portfolio of financing receivables (loans), (b) how that risk is analyzed and assessed in determining the allowance for credit (loan) losses and (c) the reasons for changes in the allowance for credit losses.

The Statement will require disclosures related to the allowance for credit losses on a portfolio segment basis instead of on an aggregate basis. Portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. The Statement also establishes the concept of a class of financing receivables. A class is generally a disaggregation of a portfolio segment. The Statement requires numerous disclosures at the class level including (a) delinquency and nonaccrual information and related significant accounting policies, (b) impaired financing receivables and related significant accounting policies, (c) a description of credit quality indicators used to monitor credit risk and (d) modifications of financing receivables that meet the definition of a troubled debt restructuring. The Statement will expand disclosure requirements to include all financing receivables that are individually evaluated for impairment and determined to be impaired, and require the disclosures at the class level.

Entities will be required to disclose the activity within the allowance for credit losses, including the beginning and ending balance of the allowance for each portfolio segment, as well as current-period provisions for credit losses, direct write-downs charged against the allowance and recoveries of any amounts previously written off. Entities will also be required to disclose the effect on the provision for credit losses due to changes in accounting policies or methodologies from prior periods.

Public entities will need to provide disclosures related to period-end information (e.g., credit quality information and the ending financing receivables balance segregated by impairment method) in all interim and annual reporting periods ending on or after December 15, 2010. Disclosures of activity that occurs during a reporting period (e.g., modifications and the rollforward of the allowance for credit losses by portfolio segment) are required in interim and annual periods beginning on or after December 15, 2010. As this Statement amends only the disclosure requirements for loans and the allowance, adoption will have no impact on the Company's financial statements. The Company has provided the disclosures required as of December 31, 2010 in Note 6.

Table of Contents**CENTURY BANCORP, INC.****Consolidated Balance Sheets**

	December 31,	
	2010	2009
	(Dollars in thousands except share data)	
ASSETS		
Cash and due from banks (Note 2)	\$ 37,215	\$ 42,627
Federal funds sold and interest-bearing deposits in other banks	151,337	356,015
Total cash and cash equivalents	188,552	398,642
Short-term investments	113,918	18,518
Securities available-for-sale, amortized cost \$903,556 in 2010 and \$641,010 in 2009 (Notes 3 and 9)	909,391	647,796
Securities held-to-maturity, fair value \$233,524 in 2010 and \$221,413 in 2009 (Notes 4 and 11)	230,116	217,643
Federal Home Loan Bank of Boston, stock at cost	15,531	15,531
Loans, net (Note 5)	906,164	877,125
Less: allowance for loan losses (Note 6)	14,053	12,373
Net loans	892,111	864,752
Bank premises and equipment (Note 7)	21,228	21,015
Accrued interest receivable	6,601	5,806
Prepaid FDIC assessments	6,129	8,757
Other assets (Notes 8 and 14)	58,107	55,575
Total assets	\$ 2,441,684	\$ 2,254,035
LIABILITIES AND STOCKHOLDERS EQUITY		
Demand deposits	\$ 322,002	\$ 279,874
Savings and NOW deposits	649,402	575,592
Money market accounts	513,359	553,883
Time deposits (Note 10)	417,260	292,638
Total deposits	1,902,023	1,701,987
Securities sold under agreements to repurchase (Note 11)	108,550	118,745
Other borrowed funds (Note 12)	222,118	234,024
Subordinated debentures (Note 12)	36,083	36,083
Other liabilities	27,885	30,466
Total liabilities	2,296,659	2,121,305
Commitments and contingencies (Notes 7, 16 and 17)		
Stockholders' equity (Note 13):		
Common stock, Class A,		

Edgar Filing: CENTURY BANCORP INC - Form 10-K

\$1.00 par value per share; authorized 10,000,000 shares; issued 3,528,867 shares in 2010 and 3,515,767 shares in 2009	3,529	3,516
Common stock, Class B, \$1.00 par value per share; authorized 5,000,000 shares; issued 2,011,380 shares in 2010 and 2,014,530 shares in 2009	2,011	2,014
Additional paid-in capital	11,537	11,376
Retained earnings	131,526	120,125
	148,603	137,031
Unrealized gains on securities available-for-sale, net of taxes	3,593	4,129
Pension liability, net of taxes	(7,171)	(8,430)
Total accumulated other comprehensive loss, net of taxes (Notes 3 and 13)	(3,578)	(4,301)
Total stockholders' equity	145,025	132,730
Total liabilities and stockholders' equity	\$ 2,441,684	\$ 2,254,035

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**CENTURY BANCORP, INC.****Consolidated Statement of Income**

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in thousands except share data)		
INTEREST INCOME			
Loans, taxable	\$ 40,163	\$ 43,119	\$ 47,521
Loans, non-taxable	8,271	5,080	1,782
Securities available-for-sale, taxable	18,958	20,439	17,680
Securities available-for-sale, non-taxable	391	698	2,101
Federal Home Loan Bank of Boston dividends			531
Securities held-to-maturity	7,158	8,093	8,265
Federal funds sold, interest-bearing deposits in other banks and short-term investments	1,642	2,171	2,813
Total interest income	76,583	79,600	80,693
INTEREST EXPENSE			
Savings and NOW deposits	4,072	5,258	6,005
Money market accounts	3,942	6,100	7,260
Time deposits (Note 8)	7,914	9,438	9,744
Securities sold under agreements to repurchase	573	576	1,393
Other borrowed funds and subordinated debentures	8,316	10,351	11,512
Total interest expense	24,817	31,723	35,914
Net interest income	51,766	47,877	44,779
Provision for loan losses (Note 6)	5,575	6,625	4,425
Net interest income after provision for loan losses	46,191	41,252	40,354
OTHER OPERATING INCOME			
Service charges on deposit accounts	7,876	8,003	8,190
Lockbox fees	2,911	2,814	2,953
Brokerage commissions	230	140	180
Net gains on sales of securities	1,851	2,734	249
Writedown of certain investments to fair value (Note 3)			(76)
Other income	3,131	2,779	2,479
Total other operating income	15,999	16,470	13,975
OPERATING EXPENSES			
Salaries and employee benefits (Note 15)	28,398	26,919	25,615
Occupancy	4,037	4,104	4,246
Equipment	2,132	2,372	2,874
FDIC assessments	2,965	3,336	613
Other (Note 18)	9,840	9,648	9,680

Edgar Filing: CENTURY BANCORP INC - Form 10-K

Total operating expenses	47,372	46,379	43,028
Income before income taxes	14,818	11,343	11,301
Provision for income taxes (Note 14)	1,244	1,183	2,255
Net income	\$ 13,574	\$ 10,160	\$ 9,046
SHARE DATA (Note 13)			
Weighted average number of shares outstanding, basic	5,533,506	5,532,249	5,541,983
Weighted average number of shares outstanding, diluted	5,535,742	5,534,340	5,543,702
Net income per share, basic	\$ 2.45	\$ 1.84	\$ 1.63
Net income per share, diluted	2.45	1.84	1.63

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**CENTURY BANCORP, INC.****Consolidated Statements of Changes in Stockholders Equity**

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders Equity
(Dollars in thousands except share data)						
BALANCE, DECEMBER 31, 2007	\$ 3,517	\$ 2,027	\$ 11,553	\$ 105,550	\$ (3,841)	\$ 118,806
Net income				9,046		9,046
Other comprehensive income, net of tax:						
Unrealized holding gains arising during period, net of \$32 in taxes and \$249 in realized net gains					(81)	(81)
Pension liability adjustment, net of \$3,054 in taxes					(4,754)	(4,754)
Comprehensive income						4,211
Effects of changing pension plans measurement date pursuant to SFAS 158, net of \$177 in taxes				(287)	31	(256)
Stock repurchased, 5,397 shares	(6)		(78)			(84)
Cash dividends, Class A Common Stock, \$0.48 per share				(1,687)		(1,687)
Cash dividends, Class B Common Stock, \$0.24 per share				(487)		(487)
BALANCE, DECEMBER 31, 2008	\$ 3,511	\$ 2,027	\$ 11,475	\$ 112,135	\$ (8,645)	\$ 120,503
Net income				10,160		10,160
Other comprehensive income, net of tax:						
Unrealized holding gains arising during period, net of \$2,826 in taxes and \$2,734 in realized net gains					4,421	4,421
Pension liability adjustment, net of \$50 in taxes					(77)	(77)
Comprehensive income						14,504
Conversion of Class B Common Stock to Class A Common Stock, 12,570 shares	13	(13)				0
Stock repurchased, 8,110 shares	(8)		(99)			(107)

Cash dividends, Class A Common Stock, \$0.48 per share				(1,684)		(1,684)
Cash dividends, Class B Common Stock, \$0.24 per share				(486)		(486)
BALANCE, DECEMBER 31, 2009	\$ 3,516	\$ 2,014	\$ 11,376	\$ 120,125	\$ (4,301)	\$ 132,730
Net income				13,574		13,574
Other comprehensive income, net of tax:						
Unrealized holding losses arising during period, net of \$415 in taxes and \$1,851 in realized net gains					(536)	(536)
Pension liability adjustment, net of \$836 in taxes					1,259	1,259
Comprehensive income						14,297
Conversion of Class B Common Stock to Class A Common Stock, 3,150 shares	3	(3)				
Stock options exercised, 9,950 shares	10		140			150
Tax benefit of stock option exercises			21			21
Cash dividends, Class A Common Stock, \$0.48 per share				(1,690)		(1,690)
Cash dividends, Class B Common Stock, \$0.24 per share				(483)		(483)
BALANCE, DECEMBER 31, 2010	\$ 3,529	\$ 2,011	\$ 11,537	\$ 131,526	\$ (3,578)	\$ 145,025

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**CENTURY BANCORP, INC.****Consolidated Statements of Cash Flows**

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 13,574	\$ 10,160	\$ 9,046
Adjustments to reconcile net income to net cash provided by operating activities:			
Mortgage loans originated for sales		(374)	(512)
Proceeds from mortgage loans sold		379	515
Gain on sale of loans		(5)	(3)
Gain on sale of fixed assets	(7)	(70)	
Net gains on sales of securities	(1,851)	(2,734)	(249)
Writedown of certain investments to fair value			76
Provision for loan losses	5,575	6,625	4,425
Deferred tax benefit	(1,546)	(2,294)	(1,094)
Net depreciation and amortization	4,955	6,035	3,229
(Increase) decrease in accrued interest receivable	(795)	917	(133)
Decrease (increase) in prepaid FDIC assessments	2,629	(8,757)	
Loss on sales of other real estate owned	(127)		33
Writedown of other real estate owned			77
Increase in other assets	(1,417)	(3,822)	(1,415)
(Increase) decrease in other liabilities	(849)	2,003	737
Net cash provided by operating activities	20,141	8,063	14,732
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturities of short-term investments	131,762	221,628	3,717
Purchase of short-term investments	(227,162)	(196,332)	(47,531)
Proceeds from calls/maturities of securities available-for-sale	610,975	327,615	282,705
Proceeds from sales of securities available-for-sale	41,251	94,142	238,894
Purchase of securities available-for-sale	(914,944)	(566,680)	(593,958)
Proceeds from calls/maturities of securities held-to-maturity	154,445	94,069	56,123
Purchase of securities held-to-maturity	(167,442)	(128,373)	(91,431)
Loan acquired, net of discount			(4,099)
Net increase in loans	(33,315)	(46,385)	(108,950)
Proceeds from sales of other real estate owned	555		673
Proceeds from sales of fixed assets	13	100	
Capital expenditures	(2,281)	(1,257)	(3,009)
Net cash used in investing activities	(406,143)	(201,473)	(266,866)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in time deposit accounts	124,622	(34,234)	31,294
Net increase in demand, savings, money market and NOW deposits	75,414	470,694	104,172
Net payments for the repurchase of stock		(107)	(84)

Edgar Filing: CENTURY BANCORP INC - Form 10-K

Net proceeds from the exercise of stock options	150		
Cash dividends	(2,173)	(2,170)	(2,174)
Net (decrease) increase in securities sold under agreements to repurchase	(10,195)	6,235	26,520
Net decrease in other borrowed funds	(11,906)	(4,534)	(51,327)
Net cash provided by financing activities	175,912	435,884	108,401
Net decrease (increase) in cash and cash equivalents	(210,090)	242,474	(143,733)
Cash and cash equivalents at beginning of year	398,642	156,168	299,901
Cash and cash equivalents at end of year	\$ 188,552	\$ 398,642	\$ 156,168

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 24,930	\$ 32,202	\$ 35,997
Income taxes	3,580	2,858	2,750
Change in unrealized gains on securities available-for-sale, net of taxes	\$ (536)	\$ 4,421	\$ (81)
Pension liability adjustment, net of taxes	1,259	(77)	(4,754)
Effects of changing pension plans measurement date pursuant to FASB ASC 715-30 (formerly SFAS 158), net of taxes			(256)
Transfer of loans to other real estate owned	428		330

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

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.

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.

FAIR VALUE MEASUREMENTS

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157, Fair Value Measurements), which, among other things, requires enhanced disclosures about assets and liabilities carried at fair value. FASB ASC 820 is effective for fiscal years beginning after November 15, 2007. The effective date of FASB ASC 820 was delayed for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements

Table of Contents

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. FASB ASC 820 establishes a hierarchical disclosure framework associated with the level of pricing observability utilized in measuring financial instruments at fair value. The three broad levels defined by the FASB ASC 820 hierarchy are as follows:

Level I Quoted prices are available in active markets for identical assets or liabilities as of the reported date. The type of financial instruments included in Level I are highly liquid cash instruments with quoted prices such as G-7 government, agency securities, listed equities and money market securities, as well as listed derivative instruments.

Level II Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these financial instruments includes cash instruments for which quoted prices are available but traded less frequently, derivative instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed. Instruments that are generally included in this category are corporate bonds and loans, mortgage whole loans, municipal bonds and OTC derivatives.

Level III Instruments that have little to no pricing observability as of the reported date. These financial instruments do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation. Instruments that are included in this category generally include certain commercial mortgage loans, certain private equity investments, distressed debt, and noninvestment grade residual interests in securitizations as well as certain highly structured OTC derivative contracts.

FASB ASC 820-10, *Fair Value Measurements and Disclosures - Overall* (formerly FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*). On April 9, 2009, FASB issued FASB ASC 820, which provides additional guidance on determining whether a market for a financial asset is not active and a transaction is not distressed for fair value measurements. The Company adopted FASB ASC 820 as of April 1, 2009. The adoption did not have a material effect on the Company's consolidated financial statements.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash equivalents include highly liquid assets with an original maturity of three months or less. Highly liquid assets include cash and due from banks, federal funds sold and certificates of deposit.

SHORT-TERM INVESTMENTS

As of December 31, 2009 and 2010, short-term investments include highly liquid certificates of deposit with original maturities of more than 90 days but less than one year.

INVESTMENT SECURITIES

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost; debt and equity securities that are bought and held principally for the purpose of selling are classified as trading and reported at fair value, with unrealized gains and losses included in

earnings; and debt and equity securities not classified as either held-to-maturity or trading are classified as available-for-sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity, net of estimated related income taxes. The Company has no securities held for trading.

Table of Contents

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

Premiums and discounts on investment securities are amortized or accreted into income by use of the level-yield method. If a decline in fair value below the amortized cost basis of an investment is judged to be other-than-temporary, the cost basis of the investment is written down to fair value. The total amount of the impairment charge is recognized in earnings, with an offset for the noncredit component which is recognized as other comprehensive income. Gains and losses on the sale of investment securities are recognized on the trade date on a specific identification basis.

The Company owns Federal Home Loan Bank of Boston (FHLBB) stock which is considered a restricted equity security. As a voluntary member of the FHLBB, the Company is required to invest in stock of the FHLBB in an amount equal to 4.5% of its outstanding advances from the FHLBB. Stock is purchased at par value. As and when such stock is redeemed, the Company would receive from the FHLBB an amount equal to the par value of the stock. At its discretion, the FHLBB may declare dividends on the stock. On April 10, 2009, the FHLBB reiterated to its members that, while it currently meets all its regulatory capital requirements, it is focusing on preserving capital in response to ongoing market volatility, and accordingly, had suspended its quarterly dividend and has extended the moratorium on excess stock repurchases. It also announced that it had taken a write-down of \$381.7 million in other-than-temporary impairment charges on its private-label mortgage-backed securities for the year ended December 31, 2008. This resulted in a net loss of \$115.8 million. For the year ended December 31, 2009, the FHLBB reported a net loss of \$186.8 million resulting from the recognition of \$444.1 million of impairment losses which were recognized through income. For the year ended December 31, 2010, the FHLBB reported net income of \$106.6 million. The FHLBB also declared a dividend equal to an annual yield of 0.30%. The FHLBB's board of directors anticipates that it will continue to declare modest cash dividends through 2011. In the future, if additional unrealized losses are deemed to be other-than-temporary, the associated impairment charges could exceed the FHLBB's current level of retained earnings and possibly put into question whether the fair value of the FHLBB stock owned by the Company is less than par value. The FHLBB has stated that it expects and intends to hold its private-label mortgage-backed securities to maturity. Despite these negative trends, the FHLBB exceeded the regulatory capital requirements promulgated by the Federal Home Loan Banks Act and the Federal Housing Financing Agency. The FHLBB has the capacity to issue additional debt if necessary to raise cash. If needed, the FHLBB also has the ability to secure funding available to U.S. Government Sponsored Enterprises through the U.S. Treasury. Based on the capital adequacy and the liquidity position of the FHLBB, management believes there is no other-than-temporary impairment related to the carrying amount of the Company's FHLBB stock as of December 31, 2010. The Company will continue to monitor its investment in FHLBB stock.

LOANS

Interest on loans is recognized based on the daily principal amount outstanding. Accrual of interest is discontinued when loans become 90 days delinquent unless the collateral is sufficient to cover both principal and interest and the loan is in the process of collection. Past due status is based on contractual terms of the loan. Loans, including impaired loans, on which the accrual of interest has been discontinued, are designated nonaccrual loans. When a loan is placed on nonaccrual, all income that has been accrued but remains unpaid is reversed against current period income, and all amortization of deferred loan costs and fees is discontinued. Nonaccrual loans may be returned to an accrual status when principal and interest payments are not delinquent or the risk characteristics of the loan have improved to the extent that there no longer exists a concern as to the collectibility of principal and interest. Income received on nonaccrual loans is either recorded in income or applied to the principal balance of the loan, depending on management's evaluation as to the collectibility of principal.

Loan origination fees and related direct loan origination costs are offset, and the resulting net amount is deferred and amortized over the life of the related loans using the level-yield method. Prepayments are not initially considered when amortizing premiums and discounts.

The Bank measures impairment for impaired loans at either the fair value of the loan, the present value of the expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

is collateral dependent. This method applies to all loans, uncollateralized as well as collateralized, except large groups of smaller-balance homogeneous loans such as residential real estate and consumer loans that are collectively evaluated for impairment and loans that are measured at fair value. Management considers the payment status, net worth and earnings potential of the borrower, and the value and cash flow of the collateral as factors to determine if a loan will be paid in accordance with its contractual terms. Management does not set any minimum delay of payments as a factor in reviewing for impaired classification. Loans are charged-off when management believes that the collectibility of the loan's principal is not probable. In addition, criteria for classification of a loan as in-substance foreclosure has been modified so that such classification need be made only when a lender is in possession of the collateral. The Bank measures the impairment of troubled debt restructurings using the pre-modification rate of interest.

ACQUIRED LOANS

In accordance with FASB ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* (formerly Statement of Position (SOP) No. 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*,) the Company reviews acquired loans for differences between contractual cash flows and cash flows expected to be collected from the Company's initial investment in the acquired loans to determine if those differences are attributable, at least in part, to credit quality. If those differences are attributable to credit quality, the loan's contractually required payments received in excess of the amount of its cash flows expected at acquisition, or nonaccretable discount, is not accreted into income. FASB ASC 310-30 requires that the Company recognize the excess of all cash flows expected at acquisition over the Company's initial investment in the loan as interest income using the interest method over the term of the loan. This excess is referred to as accretable discount and is recorded as a reduction of the loan balance.

Loans which, at acquisition, do not have evidence of deterioration of credit quality since origination are outside the scope of FASB ASC 310-30. For such loans, the discount, if any, representing the excess of the amount of reasonably estimable and probable discounted future cash collections over the purchase price, is accreted into interest income using the interest method over the term of the loan. Prepayments are not considered in the calculation of accretion income. Additionally, discount is not accreted on nonperforming loans.

When a loan is paid off, the excess of any cash received over the net investment is recorded as interest income. In addition to the amount of purchase discount that is recognized at that time, income may include interest owed by the borrower prior to the Company's acquisition of the loan, interest collected if on nonperforming status, prepayment fees and other loan fees.

NONPERFORMING ASSETS

In addition to nonperforming loans, nonperforming assets include other real estate owned. Other real estate owned is comprised of properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure. Other real estate owned is recorded initially at estimated fair value less costs to sell. When such assets are acquired, the excess of the loan balance over the estimated fair value of the asset is charged to the allowance for loan losses. An allowance for losses on other real estate owned is established by a charge to earnings when, upon periodic evaluation by management, further declines in the estimated fair value of properties have occurred. Such evaluations are based on an analysis of individual properties as well as a general assessment of current real estate market conditions. Holding costs and rental income on properties are included in current operations, while certain costs to improve such properties are

capitalized. Gains and losses from the sale of other real estate owned are reflected in earnings when realized.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is based on management's evaluation of the quality of the loan portfolio and is used to provide for losses resulting from loans that ultimately prove uncollectible. In determining the level of the

Table of Contents

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

allowance, periodic evaluations are made of the loan portfolio, which takes into account such factors as the character of the loans, loan status, financial posture of the borrowers, value of collateral securing the loans and other relevant information sufficient to reach an informed judgment. The allowance is increased by provisions charged to income and reduced by loan charge-offs, net of recoveries. Management maintains an allowance for loan losses to absorb losses inherent in the loan portfolio. The allowance is based on assessments of the probable estimated losses inherent in the loan portfolio. Management's methodology for assessing the appropriateness of the allowance consists of several key elements, which include the formula allowance, specific allowances, if appropriate, for identified problem loans and the unallocated allowance.

While management uses available information in establishing the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluations. Loans are charged-off in whole or in part when, in management's opinion, collectibility is not probable.

Arriving at an appropriate level of allowance for loan losses necessarily involves a high degree of judgment. Management maintains an allowance for loan losses to absorb losses inherent in the loan portfolio. The allowance is based on assessments of the probable estimated losses inherent in the loan portfolio. Management's methodology for assessing the appropriateness of the allowance consists of several key elements, which include the formula allowance and specific allowances for identified problem loans.

The formula allowance evaluates groups of loans to determine the allocation appropriate within each portfolio segment. Individual loans within the commercial and industrial, commercial real estate and real estate construction loan portfolio segments are assigned internal risk ratings to group them with other loans possessing similar risk characteristics. Changes in risk grades affect the amount of the formula allowance. Risk grades are determined by reviewing current collateral value, financial information, cash flow, payment history and other relevant facts surrounding the particular credit. Provisions for losses on the remaining commercial and commercial real estate loans are based on pools of similar loans using a combination of historical net loss experience and qualitative adjustments. For the residential real estate and consumer loan portfolios, the reserves are calculated by applying historical charge-off and recovery experience and qualitative adjustments to the current outstanding balance in each loan category. Loss factors are based on the Company's historical net loss experience, as well as regulatory guidelines.

Specific allowances for loan losses entail the assignment of allowance amounts to individual loans on the basis of loan impairment. Certain loans are evaluated individually and are judged to be impaired when management believes it is probable that the Company will not collect all the contractual interest and principal payments as scheduled in the loan agreement. Under this method, loans are selected for evaluation based upon a change in internal risk rating, occurrence of delinquency, loan classification or nonaccrual status. A specific allowance amount is allocated to an individual loan when such loan has been deemed impaired and when the amount of a probable loss is able to be estimated on the basis of: (a) present value of anticipated future cash flows, (b) the loan's observable fair market price or (c) fair value of collateral if the loan is collateral dependent.

The formula allowance and specific allowances also include management's evaluation of various conditions, including business and economic conditions, delinquency trends, charge-off experience and other quality factors.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

Management has identified certain risk factors, which could impact the degree of loss sustained within the portfolio. These include: (a) market risk factors, such as the effects of economic variability on the entire portfolio and (b) unique portfolio risk factors that are inherent characteristics of the Company's loan portfolio. Market risk factors may consist of changes to general economic and business conditions that may impact the Company's loan portfolio customer base in terms of ability to repay and that may result in changes in value of underlying collateral.

Table of Contents

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

Unique portfolio risk factors may include industry concentrations and geographic concentrations or trends that may exacerbate losses resulting from economic events which the Company may not be able to fully diversify out of its portfolio.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential real estate The Company generally does not originate loans with a loan-to-value ratio greater than 80 percent and does not grant subprime loans. All loans in this segment are collateralized by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates will have an effect on the credit quality in the segment.

Commercial real estate Loans in this segment are primarily income-producing properties. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management monitors the cash flows of these loans.

Construction loans Loans in this segment primarily include real estate development loans for which payment is derived from sale of the property as well as construction projects in which the property will ultimately be used by the borrower. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Commercial and industrial loans Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.

BANK PREMISES AND EQUIPMENT

Bank premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the terms of leases, if shorter. It is general practice to charge the cost of maintenance and repairs to operations when incurred; major expenditures for improvements are capitalized and depreciated.

GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill is not subject to amortization. Identifiable intangible assets consist of core deposit intangibles and are assets resulting from acquisitions that are being amortized over their estimated useful lives. Goodwill and identifiable intangible assets are included in other assets on the consolidated balance sheets. The Company tests goodwill for impairment on an annual basis, or more often if events or circumstances indicate there may be impairment. Goodwill impairment testing is performed at the segment (or reporting unit) level. Currently, the Company's goodwill is evaluated at the entity level as there is only one reporting unit. Goodwill is assigned to reporting units at the date the goodwill is initially recorded. Once goodwill has been assigned to reporting units, it no longer retains its association with a particular acquisition, and all of the activities within a reporting unit, whether acquired or organically grown, are available to support the value of the goodwill.

The goodwill impairment analysis is a two-step test. The first step, used to identify potential impairment, involves comparing each reporting unit's fair value to its carrying value including goodwill. If the fair value of a reporting unit exceeds its carrying value, applicable goodwill is considered not to be impaired. If the carrying value exceeds fair value, there is an indication of impairment and the second step is performed to measure the amount of impairment.

Table of Contents

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

STOCK OPTION ACCOUNTING

The Company follows the fair value recognition provisions of FASB ASC 718, *Compensation - Stock Compensation* (formerly SFAS 123R) for all share-based payments, using the modified-prospective transition method. The Company's method of valuation for share-based awards granted utilizes the Black-Scholes option-pricing model, which was also previously used for the Company's pro forma information required under FASB ASC 718. The Company will recognize compensation expense for its awards on a straight-line basis over the requisite service period for the entire award (straight-line attribution method), ensuring that the amount of compensation cost recognized at any date at least equals the portion of the grant-date fair value of the award that is vested at that time.

During 2000 and 2004, common stockholders of the Company approved stock option plans (the Option Plans) that provide for granting of options to purchase up to 150,000 shares of Class A common stock per plan. Under the Option Plans, all officers and key employees of the Company are eligible to receive nonqualified or incentive stock options to purchase shares of Class A common stock. The Option Plans are administered by the Compensation Committee of the Board of Directors, whose members are ineligible to participate in the Option Plans. Based on management's recommendations, the Committee submits its recommendations to the Board of Directors as to persons to whom options are to be granted, the number of shares granted to each, the option price (which may not be less than 85% of the fair market value for nonqualified stock options, or the fair market value for incentive stock options, of the shares on the date of grant) and the time period over which the options are exercisable (not more than ten years from the date of grant). There were options to purchase an aggregate of 38,712 shares of Class A common stock exercisable at December 31, 2010.

On December 30, 2005, the Board of Directors approved the acceleration and immediate vesting of all unvested options with an exercise price of \$31.60 or greater per share. As a consequence, options to purchase 23,950 shares of Class A common stock became exercisable immediately. The average of the high and low price at which the Class A common stock traded on December 30, 2005, the date of the acceleration and vesting, was \$29.28 per share. In connection with this acceleration, the Board of Directors approved a technical amendment to each of the Option Plans to eliminate the possibility that the terms of any outstanding or future stock option would require a cash settlement on the occurrence of any circumstance outside the control of the Company. Effective as of January 1, 2006, the Company adopted FASB ASC 718 for all share-based payments. The Company estimates that, as a result of this accelerated vesting, approximately \$190,000 of 2006 noncash compensation expense was eliminated that would otherwise have been recognized in the Company's earnings.

The Company decided to accelerate the vesting of certain stock options primarily to reduce the noncash compensation expense that would otherwise be expected to be recorded in conjunction with the Company's required adoption of FASB ASC 718 in 2006. There was no earnings impact for 2006 due to the Company's adoption of FASB ASC 718.

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 2010 and 2009.

INCOME TAXES

The Company uses the asset and liability method in accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax

assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Under this method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Table of Contents

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

In July 2006, the FASB issued FASB ASC 740, *Income Taxes* (formerly Financial Accounting Standards Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). This clarified the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. FASB ASC 740 prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. The Company adopted FASB ASC 740 on January 1, 2007. The adoption of FASB ASC 740 did not have a material impact on the Company's results of operations or its financial position.

The Company classifies interest resulting from underpayment of income taxes as income tax expense in the first period the interest would begin accruing according to the provisions of the relevant tax law.

The Company classifies penalties resulting from underpayment of income taxes as income tax expense in the period for which the Company claims or expects to claim an uncertain tax position or in the period in which the Company's judgement changes regarding an uncertain tax position.

TREASURY STOCK

Effective July 1, 2004, companies incorporated in Massachusetts became subject to Chapter 156D of the Massachusetts Business Corporation Act, provisions of which eliminate the concept of treasury stock and provide that shares reacquired by a company are to be treated as authorized but unissued shares.

PENSION

The Company provides pension benefits to its employees under a noncontributory, defined benefit plan, which is funded on a current basis in compliance with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and recognizes costs over the estimated employee service period.

The Company also has a Supplemental Executive Insurance/Retirement Plan (the Supplemental Plan), which is limited to certain officers and employees of the Company. The Supplemental Plan is accrued on a current basis and recognizes costs over the estimated employee service period.

Executive officers of the Company or its subsidiaries who have at least one year of service may participate in the Supplemental Plan. The Supplemental Plan is voluntary, and participants are required to contribute to its cost. Individual life insurance policies, which are owned by the Company, are purchased covering the life of each participant.

RECENT ACCOUNTING DEVELOPMENTS

FASB ASC 860, *Transfers and Servicing* (formerly Statement of Financial Accounting Standards No. 166, *Accounting for Transfers of Financial Assets* an amendment of FASB Statement No. 140). In June 2009, the FASB issued FASB ASC 860. FASB ASC 860 was issued to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. Specifically to address: (1) practices that have

developed since the issuance of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, that are not consistent with the original intent and key requirements of that Statement and (2) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. This Statement must be applied to transfers occurring on or after the effective date. Additionally, on or after the effective date, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. FASB ASC 860 must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and

Table of Contents

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

annual reporting periods thereafter with early application prohibited. The adoption of this Statement did not have a material effect on the Company's financial statements at the date of adoption, January 1, 2010.

FASB ASC 810, *Consolidation* (formerly Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46(R)). In June 2009, the FASB issued FASB ASC 810. FASB ASC 810 was issued to improve financial reporting by enterprises involved with variable interest entities, specifically to address: (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, as a result of the elimination of the qualifying special-purpose entity concept in FASB ASC 860 and (2) constituent concerns about the application of certain key provisions of FASB ASC 860, including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. FASB ASC 810 must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter with early application prohibited. The adoption of this Statement did not have a material effect on the Company's financial statements at the date of adoption, January 1, 2010.

In January 2010, the FASB issued an amendment to the Fair Value Measurements and Disclosures topic of the ASC. This amendment requires disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This amendment is effective for periods beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements, which will be effective for fiscal years beginning after December 15, 2010. The adoption of this Statement did not have a material effect on the Company's financial statements at the date of adoption, January 1, 2010.

In July, 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. This Statement will significantly increase disclosures that entities must make about the credit quality of financing receivables and the allowance for credit losses. The Statement will require reporting entities to make new disclosures about (a) the nature of credit risk inherent in the entity's portfolio of financing receivables (loans), (b) how that risk is analyzed and assessed in determining the allowance for credit (loan) losses and (c) the reasons for changes in the allowance for credit losses.

The Statement will require disclosures related to the allowance for credit losses on a portfolio segment basis instead of on an aggregate basis. Portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. The Statement also establishes the concept of a class of financing receivables. A class is generally a disaggregation of a portfolio segment. The Statement requires numerous disclosures at the class level including, (a) delinquency and nonaccrual information and related significant accounting policies, (b) impaired financing receivables and related significant accounting policies, (c) a description of credit quality indicators used to monitor credit risk and (d) modifications of financing receivables that meet the definition of a troubled debt restructuring. The Statement will expand disclosure requirements to include all financing receivables that are individually evaluated for impairment and determined to be impaired, and require the disclosures at the class level.

Entities will be required to disclose the activity within the allowance for credit losses, including the beginning and ending balance of the allowance for each portfolio segment, as well as current-period provisions for credit losses,

direct write-downs charged against the allowance and recoveries of any amounts previously written off. Entities will also be required to disclose the effect on the provision for credit losses due to changes in accounting policies or methodologies from prior periods.

Public entities will need to provide disclosures related to period-end information (e.g., credit quality information and the ending financing receivables balance segregated by impairment method) in all interim and annual reporting periods ending on or after December 15, 2010. Disclosures of activity that occurs during a reporting period (e.g., modifications and the rollforward of the allowance for credit losses by portfolio segment) are

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

required in interim and annual periods beginning on or after December 15, 2010. As this Statement amends only the disclosure requirements for loans and the allowance, adoption will have no impact on the Company's financial statements. The Company has provided the disclosures required as of December 31, 2010 in Note 6.

2. Cash and Due from Banks

The Company is required to maintain a portion of its cash and due from banks as a reserve balance under the Federal Reserve Act. Such reserve is calculated based upon deposit levels and amounted to \$3,543,000 at December 31, 2010 and \$1,061,000 at December 31, 2009.

3. Securities Available-for-Sale

	December 31, 2010				December 31, 2009			
	Amortized Cost*	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Dollars in thousands)	Amortized Cost*	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury	\$ 2,000	\$ 5	\$	\$ 2,005	\$ 1,998	\$ 5	\$	\$ 2,003
U.S. Government Sponsored Enterprises	175,842	386	565	175,663	192,942	374	952	192,364
SBA Backed Securities	9,735	1	4	9,732				
U.S. Government Agency and Sponsored Enterprises								
Mortgage-Backed Securities	674,481	11,842	5,425	680,898	410,181	8,855	524	418,512
Privately Issued Residential Mortgage-Backed Securities	4,247		279	3,968	5,383		473	4,910
Privately Issued Commercial Mortgage-Backed Securities	285	2		287	537	7		544
Obligations Issued by States and Political Subdivisions	34,271	98	295	34,074	26,627	130	468	26,289
Other Debt Securities	2,300		47	2,253	2,300		41	2,259

Equity Securities	395	116	511	1,042	71	198	915	
Total	\$ 903,556	\$ 12,450	\$ 6,615	\$ 909,391	\$ 641,010	\$ 9,442	\$ 2,656	\$ 647,796

* Amortized cost is net of impairment writedown.

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 \$363,240,000 and \$332,064,000 at December 31, 2010 and 2009, respectively. Also included in securities available-for-sale at fair value are securities pledged for borrowing at the Federal Home Loan Bank amounting to \$124,189,000 and \$172,497,000 at December 31, 2010 and 2009, respectively. The Company realized net gains on sales of securities of \$1,851,000, \$2,734,000 and \$249,000 from the proceeds of sales of available-for-sale securities of \$41,251,000, \$94,142,000 and \$238,894,000 for the years ended December 31, 2010, 2009, and 2008, respectively.

Debt securities of Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and Freddie Mac. Control of these enterprises was directly taken over by the U.S. Government in the third quarter of 2008.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

The following table shows the estimated maturity distribution of the Company's securities available-for-sale at December 31, 2010.

	Amortized Cost*	Fair Value
	(Dollars in thousands)	
Within one year	\$ 40,963	\$ 41,533
After one but within five years	687,158	695,375
After five but within ten years	157,710	154,894
More than ten years	15,830	15,625
Nonmaturing	1,895	1,964
Total	\$ 903,556	\$ 909,391

* Amortized cost is net of impairment writedown.

The weighted average remaining life of investment securities available-for-sale at December 31, 2010, was 4.0 years. Auction rate municipal obligations (ARSs) and variable rate demand notes (VRDNs) are included in Obligations Issued by States and Political Subdivisions. Included in the weighted average remaining life calculation at December 31, 2010, was \$175,663,000 of U.S. Government Sponsored Enterprise 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.

The following table shows the temporarily impaired securities of the Company's available-for-sale portfolio at December 31, 2010. 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 59 and 5 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 345 holdings at December 31, 2010.

As of December 31, 2010, 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 any of its debt securities and it is not likely that it will be required to sell the debt securities before the anticipated recovery of their 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.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

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 concentrates 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.

	December 31, 2010						
	Less Than 12 Months		12 Months or		Total		
	Fair	Unrealized	Longer		Fair	Unrealized	
Temporarily Impaired Investments*	Value	Losses	Fair	Unrealized	Value	Losses	
			(Dollars in thousands)				
U.S. Government Sponsored							
Enterprise	\$ 74,290	\$ 565	\$	\$	\$ 74,290	\$ 565	
SBA Backed Securities	2,246	4			2,246	4	
U.S. Government Agency and							
Sponsored Enterprise							
Mortgage-Backed Securities	191,155	5,425			191,155	5,425	
Privately Issued Residential							
Mortgage-Backed Securities	1,503	52	2,465	227	3,968	279	
Obligations Issued by States and							
Political Subdivisions	9,257	11	4,393	284	13,650	295	
Other Debt Securities			1,454	47	1,454	47	
Equity Securities							
Total temporarily impaired securities	\$ 278,451	\$ 6,057	\$ 8,312	\$ 558	\$ 286,763	\$ 6,615	

* At December 31, 2010, the Company does not intend to sell any of its debt securities and it is not likely that it will be required to sell the debt securities before the anticipated recovery of their remaining amortized cost. The unrealized losses on Obligations Issued by States and Political Subdivisions were considered by management to be temporary in nature. Full collection of those debt securities is expected because the financial condition of the obligors is considered to be sound, there has been no default in scheduled payment and the debt securities are rated investment grade. 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 at December 31, 2010. Excluded from the table above are two equity securities that were written down in 2008 by

\$76,000. The fair value is \$156,000 with an unrealized gain of \$47,000 at December 31, 2010. In 2008, these stocks were deemed to be other than temporarily impaired based on the extent of the decline in value and the length of time the stocks had been trading below cost.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

The following table shows the temporarily impaired securities of the Company's available-for-sale portfolio at December 31, 2009. 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 41 and 17 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 287 holdings at December 31, 2009.

Temporarily Impaired Investments*	Less Than 12 Months		December 31, 2009 12 Months or Longer		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
	(Dollars in thousands)					
U.S. Government Sponsored Enterprises	\$ 127,259	\$ 952	\$	\$	\$ 127,259	\$ 952
U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities	51,903	428	11,752	96	63,655	524
Privately Issued Residential Mortgage-Backed Securities			4,910	473	4,910	473
Obligations Issued by States and Political Subdivisions	3,427	187	4,393	281	7,820	468
Other Debt Securities			1,459	41	1,459	41
Equity Securities			495	198	495	198
Total temporarily impaired securities	\$ 182,589	\$ 1,567	\$ 23,009	\$ 1,089	\$ 205,598	\$ 2,656

* The decline in fair value is attributable to change in 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 at December 31, 2009. Excluded from the table above are two equity securities that were written down by \$76,000. The fair value is \$121,000 with an unrealized gain of \$12,000. In 2008, these stocks were deemed to be other than temporarily impaired based on the extent of the decline in value and the length of time the stocks had been trading below cost.

4. Investment Securities Held-to-Maturity

Amortized Cost	December 31, 2010			Estimated Fair Value	Amortized Cost	December 31, 2009		
	Gross Unrealized Gains	Gross Unrealized Losses				Gross Unrealized Gains	Gross Unrealized Losses	

(Dollars in thousands)

U.S. Government Sponsored Enterprise	\$ 84,534	\$ 148	\$ 488	\$ 84,194	\$ 69,555	\$ 36	\$ 707	\$ 68,884
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	145,582	5,246	1,498	149,330	148,088	4,490	49	152,529
Total	\$ 230,116	\$ 5,394	\$ 1,986	\$ 233,524	\$ 217,643	\$ 4,526	\$ 756	\$ 221,413

Included in U.S. Government and Agency Securities are securities pledged to secure public deposits and repurchase agreements at fair value amounting to \$10,000,000 and \$9,036,000 at December 31, 2010, and 2009, respectively.

Also included are securities pledged for borrowing at the Federal Home Loan Bank at fair value amounting to \$79,844,000 and \$83,693,000 at December 31, 2010, and 2009, respectively.

At December 31, 2010 and 2009, all mortgage-backed securities are obligations of U.S. Government Sponsored Enterprises. Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

Freddie Mac. Control of these enterprises was directly taken over by the U.S. Government in the third quarter of 2008.

The following table shows the maturity distribution of the Company's securities held-to-maturity at December 31, 2010.

	Amortized Cost (Dollars in thousands)	Fair Value
Within one year	\$ 7,298	\$ 7,497
After one but within five years	123,057	127,932
After five but within ten years	99,761	98,095
Total	\$ 230,116	\$ 233,524

The weighted average remaining life of investment securities held-to-maturity at December 31, 2010, was 4.6 years. Included in the weighted average remaining life calculation at December 31, 2010, were \$84,534,000 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.

The following table shows the temporarily impaired securities of the Company's held-to-maturity portfolio at December 31, 2010. 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 11 and 0 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 101 holdings at December 31, 2010.

As of December 31, 2010, 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 this debt security and it is not likely that it will be required to sell this debt security 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 this security are from an issuer that is investment grade.

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

	December 31, 2010		
	Less Than 12 Months Unrealized Losses	12 Months or Longer Unrealized Losses	Total Unrealized Losses
Temporarily Impaired Investments*			

	Fair Value		Fair Value		Fair Value		
			(Dollars in thousands)				
U.S. Government Sponsored Enterprises	\$ 29,491	\$ 488	\$	\$	\$ 29,491	\$ 488	
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	37,628	1,498			37,628	1,498	
Total temporarily impaired securities	\$ 67,119	\$ 1,986	\$	\$	\$ 67,119	\$ 1,986	

* 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

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

investments and it is not likely that it will be required to sell these investments before the anticipated recovery of the remaining amortized cost, the Company does not consider this investment to be other-than-temporarily impaired at December 31, 2010.

The following table shows the temporarily impaired securities of the Company's held-to-maturity portfolio at December 31, 2009. 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 12 and 0 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 94 holdings at December 31, 2009.

Temporarily Impaired Investments*	December 31, 2009					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
U.S. Government Sponsored Enterprises	\$ 49,848	\$ 707	\$	\$	\$ 49,848	\$ 707
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	11,152	49			11,152	49
Total temporarily impaired securities	\$ 61,000	\$ 756	\$	\$	\$ 61,000	\$ 756

* 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 investments and it is not likely that it will be required to sell these investments before the anticipated recovery of the remaining amortized cost, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2009.

5. Loans

The majority of the Bank's lending activities are conducted in the Commonwealth of Massachusetts. The Bank originates construction, commercial and residential real estate loans, commercial and industrial loans, consumer, home equity and other loans for its portfolio.

The following summary shows the composition of the loan portfolio at the dates indicated.

December 31,
2010 2009
(Dollars in thousands)

Construction and land development	\$ 53,583	\$ 60,349
Commercial and industrial	90,654	141,061
Commercial real estate	433,337	361,823
Residential real estate	207,787	188,096
Consumer	5,957	7,105
Home equity	114,209	118,076
Overdrafts	637	615
 Total	 \$ 906,164	 \$ 877,125

Net deferred fees included in loans at December 31, 2010 and December 31, 2009 were \$186,000 and \$71,000, respectively.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

The Company was servicing mortgage loans sold to others without recourse of approximately \$983,000 and \$1,127,000 at December 31, 2010, and December 31, 2009, respectively. Additionally, the Company was servicing mortgage loans sold to others with limited recourse. The outstanding balance of these loans with limited recourse was approximately \$36,000 and \$47,000 at December 31, 2010, and at December 31, 2009, respectively.

As of December 31, 2010, and 2009, the Company's recorded investment in impaired loans was \$7,963,000 and \$10,516,000, respectively. If an impaired loan is placed on nonaccrual, the loan may be returned to an accrual status when principal and interest payments are not delinquent or the risk characteristics have improved to the extent that there no longer exists a concern as to the collectibility of principal and interest. At December 31, 2010, there were \$2,110,000 of impaired loans with a specific reserve of \$317,000. At December 31, 2009, there were \$1,980,000 of impaired loans with a specific reserve of \$745,000.

Loans are designated as troubled debt restructures when a concession is made on a credit as a result of financial difficulties of the borrower. Typically, such concessions consist of a reduction in interest rate to a below market rate, taking into account the credit quality of the note, or a deferment of payments, principal or interest, which materially alters the Bank's position or significantly extends the note's maturity date, such that the present value of cash flows to be received is materially less than those contractually established at the loan's origination. Restructured loans are included in the impaired loan category.

The composition of nonaccrual loans and impaired loans is as follows:

	2010	December 31, 2009	2008
	(Dollars in thousands)		
Loans on nonaccrual	\$ 8,068	\$ 12,311	\$ 3,661
Loans 90 days past due and still accruing	50		89
Impaired loans on nonaccrual included above	5,353	9,736	1,511
Total recorded investment in impaired loans	7,963	10,516	2,698
Average recorded investment of impaired loans	9,606	9,718	1,194
Accruing troubled debt restructures	1,248	521	
Interest income not recorded on nonaccrual loans according to their original terms	1,313	1,121	121
Interest income on nonaccrual loans actually recorded			
Interest income recognized on impaired loans	256	24	24

During the first quarter of 2008, the Company purchased a loan for \$4,823,000 with a discount of \$724,000. The entire discount is classified as an accretable discount. The Company accreted \$47,000 and \$46,000 of the discount during 2010 and 2009, respectively.

Directors and officers of the Company and their associates are customers of, and have other transactions with, the Company in the normal course of business. All loans and commitments included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than normal risk of collection or present other unfavorable

features.

The following table shows the aggregate amount of loans to directors and officers of the Company and their associates during 2010.

Balance at December 31, 2009	Additions (Dollars in thousands)	Repayments and Deletions	Balance at December 31, 2010
\$ 2,973	\$ 1,007	\$ 182	\$ 3,798

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)****6. Allowance for Loan Losses**

The Company maintains an allowance for loan losses in an amount determined by management on the basis of the character of the loans, loan performance, the financial condition of borrowers, the value of collateral securing loans and other relevant factors. The following table summarizes the changes in the Company's allowance for loan losses for the years indicated.

An analysis of the allowance for loan losses for each of the three years ending December 31, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
	(Dollars in thousands)		
Allowance for loan losses, beginning of year	\$ 12,373	\$ 11,119	\$ 9,633
Loans charged-off	(4,443)	(6,070)	(3,373)
Recoveries on loans previously charged-off	548	699	434
Net charge-offs	(3,895)	(5,371)	(2,939)
Provision charged to expense	5,575	6,625	4,425
Allowance for loan losses, end of year	\$ 14,053	\$ 12,373	\$ 11,119

ALLOWANCE FOR LOAN LOSSES AND AMOUNT OF INVESTMENTS IN LOANS

Further information pertaining to the allowance for loan losses at December 31, 2010 follows:

	Construction and Land Development	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer	Home Equity	Unallocated	Total
	(Dollars in thousands)							
Allowance for Loan Losses: Balance at December 31, 2009	\$ 362	\$ 4,972	\$ 2,983	\$ 1,304	\$ 1,753	\$ 761	\$ 238	\$ 12,373
Charge-offs	(900)	(1,559)	(922)	(515)	(495)	(52)		(4,443)
Recoveries		172		8	368			548
Provision	2,290	(422)	3,610	921	(1,328)	16	488	5,575

Ending balance at December 31, 2010	\$ 1,752	\$ 3,163	\$ 5,671	\$ 1,718	\$ 298	\$ 725	\$ 726	\$ 14,053
Amount of allowance for loan losses for loans deemed to be impaired	\$	\$ 292	\$ 25	\$	\$	\$	\$	\$ 317
Amount of allowance for loan losses for loans not deemed to be impaired	\$ 1,752	\$ 2,871	\$ 5,646	\$ 1,718	\$ 298	\$ 725	\$ 726	\$ 13,736
Loans:								
Ending balance	\$ 53,583	\$ 90,654	\$ 433,337	\$ 207,787	\$ 6,594	\$ 114,209	\$	\$ 906,164
Loans deemed to be impaired	\$ 4,000	\$ 1,471	\$ 2,492	\$	\$	\$	\$	\$ 7,963
Loans not deemed to be impaired	\$ 49,583	\$ 89,183	\$ 430,845	\$ 207,787	\$ 6,594	\$ 114,209	\$	\$ 898,201

CREDIT QUALITY INFORMATION

The Company utilizes a six grade internal loan rating system for commercial real estate, construction and commercial loans as follows:

Loans rated 1-3 (Pass) Loans in this category are considered pass rated loans with low to average risk.

Loans rated 4 (Monitor) These loans represent classified loans that management is closely monitoring for credit quality. These loans have had or may have minor credit quality deterioration as of December 31, 2010.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

Loans rated S (Substandard) Substandard loans represent classified loans that management is closely monitoring for credit quality. These loans have had more significant credit quality deterioration as of December 31, 2010.

Loans rated 6 (Doubtful) Doubtful loans represent classified loans that management is closely monitoring for credit quality. These loans had more significant credit quality deterioration as of December 31, 2010 and are doubtful for full collection.

Impaired Impaired loans represent classified loans that management is closely monitoring for credit quality. A loan is classified as impaired when it is probable that the Company will be unable to collect all amounts due.

The following table presents the Company's loans by risk rating at December 31, 2010.

	Construction and Land Development	Commercial and Industrial	Commercial Real Estate
	(Dollars in thousands)		
Grade:			
1-3 (Pass)	\$ 42,887	\$ 88,103	\$ 415,528
4 (Monitor)	6,696	1,080	15,317
5 (Substandard)			
6 (Doubtful)			
Impaired	4,000	1,471	2,492
Total	\$ 53,583	\$ 90,654	\$ 433,337

The Company utilized payment performance as credit quality indicators for residential real state, consumer and overdrafts, and the home equity portfolio. The indicators are depicted in the table aging of past due loans, below.

AGING OF PAST DUE LOANS

Further information pertaining to the allowance for loan losses at December 31, 2010 follows:

Accruing 30-89 Days Past Due	Non Accrual	Accruing Greater Than 90 Days (Dollars in thousands)	Total Past Due	Current Loans	Total
\$	\$ 4,000	\$	\$ 4,000	\$ 49,583	\$ 53,583

Construction and land development						
Commercial and industrial	912	569	50	1,531	89,123	90,654
Commercial real estate	1,737	784		2,521	430,816	433,337
Residential real estate	4,172	2,487		6,659	201,128	207,787
Consumer and overdrafts	8	4		12	6,582	6,594
Home equity	574	224		798	113,411	114,209
Total	\$ 7,403	\$ 8,068	\$ 50	\$ 15,521	\$ 890,643	\$ 906,164

IMPAIRED LOANS

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is impaired, the

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

Company measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, the Company measures impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. The Company's policy for recognizing interest income on impaired loans is contained within Note 1 of the consolidated financial statement.

The following is information pertaining to impaired loans at December 31, 2010:

	Carrying Value	Unpaid Balance Principal	Required Reserve	Average Carrying Value	Interest Income Recognized
	(Dollars in thousands)				
With no required reserve recorded:					
Construction and land development	\$ 4,000	\$ 8,504	\$	\$ 2,262	\$
Commercial and industrial	893	1,092		826	83
Commercial real estate	960	969		2,013	122
Residential real estate					
Consumer					
Home equity					
Total	\$ 5,853	\$ 10,565	\$	\$ 5,101	\$ 205
With required reserve recorded:					
Construction and land development	\$	\$	\$	\$ 2,500	\$
Commercial and industrial	578	588	292	842	31
Commercial real estate	1,532	1,532	25	1,163	20
Residential real estate					
Consumer					
Home equity					
Total	\$ 2,110	\$ 2,120	\$ 317	\$ 4,505	\$ 51
Total					
Construction and land development	\$ 4,000	\$ 8,504	\$	\$ 4,762	\$
Commercial and industrial	1,471	1,680	292	1,668	114
Commercial real estate	2,492	2,501	25	3,176	142
Residential real estate					
Consumer					
Home equity					
Total	\$ 7,963	\$ 12,685	\$ 317	\$ 9,606	\$ 256

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)****7. Bank Premises and Equipment**

	2010	December 31, 2009	Estimated Useful Life (Dollars in thousands)
Land	\$ 3,478	\$ 3,478	
Bank premises	18,270	17,883	30-39 years
Furniture and equipment	27,472	26,202	3-10 years
Leasehold improvements	6,869	6,328	30-39 years or lease term
	56,089	53,891	
Accumulated depreciation and amortization	(34,861)	(32,876)	
Total	\$ 21,228	\$ 21,015	

The Company and its subsidiaries are obligated under a number of noncancelable operating leases for premises and equipment expiring in various years through 2026. Total lease expense approximated \$1,730,000, \$1,673,000 and \$1,533,000 for the years ended December 31, 2010, 2009 and 2008, respectively. Rental income approximated \$438,000, \$418,000 and \$399,000 in 2010, 2009 and 2008, respectively.

Future minimum rental commitments for noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2010, were as follows:

Year	Amount (Dollars in thousands)
2011	\$ 1,856
2012	1,447
2013	1,083
2014	987
2015	778
Thereafter	2,401
	\$ 8,552

8. Goodwill and Identifiable Intangible Assets

Historically, the Company has determined fair values of reporting units based on stock prices, market earnings and tangible book value multiples of peer companies for the reporting unit. During the third quarter of 2008, management determined that the Company's goodwill should be tested for impairment as the Company's Class A common stock had

been trading below book value per share. In the third quarter of 2008, management enhanced the valuation methodology with discounted cash flow analysis. During the fourth quarter of 2008, management reviewed the assumptions used during the third quarter and concluded that the assumptions continued to be appropriate. Based on management's assessment of the reporting unit's fair value, goodwill was not considered to be impaired at December 31, 2008.

During the second half of 2009 and the full year of 2010, the Company's Class A common stock traded closer to or above book value per share. Accordingly, at December 31, 2009 and 2010, management measured for impairment utilizing the fair value of the reporting unit based on the recent stock price of the Company. Management determined that the Company's goodwill is not considered to be impaired at December 31, 2010.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

The changes in goodwill and identifiable intangible assets for the years ended December 31, 2010 and 2009 are shown in the table below.

Carrying Amount of Goodwill and Intangibles	Goodwill	Core Deposit Intangibles	Total
	(Dollars in thousands)		
Balance at December 31, 2008	\$ 2,714	\$ 1,283	\$ 3,997
Amortization Expense		(387)	(387)
Balance at December 31, 2009	\$ 2,714	\$ 896	\$ 3,610
Amortization Expense		(388)	(388)
Balance at December 31, 2010	\$ 2,714	\$ 508	\$ 3,222

The following table sets forth the estimated annual amortization expense of the identifiable intangible assets.

Core Deposit Intangibles Year	Amount
	(Dollars in thousands)
2011	\$ 388
2012	120
	\$ 508

9. Fair Value Measurements

The Company follows FASB ASC 820-10, *Fair Value Measurements and Disclosures* (formerly SFAS 157, *Fair Value Measurements*), which among other things, requires enhanced disclosures about assets and liabilities carried at fair value. The principles were effective for fiscal years beginning after November 15, 2007. The effective date for nonfinancial assets and nonfinancial liabilities was delayed, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. These elements were adopted on January 1, 2009. ASC 820-10 establishes a hierarchical disclosure framework associated with the level of pricing observability utilized in measuring financial instruments at fair value. The three broad levels of the hierarchy are as follows:

Level I Quoted prices are available in active markets for identical assets or liabilities as of the reported date. The type of financial instruments included in Level I are highly liquid cash instruments with quoted prices such as G-7 government, agency securities, listed equities and money market securities, as well as listed derivative instruments.

Level II Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these financial instruments include cash instruments for which quoted prices are available but traded less frequently, derivative instruments whose fair value have been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed. Instruments which are generally included in this category are corporate bonds and loans, mortgage whole loans, municipal bonds and OTC derivatives.

Level III Instruments that have little to no pricing observability as of the reported date. These financial instruments do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation. Instruments that are included in this category generally include certain commercial mortgage loans, certain private equity investments, distressed debt, non-investment grade residual interests in securitizations, as well as certain highly structured OTC derivative contracts.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

The results of the fair value hierarchy as of December 31, 2010 are as follows:

	Carrying Value	Fair Value Measurements Using		Significant Other Unobservable Inputs (Level 3)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	
(Dollars in thousands)				
Financial Instruments Measured at Fair Value on a Recurring Basis				
Securities AFS				
U.S. Treasury	\$ 2,005	\$	\$ 2,005	\$
U.S. Government Sponsored Enterprises	175,663		175,663	
SBA Backed Securities	9,732		9,732	
U.S. Government Agency and Sponsored Enterprises				
Mortgage-Backed Securities	680,898		680,898	
Privately Issued Residential Mortgage-Backed Securities	3,968		3,968	
Privately Issued Commercial Mortgage-Backed Securities	287		287	
Obligations Issued by States and Political Subdivisions	34,073		13,692	20,381
Other Debt Securities	2,254		2,254	
Equity Securities	511	232		279
Total	\$ 909,391	\$ 232	\$ 888,499	\$ 20,660
Financial Instruments Measured at Fair Value on a Non-recurring Basis				
Impaired Loans	\$ 5,026	\$	\$	\$ 5,026

Impaired loan balances in the table above represent those collateral dependent loans where management has estimated the credit loss during the year by comparing the loan's carrying value against the expected realizable fair value of the collateral. Specific provisions relates to impaired loans recognized for 2010 for the estimated credit loss amounted to \$2,378,000. The Company uses discounts to appraisals, as necessary, based on management's observations of the local real estate market for loans in this category.

The changes in Level 3 securities for the year ended December 31, 2010 are shown in the table below:

Obligations

	Auction Rate Securities	Issued by States and Political Subdivisions (Dollars in thousands)	Equity Securities	Total
Balance at December 31, 2009	\$ 7,820	\$ 5,623	\$ 234	\$ 13,677
Purchases		25,194	64	25,258
Maturities	(3,427)	(14,790)	(19)	(18,236)
Change in fair value		(39)		(39)
Balance at December 31, 2010	\$ 4,393	\$ 15,988	\$ 279	\$ 20,660

The amortized cost of Level 3 securities was \$20,956,000 with an unrealized loss of \$296,000 at December 31, 2010. The securities in this category are generally equity investments, municipal securities with no readily determinable fair value or failed auction rate securities. Management evaluated the fair value of these securities based on an evaluation of the underlying issuer, prevailing rates and market liquidity.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

The results of the fair value hierarchy as of December 31, 2009 are as follows:

	Carrying Value	Fair Value Measurements Using		Significant Other Unobservable Inputs (Level 3)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	
(Dollars in thousands)				
Financial Instruments Measured at Fair Value on a Recurring Basis				
Securities AFS				
U.S. Treasury	\$ 2,003	\$	\$ 2,003	\$
U.S. Government Sponsored Enterprises	192,364		192,364	
U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities	418,512		418,512	
Privately Issued Residential Mortgage-Backed Securities	4,910		4,910	
Privately Issued Commercial Mortgage-Backed Securities	544		544	
Obligations Issued by States and Political Subdivisions	26,289		12,846	13,443
Other Debt Securities	2,259		2,259	
Equity Securities	915	681		234
Total	\$ 647,796	\$ 681	\$ 633,438	\$ 13,677
Financial Instruments Measured at Fair Value on a Non-recurring Basis				
Impaired Loans	\$ 6,855	\$	\$	\$ 6,855

Impaired loan balances in the table above represent those collateral dependent loans where management has estimated the credit loss during the year by comparing the loan's carrying value against the expected realizable fair value of the collateral. Specific provisions relates to impaired loans recognized for 2009 for the estimated credit loss amounted to \$4,553,000. There was an \$8,500,000 reclassification of impaired loans to Level 3 during the third quarter of 2009 due to the lack of an active real estate market for the loans in this category. The Company uses discounts to appraisals, as necessary, based on management's observations of the local real estate market for loans in this category.

The changes in Level 3 securities for the year ended December 31, 2009 are shown in the table below:

Obligations

	Auction Rate Securities	Issued by States and Political Subdivisions (Dollars in thousands)	Equity Securities	Total
Balance at December 31, 2008	\$	\$ 3,300	\$ 170	\$ 3,470
Purchases		7,790	64	7,854
Maturities	(12,580)	(5,467)		(18,047)
Reclassification	21,061			21,061
Change in fair value	(661)			(661)
Balance at December 31, 2009	\$ 7,820	\$ 5,623	\$ 234	\$ 13,677

There was a \$21,061,000 reclassification of failed auction rate securities to Level 3 during the first quarter of 2009 due to the lack of an active market. The amortized cost of Level 3 securities was \$14,142,000 with an unrealized loss of \$465,000 at December 31, 2009. The securities in this category are generally equity investments, municipal securities with no readily determinable fair value or failed auction rate securities. Management evaluated the fair value of these securities based on an evaluation of the underlying issuer, prevailing rates and market liquidity.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)****10. Deposits**

The following is a summary of original maturities or repricing of time deposits as of December 31,

	2010	Percent	2009	Percent
	(Dollars in thousands)			
Within one year	\$ 272,940	65%	\$ 180,498	61%
Over one year to two years	54,683	13%	84,395	29%
Over two years to three years	70,702	17%	16,788	6%
Over three years to five years	18,935	5%	10,957	4%
Total	\$ 417,260	100%	\$ 292,638	100%

Time deposits of \$100,000 or more totaled \$246,474,000 and \$151,680,000 in 2010 and 2009, respectively.

11. Securities Sold Under Agreements to Repurchase

The following is a summary of securities sold under agreements to repurchase as of December 31,

	2010	2009	2008
	(Dollars in thousands)		
Amount outstanding at December 31	\$ 108,550	\$ 118,745	\$ 112,510
Weighted average rate at December 31	0.36%	0.52%	1.08%
Maximum amount outstanding at any month end	\$ 239,830	\$ 122,521	\$ 112,510
Daily average balance outstanding during the year	\$ 133,080	\$ 98,635	\$ 94,526
Weighted average rate during the year	0.43%	0.58%	1.47%

Amounts outstanding at December 31, 2010, 2009 and 2008 carried maturity dates of the next business day.

U.S. Government Sponsored Enterprise securities with a total amortized cost of \$107,030,000, \$115,792,000 and \$112,072,000 were pledged as collateral and held by custodians to secure the agreements at December 31, 2010, 2009 and 2008, respectively. The approximate fair value of the collateral at those dates was \$108,200,000, \$118,186,000 and \$112,990,000, respectively.

12. Other Borrowed Funds and Subordinated Debentures

The following is a summary of other borrowed funds and subordinated debentures as of December 31,

2010	2009	2008
(Dollars in thousands)		

Amount outstanding at December 31	\$ 258,201	\$ 270,107	\$ 274,641
Weighted average rate at December 31	2.88%	3.63%	4.22%
Maximum amount outstanding at any month end	\$ 266,564	\$ 272,071	\$ 293,668
Daily average balance outstanding during the year	\$ 201,273	\$ 219,713	\$ 225,743
Weighted average rate during the year	4.13%	4.71%	5.10%

FEDERAL HOME LOAN BANK BORROWINGS

Federal Home Loan Bank of Boston (FHLBB) borrowings are collateralized by a blanket pledge agreement on the Bank s FHLBB stock, certain qualified investment securities, deposits at the FHLBB and residential mortgages held in the Bank s portfolios. The Bank s remaining term borrowing capacity at the FHLBB at December 31, 2010, was approximately \$73,241,000. In addition, the Bank has a \$14,500,000 line of credit with

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

the FHLBB. A schedule of the maturity distribution of FHLBB advances with the weighted average interest rates is as follows:

	2010		December 31, 2009		2008	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)					
Within one year	\$ 91,500	0.39%	\$ 104,000	2.72%	\$ 104,500	2.80%
Over one year to two years	9,000	1.98%	11,000	1.81%	59,000	5.17%
Over two years to three years	41,500	3.82%	19,500	2.08%	11,000	4.05%
Over three years to five years	37,000	2.70%	56,000	3.65%	20,500	4.18%
Over five years	42,000	4.55%	42,000	4.55%	42,000	4.55%
Total	\$ 221,000	2.28%	\$ 232,500	3.18%	\$ 237,000	3.88%

Included in the table above are \$35,000,000, \$82,500,000 and \$85,000,000 of FHLBB advances at December 31, 2010, 2009 and 2008, respectively, that are puttable at the discretion of FHLBB. These put dates were not utilized in the table above.

During 2010, the Company restructured \$12,500,000 of FHLBB advances. Prior to restructure, the weighted average rate on these advances was 2.40% and the weighted average remaining maturity was 21 months. Subsequent to restructure, the weighted average rate was 2.52% and the weighted average maturity was 57 months. The restructures were accounted for as a modification.

During 2009, the Company restructured \$19,000,000 of FHLBB advances. Prior to restructure, the weighted average rate on these advances was 4.10% and the weighted average remaining maturity was 15 months. Subsequent to restructure, the weighted average rate was 3.56% and the weighted average maturity was 46 months. The restructure was accounted for as a modification.

SUBORDINATED DEBENTURES

Subordinated debentures totaled \$36,083,000 at December 31, 2010 and 2009. In May 1998, the Company consummated the sale of a trust preferred securities offering, in which it issued \$29,639,000 of subordinated debt securities due 2029 to its newly formed unconsolidated subsidiary Century Bancorp Capital Trust.

Century Bancorp Capital Trust then issued 2,875,000 shares of Cumulative Trust Preferred Securities with a liquidation value of \$10 per share. These securities pay dividends at an annualized rate of 8.30%. The Company redeemed through its subsidiary, Century Bancorp Capital Trust, its 8.30% Trust Preferred Securities on January 10,

2005.

In December 2004, the Company consummated the sale of a trust preferred securities offering, in which it issued \$36,083,000 of subordinated debt securities due 2034 to its newly formed unconsolidated subsidiary Century Bancorp Capital Trust II.

Century Bancorp Capital Trust II then issued 35,000 shares of Cumulative Trust Preferred Securities with a liquidation value of \$1,000 per share. These securities pay dividends at an annualized rate of 6.65% for the first ten years and then convert to the three-month LIBOR rate plus 1.87% for the remaining 20 years.

OTHER BORROWED FUNDS

There were no overnight federal funds purchased at December 31, 2010 and 2009.

Table of Contents

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

The Bank serves as a Treasury Tax and Loan depository under a note option with the Federal Reserve Bank of Boston. This open-ended interest-bearing borrowing carries an interest rate equal to the daily federal funds rate less 0.25%. This amount totaled \$975,000 and \$1,380,000 at December 31, 2010 and 2009, respectively.

The Bank also has an outstanding loan in the amount of \$143,000 and \$144,000 at December 31, 2010 and 2009, respectively, borrowed against the cash value of a whole life insurance policy for a key executive of the Bank.

13. Stockholders Equity

DIVIDENDS

Holders of the Class A common stock may not vote in the election of directors but may vote as a class to approve certain extraordinary corporate transactions. Holders of Class B common stock may vote in the election of directors. Class A common stockholders are entitled to receive dividends per share equal to at least 200% per share of that paid, if any, on each share of Class B common stock. Class A common stock is publicly traded. Class B common stock is not publicly traded; however, it can be converted on a per share basis to Class A common stock at any time at the option of the holder. Dividend payments by the Company are dependent in part on the dividends it receives from the Bank, which are subject to certain regulatory restrictions.

EARNINGS PER SHARE (EPS)

Diluted EPS includes the dilutive effect of common stock equivalents; basic EPS excludes all common stock equivalents. The only common stock equivalents for the Company are the stock options discussed below. The dilutive effect of these stock options for 2010, 2009 and 2008 was an increase of 2,236,209 and 1,719 shares, respectively.

STOCK REPURCHASE PLAN

During 2010, the Board of Directors of the Company approved a reauthorization of the stock repurchase program. Under the program, the Company is reauthorized to repurchase up to 300,000, or less than 9%, of Century Bancorp Class A Common Stock outstanding. This vote supersedes the previous program voted by the Board of Directors during 2009, which also authorized the Company to repurchase up to 300,000, or less than 9%, of Century Bancorp Class A Common Stock.

The stock buy back is authorized to take place from time-to-time, subject to prevailing market conditions. The purchases are made on the open market and are funded from available cash. During 2009, the Company repurchased 8,110 shares at an average price of \$13.04 per share.

STOCK OPTION PLAN

During 2000 and 2004, common stockholders of the Company approved stock option plans (the Option Plans) that provide for granting of options for not more than 150,000 shares of Class A common stock per plan. Under the Option Plans, all officers and key employees of the Company are eligible to receive nonqualified and incentive stock options to purchase shares of Class A common stock. The Option Plans are administered by the Compensation Committee of the Board of Directors, whose members are ineligible to participate in the Option Plans. Based on management's recommendations, the Committee submits its recommendations to the Board of Directors as to persons to whom

options are to be granted, the number of shares granted to each, the option price (which may not be less than 85% of the fair market value for nonqualified stock options, or the fair market value for incentive stock options, of the shares on the date of grant) and the time period over which the options are exercisable (not more than ten years from the date of grant). There were 38,712 options exercisable at December 31, 2010.

Table of Contents

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

Stock option activity under the plan is as follows:

	December 31, 2010		December 31, 2009		December 31, 2008	
	Amount	Weighted Average Exercise Price	Amount	Weighted Average Exercise Price	Amount	Weighted Average Exercise Price
Shares under option:						
Outstanding at beginning of year	68,637	\$ 26.09	81,037	\$ 27.42	94,787	\$ 27.66
Forfeited	(19,975)	27.18	(12,400)	34.77	(13,750)	29.07
Exercised	(9,950)	15.06				
Outstanding at end of year	38,712	\$ 28.36	68,637	\$ 26.09	81,037	\$ 27.42
Exercisable at end of year	38,712	\$ 28.36	68,637	\$ 26.09	81,037	\$ 27.42
Available to be granted at end of year	222,884		202,909		190,509	

At December 31, 2010, 2009 and 2008, the options outstanding have exercise prices between \$15.063 and \$35.010, and a weighted average remaining contractual life of three years for 2010, three years for 2009 and four years for 2008. The weighted average intrinsic value of options exercised for the period ended December 31, 2010 was \$4.14 per share with an aggregate value of \$41,236. The average intrinsic value of options exercisable at December 31, 2010, 2009 and 2008 had an aggregate value of \$41,895, \$74,056 and \$7,331, respectively.

The Bank and the Company are subject to various regulatory requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank and Company's financial statements. Under capital adequacy guidelines and regulatory framework for prompt corrective action, the Bank and Company must meet specific capital guidelines that involve quantitative measures of the Bank and Company's assets and liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank and Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank and the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulation) to risk-weighted assets (as defined) and Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2010, that the Bank and the Company meet all capital adequacy requirements to which they are subject.

As of December 31, 2010, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes would cause a change in the Bank's categorization.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

The Bank's actual capital amounts and ratios are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2010						
Total Capital (to Risk-Weighted Assets)	\$ 162,944	13.61%	\$ 95,793	8.00%	\$ 119,742	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	148,891	12.43%	47,897	4.00%	71,845	6.00%
Tier 1 Capital (to 4th Qtr. Average Assets)	148,891	6.14%	96,945	4.00%	121,182	5.00%
As of December 31, 2009						
Total Capital (to Risk-Weighted Assets)	\$ 145,586	12.76%	\$ 91,262	8.00%	\$ 114,078	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	133,213	11.68%	45,631	4.00%	68,447	6.00%
Tier 1 Capital (to 4th Qtr. Average Assets)	133,213	6.23%	85,466	4.00%	106,832	5.00%

The Company's actual capital amounts and ratios are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2010						
Total Capital (to Risk-Weighted Assets)	\$ 192,387	16.03%	\$ 95,992	8.00%	\$ 119,990	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	178,334	14.86%	47,996	4.00%	71,994	6.00%
Tier 1 Capital (to 4th Qtr. Average Assets)	178,334	7.35%	97,089	4.00%	121,362	5.00%
As of December 31, 2009						
Total Capital (to Risk-Weighted Assets)	\$ 177,808	15.53%	\$ 91,571	8.00%	\$ 114,464	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	165,435	14.45%	45,786	4.00%	68,678	6.00%

Tier 1 Capital (to 4th Qtr. Average Assets)	165,435	7.73%	85,619	4.00%	107,024	5.00%
--	---------	-------	--------	-------	---------	-------

14. Income Taxes

The current and deferred components of income tax expense for the years ended December 31 are as follows:

	2010	2009	2008
	(Dollars in thousands)		
Current expense:			
Federal	\$ 2,262	\$ 3,058	\$ 3,117
State	528	419	232
Total current expense	2,790	3,477	3,349
Deferred benefit:			
Federal	(1,223)	(1,759)	(954)
State	(323)	(535)	(140)
Total deferred benefit	(1,546)	(2,294)	(1,094)
Provision for income taxes	\$ 1,244	\$ 1,183	\$ 2,255

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

There were no penalties during 2008, 2009, or 2010.

Income tax accounts included in other assets/liabilities at December 31 are as follows:

	2010	2009
	(Dollars in thousands)	
Currently (payable) receivable	\$ 181	\$ (628)
Deferred income tax asset, net	13,465	12,340
Total	\$ 13,646	\$ 11,712

Differences between income tax expense at the statutory federal income tax rate and total income tax expense are summarized as follows:

	2010	2009	2008
	(Dollars in thousands)		
Federal income tax expense at statutory rates	\$ 5,038	\$ 3,856	\$ 3,842
State income tax, net of federal income tax benefit	135	(76)	62
Insurance income	(570)	(442)	(353)
Effect of tax-exempt interest	(2,763)	(1,965)	(1,307)
Net tax credit	(622)	(376)	
Other	26	186	11
Total	\$ 1,244	\$ 1,183	\$ 2,255
Effective tax rate	8.4%	10.4%	20.0%

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

The following table sets forth the Company's gross deferred income tax assets and gross deferred income tax liabilities at December 31:

	2010	2009
	(Dollars in thousands)	
Deferred income tax assets:		
Allowance for loan losses	\$ 7,078	\$ 6,430
Deferred compensation	4,895	4,384
Pension and SERP liability	4,959	5,795
Acquisition premium	543	532
Investments writedown	31	31
Deferred gain	51	71
AMT	172	
Other	77	60
Nonaccrual interest	727	444
 Gross deferred income tax asset	 18,533	 17,747
Deferred income tax liabilities:		
Depreciation	(250)	(169)
Limited partnerships	(2,576)	(2,466)
Unrealized gain on securities available-for-sale	(2,242)	(2,657)
Other		(115)
 Gross deferred income tax liability	 (5,068)	 (5,407)
 Deferred income tax asset net	 \$ 13,465	 \$ 12,340

Based on the Company's historical and current pre-tax earnings, management believes it is more likely than not that the Company will realize the deferred income tax asset existing at December 31, 2010. Management believes that existing net deductible temporary differences which give rise to the deferred tax asset will reverse during periods in which the Company generates net taxable income. In addition, gross deductible temporary differences are expected to reverse in periods during which offsetting gross taxable temporary differences are expected to reverse. Factors beyond management's control, such as the general state of the economy and real estate values, can affect future levels of taxable income, and no assurance can be given that sufficient taxable income will be generated to fully absorb gross deductible temporary differences.

The Company and its subsidiaries file a consolidated federal tax return. For the tax year beginning in 2009, the Commonwealth of Massachusetts requires a combined state tax return, except for security corporations, which file separate tax returns. For years before 2007, the Company is no longer subject to federal or state income tax examinations.

15. Employee Benefits

The Company has a Qualified Defined Benefit Pension Plan (the Plan), which had been offered to all employees reaching minimum age and service requirements. In 2006, the Bank became a member of the Savings Bank Employees Retirement Association (SBERA) within which it then began maintaining the Qualified Defined Benefit Pension Plan. SBERA offers a common and collective trust as the underlying investment structure for its retirement plans. The target allocation mix for the common and collective trust portfolio calls for an equity-based investment deployment range of 40% to 64% of total portfolio assets. The remainder of the portfolio is

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

allocated to fixed income securities with target range of 15% to 25% and other investments including global asset allocation and hedge funds from 20% to 36%.

The Trustees of SBERA, through its Investment Committee, select investment managers for the common and collective trust portfolio. A professional investment advisory firm is retained by the Investment Committee to provide allocation analysis, performance measurement and to assist with manager searches. The overall investment objective is to diversify investments across a spectrum of investment types to limit risks from large market swings. The Company closed the plan to employees hired after March 31, 2006.

Prior to 2008, the measurement date for the Plan was September 30 for each year. Beginning in 2008, the measurement date was changed to December 31. The benefits expected to be paid in each year from 2011 to 2015 are \$809,000, \$931,000, \$957,000, \$1,014,000 and \$1,113,000, respectively. The aggregate benefits expected to be paid in the five years from 2016 to 2020 are \$6,868,000. The Company plans to contribute \$1,275,000 to the Plan in 2011.

The fair value of plan assets as of December 31, 2010 is as follows:

Asset Category	Percent	Total	Level 1	Level 2	Level 3
		(Dollars in thousands)			
Collective funds	46.1%	\$ 9,186	\$ 5,467	\$ 3,719	\$
Equity securities	27.8%	5,531	5,531		
Mutual funds	14.7%	2,928	2,928		
Hedge funds	7.1%	1,431			1,431
Short term investments	4.3%	855		855	
	100.0%	\$ 19,931	\$ 13,926	\$ 4,574	\$ 1,431

The fair value of plan assets as of December 31, 2009 is as follows:

Asset Category	Percent	Total	Level 1	Level 2	Level 3
		(Dollars in thousands)			
Collective funds	41.1%	\$ 7,038	\$ 2,057	\$ 4,981	\$
Equity securities	25.8%	4,400	4,400		
Mutual funds	14.5%	2,476	2,282	194	
Hedge funds	7.7%	1,319			1,319
Short term investments	10.9%	1,854		1,854	
	100.0%	\$ 17,087	\$ 8,739	\$ 7,029	\$ 1,319

The Bank's fair value of major categories of pension plan assets are summarized above.

LEVEL 1

The plan assets measured at fair value in Level 1 are based on quoted market prices in an active exchange market.

LEVEL 2

Plan assets measured at fair value in Level 2 are based on pricing models that consider standard input factors, such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)****LEVEL 3**

Plan assets measured at fair value in Level 3 are based on unobservable inputs, which includes SBERA's assumptions and the best information available under the circumstance. Level 3 assets consist of hedge funds. The underlying assets are valued based upon quoted exchange prices, over-the-counter trades, bid/ask prices, relative value assessments based on market conditions, and other information, as available. Further adjustments may be made based on factors impacting liquidity.

The changes in Level 3 securities are shown in the table below:

Year Ended December 31,	2010	2009
	(Dollars in thousands)	
Balance at beginning of year	\$ 1,319	\$ 1,174
Actual return assets still being held	112	145
Actual return assets sold during year		
Purchases		
Sales		
Maturities		
Transfers		
Balance at end of year	\$ 1,431	\$ 1,319

The performance of the plan assets is dependent upon general market conditions and specific conditions related to the issuers of the underlying securities.

The Company has a Supplemental Executive Insurance/Retirement Plan (the Supplemental Plan), which is limited to certain officers and employees of the Company. The Supplemental Plan is voluntary and participants are required to contribute to its cost. Under the Supplemental Plan, each participant will receive a retirement benefit based on compensation and length of service. Individual life insurance policies, which are owned by the Company, are purchased covering the lives of each participant.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

Prior to 2008, the measurement date for the Supplemental Plan was September 30 for each year. Beginning in 2008, the measurement date was changed to December 31 in accordance with FASB ASC 715-20. The benefits expected to be paid in each year from 2011 to 2015 are \$1,115,000, \$1,054,000, \$1,053,000, \$1,051,000 and \$1,037,000, respectively. The aggregate benefits expected to be paid in the five years from 2016 to 2020 are \$8,022,000.

	Defined Benefit Pension Plan		Supplemental Insurance/ Retirement Plan	
	2010	2009	2010	2009
	(Dollars in thousands)			
Change projected in benefit Obligation				
Benefit obligation at beginning of year	\$ 24,247	\$ 21,413	\$ 16,906	\$ 15,768
Service cost	851	792	588	469
Interest cost	1,334	1,240	892	934
Actuarial (gain)/loss	5	1,396	(485)	782
Benefits paid	(644)	(594)	(1,048)	(1,047)
Projected benefit obligation at end of year	\$ 25,793	\$ 24,247	\$ 16,853	\$ 16,906
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 17,087	\$ 14,059		
Actual (loss) return on plan assets	2,213	2,347		
Employer contributions	1,275	1,275		
Benefits paid	(644)	(594)		
Fair value of plan assets at end of year	\$ 19,931	\$ 17,087		
(Unfunded) Funded status	\$ (5,862)	\$ (7,160)	\$ (16,853)	\$ (16,906)
Accumulated benefit obligation	\$ 23,485	\$ 21,939	\$ 15,551	\$ 15,030
Weighted-average assumptions as of December 31				
Discount rate Liability	5.50%	5.50%	5.50%	5.50%
Discount rate Expense	5.50%	5.75%	5.50%	5.75%
Expected return on plan assets	8.00%	8.00%	NA	NA
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%
Components of net periodic benefit cost				
Service cost	\$ 851	\$ 792	\$ 588	\$ 469
Interest cost	1,334	1,240	892	934
Expected return on plan assets	(1,367)	(1,128)		
Recognized prior service cost	(104)	(113)	110	110
Recognized net losses	634	696	129	139
Net periodic cost	\$ 1,348	\$ 1,487	\$ 1,719	\$ 1,652

Other changes in plan assets and benefit obligations recognized in other comprehensive income								
Amortization of prior service cost	\$	104	\$	113	\$	(110)	\$	(110)
Net (gain) loss		(1,475)		(519)		(614)		643
Total recognized in other comprehensive income		(1,371)		(406)		(724)		533
Total recognized in net periodic benefit cost and other comprehensive income								
	\$	(23)	\$	1,081	\$	995	\$	2,185

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

The following table summarizes amounts recognized in Accumulated Other Comprehensive Loss as of:

	December 31, 2010			December 31, 2009		
	Plan	Supplemental Plan	Total	Plan	Supplemental Plan	Total
	(Dollars in thousands)					
Prior service cost	\$ 828	\$ (1,330)	\$ (502)	\$ 932	\$ (1,440)	\$ (508)
Net actuarial loss	(7,823)	(3,658)	(11,481)	(9,298)	(4,272)	(13,570)
Total	\$ (6,995)	\$ (4,988)	\$ (11,983)	\$ (8,366)	\$ (5,712)	\$ (14,078)

The following table summarizes the amounts included in Accumulated Other Comprehensive Loss at December 31, 2010, expected to be recognized as components of net periodic benefit cost in the next year:

	Plan	Supplemental Plan
Amortization of prior service cost to be recognized in 2011	\$ (104)	\$ 110
Amortization of loss to be recognized in 2011	494	131

Assumptions for the expected return on plan assets and discount rates in the Company's Plan and Supplemental Plan are periodically reviewed. As part of the review, management in consultation with independent consulting actuaries performs an analysis of expected returns based on the plan's asset allocation. This forecast reflects the Company's and actuarial firm's expected return on plan assets for each significant asset class or economic indicator. The range of returns developed relies on forecasts and on broad market historical benchmarks for expected return, correlation and volatility for each asset class. Also, as a part of the review, the Company's management in consultation with independent consulting actuaries performs an analysis of discount rates based on expected returns of high grade fixed income debt securities.

The Company offers a 401(k) defined contribution plan for all employees reaching minimum age and service requirements. The plan is voluntary and employee contributions are matched by the Company at a rate of 33.3% for the first 6% of compensation contributed by each employee. The Company's match totaled \$244,000 for 2010, \$261,000 for 2009 and \$265,000 for 2008. Administrative costs associated with the plan are absorbed by the Company.

The Company has a cash incentive plan that is designed to reward our executives and officers for the achievement of annual financial performance goals of the Company as well as business line, department and individual performance. The plan supports the philosophy that management be measured for their performance as a team in the attainment of these goals. There were no payments under this plan for 2008, 2009 and 2010. Discretionary bonus expense amounted to \$600,000, \$403,000 and \$348,000 in 2010, 2009, and 2008, respectively.

The Company does not offer any postretirement programs other than pensions.

16. Commitments and Contingencies

A number of legal claims against the Company arising in the normal course of business were outstanding at December 31, 2010. Management, after reviewing these claims with legal counsel, is of the opinion that their resolution will not have a material adverse effect on the Company's consolidated financial position or results of operations.

17. Financial Instruments with Off-Balance-Sheet Risk

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments primarily include commitments to originate and sell loans, standby letters of credit, unused lines of credit and unadvanced portions of construction loans. The

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet. The contract or notational amounts of those instruments reflect the extent of involvement the Company has in these particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for loan commitments, standby letters of credit and unadvanced portions of construction loans is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Financial instruments with off-balance-sheet risk at December 31 are as follows:

Contract or Notational Amount

	2010	2009
	(Dollars in thousands)	
Financial instruments whose contract amount represents credit risk:		
Commitments to originate 1-4 family mortgages	\$ 14,635	\$ 1,262
Standby and commercial letters of credit	4,935	8,904
Unused lines of credit	169,862	143,556
Unadvanced portions of construction loans	22,337	22,699
Unadvanced portions of other loans	3,337	4,407

Commitments to originate loans, unadvanced portions of construction loans, unused lines of credit and unused letters of credit are generally agreements to lend to a customer provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)****18. Other Operating Expenses**

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in thousands)		
Marketing	\$ 1,747	\$ 1,518	\$ 1,482
Processing services	884	981	828
Legal and audit	1,042	1,284	994
Postage and delivery	788	882	922
Software maintenance/amortization	874	794	807
Supplies	656	662	698
Consulting	736	733	832
Telephone	691	585	626
Core deposit tangible amortization	388	388	388
Insurance	294	304	322
Director s fees	290	256	229
Other	1,450	1,261	1,552
Total	\$ 9,840	\$ 9,648	\$ 9,680

19. Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating fair values of its financial instruments. Excluded from this disclosure are all nonfinancial instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

CASH AND CASH EQUIVALENTS

The carrying amounts reported in the balance sheet for cash and cash equivalents approximate the fair values of these assets because of the short-term nature of these financial instruments.

SHORT-TERM INVESTMENTS

The fair value of short-term investments is estimated using the discounted value of contractual cash flows. The discount rate used is estimated based on the rates currently offered for short-term investments of similar remaining maturities.

SECURITIES HELD-TO-MATURITY AND SECURITIES AVAILABLE-FOR-SALE

The fair value of these securities were based on quoted market prices, where available, as provided by third-party investment portfolio pricing vendors. If quoted market prices were not available, fair values provided by the vendors were based on quoted market prices of comparable instruments in active markets and/or based on a matrix pricing

methodology which employs The Bond Market Association's standard calculations for cash flow and price/yield analysis, live benchmark bond pricing and terms/condition data available from major pricing sources. Management regards the inputs and methods used by third party pricing vendors to be Level 2 inputs and methods as defined in the fair value hierarchy provided by FASB.

LOANS

For variable-rate loans, which reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair value of other loans is estimated using discounted cash flow analysis, based on

Table of Contents

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Incremental credit risk for nonperforming loans has been considered.

ACCRUED INTEREST RECEIVABLE AND PAYABLE

The carrying amounts for accrued interest receivable and payable approximate fair values because of the short-term nature of these financial instruments.

DEPOSITS

The fair value of deposits, with no stated maturity, is equal to the carrying amount. The fair value of time deposits is based on the discounted value of contractual cash flows, applying interest rates currently being offered on the deposit products of similar maturities. The fair value estimates for deposits do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of alternative forms of funding (deposit base intangibles).

REPURCHASE AGREEMENTS AND OTHER BORROWED FUNDS

The fair value of repurchase agreements and other borrowed funds is based on the discounted value of contractual cash flows. The discount rate used is estimated based on the rates currently offered for other borrowed funds of similar remaining maturities.

SUBORDINATED DEBENTURES

The fair value of subordinated debentures is based on the discounted value of contractual cash flows. The discount rate used is estimated based on the rates currently offered for other subordinated debentures of similar remaining maturities.

OFF-BALANCE-SHEET INSTRUMENTS

The fair values of the Company's unused lines of credit and unadvanced portions of construction loans, commitments to originate and sell loans and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)**

The carrying amounts and fair values of the Company's financial instruments at December 31 are as follows:

	2010		2009	
	Carrying	Fair Value	Carrying	Fair Value
	Amounts	(Dollars in thousands)	Amounts	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 188,552	\$ 188,552	\$ 398,642	\$ 398,642
Short-term investments	113,918	114,134	18,518	18,665
Securities available-for-sale	909,391	909,391	647,796	647,796
Securities held-to-maturity	230,116	233,524	217,643	221,413
Net loans	892,111	913,394	864,752	876,197
Accrued interest receivable	6,601	6,601	5,806	5,806
Financial liabilities:				
Deposits	1,902,023	1,908,125	1,701,987	1,706,271
Repurchase agreement and other borrowed funds	330,668	334,872	352,769	359,989
Subordinated debentures	36,083	38,749	36,083	36,136
Accrued interest payable	1,003	1,003	1,116	1,116
Standby letters of credit		68		93

LIMITATIONS

Fair value estimates are made at a specific point in time, based on relevant market information and information about the type of financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Bank's entire holdings of a particular financial instrument. Because no active market exists for some of the Bank's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, cash flows, current economic conditions, risk characteristics and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions and changes in the loan, debt and interest rate markets could significantly affect the estimates. Further, the income tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on the fair value estimates and have not been considered.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)****20. Quarterly Results of Operations (unaudited)**

	2010 Quarters			
	Fourth	Third	Second	First
	(In thousands, except share data)			
Interest income	\$ 19,122	\$ 18,628	\$ 19,325	\$ 19,508
Interest expense	5,811	6,040	6,183	6,783
Net interest income	13,311	12,588	13,142	12,725
Provision for loan losses	1,350	1,200	1,450	1,575
Net interest income after provision for loan losses	11,961	11,388	11,692	11,150
Other operating income	4,223	3,412	4,105	4,259
Operating expenses	11,895	11,313	12,598	11,566
Income before income taxes	4,289	3,487	3,199	3,843
Provision for income taxes	365	220	238	421
Net income	\$ 3,924	\$ 3,267	\$ 2,961	\$ 3,422
Share data:				
Average shares outstanding, basic	5,537,776	5,535,548	5,530,297	5,530,297
Average shares outstanding, diluted	5,539,639	5,537,120	5,532,980	5,533,070
Earnings per share, basic	\$ 0.71	\$ 0.59	\$ 0.54	\$ 0.62
Earnings per share, diluted	\$ 0.71	\$ 0.59	\$ 0.54	\$ 0.62

	2009 Quarters			
	Fourth	Third	Second	First
	(In thousands, except share data)			
Interest income	\$ 19,786	\$ 20,037	\$ 20,194	\$ 19,583
Interest expense	7,337	7,363	8,232	8,791
Net interest income	12,449	12,674	11,962	10,792
Provision for loan losses	2,475	1,250	1,050	1,850
Net interest income after provision for loan losses	9,974	11,424	10,912	8,942
Other operating income	4,861	3,399	3,540	4,670
Operating expenses	11,418	11,228	12,283	11,450

Edgar Filing: CENTURY BANCORP INC - Form 10-K

Income before income taxes	3,417	3,595	2,169	2,162
Provision for income taxes	332	413	162	276
Net income	\$ 3,085	\$ 3,182	\$ 2,007	\$ 1,886
Share data:				
Average shares outstanding, basic	5,530,297	5,530,297	5,530,724	5,537,781
Average shares outstanding, diluted	5,533,943	5,533,622	5,531,329	5,537,781
Earnings per share, basic	\$ 0.56	\$ 0.58	\$ 0.36	\$ 0.34
Earnings per share, diluted	\$ 0.56	\$ 0.58	\$ 0.36	\$ 0.34

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)****21. Parent Company Financial Statements**

The balance sheets of Century Bancorp, Inc. (Parent Company) as of December 31, 2010 and 2009 and the statements of income and cash flows for each of the years in the three-year period ended December 31, 2010, are presented below. The statements of changes in stockholders' equity are identical to the consolidated statements of changes in stockholders' equity and are therefore not presented here.

Balance Sheets

	December 31,	
	2010	2009
	(Dollars in thousands)	
ASSETS:		
Cash	\$ 27,352	\$ 29,488
Investment in subsidiary, at equity	151,303	135,459
Other assets	2,560	3,973
Total assets	\$ 181,215	\$ 168,920
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Liabilities	\$ 107	\$ 107
Subordinated debentures	36,083	36,083
Stockholders' equity	145,025	132,730
Total liabilities and stockholders' equity	\$ 181,215	\$ 168,920

Statements of Income

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in thousands)		
Income:			
Dividends from subsidiary	\$	\$ 2,766	\$ 4,778
Interest income from deposits in bank	156	409	884
Other income	72	72	72
Total income	228	3,247	5,734
Interest expense	2,400	2,400	2,400
Operating expenses	172	200	165

Income before income taxes and equity in undistributed income of subsidiary	(2,344)	647	3,169
Benefit from income taxes	(797)	(720)	(547)
Income before equity in undistributed income of subsidiary	1,547	1,367	3,716
Equity in undistributed income of subsidiary	15,121	8,793	5,330
Net income	\$ 13,574	\$ 10,160	\$ 9,046

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)***Statements of Cash Flows*

	December 31,		
	2010	2009	2008
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 13,574	\$ 10,160	\$ 9,046
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed income of subsidiary	(15,121)	(8,793)	(5,330)
Depreciation and amortization	12	12	12
Increase in other assets	1,422	(1,197)	(286)
Increase (decrease) in liabilities		(5)	5
Net cash provided by operating activities	(113)	177	3,447
CASH FLOWS FROM FINANCING ACTIVITIES:			
Stock repurchases		(107)	(84)
Net proceeds from the exercise of stock options	150		
Cash dividends paid	(2,173)	(2,170)	(2,174)
Net cash used in financing activities	(2,023)	(2,277)	(2,258)
Net increase (decrease) in cash	(2,136)	(2,100)	1,189
Cash at beginning of year	29,488	31,588	30,399
Cash at end of year	\$ 27,352	\$ 29,488	\$ 31,588

Table of Contents

CENTURY BANCORP, INC.

Report of Independent Registered Public Accounting Firm

KPMG LLP

Independent Registered Public Accounting Firm
Two Financial Center
60 South Street
Boston, Massachusetts 02111-2759

The Board of Directors and Stockholders
Century Bancorp, Inc.:

We have audited the accompanying consolidated balance sheets of Century Bancorp, Inc. and its subsidiary as of December 31, 2010 and 2009 and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Bancorp, Inc. and its subsidiary as of December 31, 2010 and 2009 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Century Bancorp, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 24, 2011, expressed an unqualified opinion on the effectiveness of the company's internal control over financial reporting.

Boston, Massachusetts
February 24, 2011

Table of Contents

CENTURY BANCORP, INC.

Report of Independent Registered Public Accounting Firm

KPMG LLP

Independent Registered Public Accounting Firm
Two Financial Center
60 South Street
Boston, Massachusetts 02111-2759

The Board of Directors and Stockholders
Century Bancorp, Inc.:

We have audited Century Bancorp, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Century Bancorp, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Century Bancorp, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Century Bancorp, Inc. as of December 31, 2010 and 2009 and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated February 24, 2011, expressed an unqualified opinion on those consolidated financial statements.

Boston, Massachusetts
February 24, 2011

Table of Contents

CENTURY BANCORP, INC.

Management's Report on Internal Control Over Financial Reporting

CENTURY BANCORP, INC.

400 Mystic Avenue
Medford, Massachusetts 02155

We, together with the other members of Century Bancorp, Inc. and our subsidiary (the Company), are responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*. Based on our assessment, we believe that, as of December 31, 2010, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. Their report appears on page 82.

Barry R. Sloane
President & CEO

William P. Hornby, CPA
Chief Financial Officer & Treasurer

February 24, 2011

Table of Contents**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The directors of the Company and their ages are as follows:

Name	Age	Position
George R. Baldwin	67	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Roger S. Berkowitz	58	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Marshall I. Goldman, Ph.D.	80	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Russell B. Higley, Esquire	71	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Jackie Jenkins-Scott	61	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Linda Sloane Kay	49	Director, Century Bancorp, Inc.; Director and Executive Vice President, Century Bank and Trust Company
Fraser Lemley	70	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Joseph P. Mercurio	62	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Joseph J. Senna, Esquire	71	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Barry R. Sloane	55	Director, President and Chief Executive Officer, Century Bancorp, Inc.; Director, President and Chief Executive Officer, Century Bank and Trust Company
Marshall M. Sloane	84	Chairman of the Board, Century Bancorp, Inc. and Century Bank and Trust Company
Stephanie Sonnabend	57	Director, Century Bancorp, Inc., and Century Bank and Trust Company
George F. Swansburg	68	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Jon Westling	68	Director, Century Bancorp, Inc., and Century Bank and Trust Company

Mr. Baldwin became a director of the Company in 1996. He has been a director of Century Bank and Trust Company since 1995. Mr. Baldwin is President and CEO of G. Baldwin & Co., a financial service firm. He was formerly CEO, Owner and Director of Kaler Carney Liffler, a multi state regional insurance agency; and subsequently he became Chairman of New England of Arthur J. Gallagher & Co., America's third largest insurance broker. Mr. Baldwin's extensive three-decade background in banking and insurance is relevant to Century's insurance and financial customers and qualifies him to continue to serve as a director of the Company.

Mr. Berkowitz became a director of the Company in 1996. He was elected a director of Century Bank/Suffolk in 1989 and has been a director of Century Bank and Trust Company since the banks merged in 1992. Mr. Berkowitz is President and CEO of Legal Sea Foods, Inc. Mr. Berkowitz' experience as CEO of a major retail organization and expertise in the restaurant industry, which is relevant to retail customers of the Company, has qualified him to serve as a director of the Company. Also, his tenure and experience as a director of the Company has qualified him to continue to serve.

Dr. Goldman has been a director of the Company since its organization in 1972. He was also a founding director of Century Bank and Trust Company in 1969. He is a Professor Emeritus of Economics at Wellesley College and Senior Scholar of the Davis Center for Russian Studies at Harvard University. Dr. Goldman is also a

Table of Contents

Trustee of Northeast Investors Trust. Dr. Goldman's experience as a professor and expertise in economics has qualified him to serve as director of the Company. Also, his tenure and experience as a director of the Company has qualified him to continue to serve.

Mr. Higley became a director of the Company in 1996. He has been a director of Century Bank and Trust Company since 1986. Mr. Higley is an attorney in private practice. Mr. Higley's experience as an attorney and expertise in the real estate industry, which is relevant to real estate customers of the Company, has qualified him to serve as director of the Company. Also, his tenure and experience as a director of the Company has qualified him to continue to serve.

Ms. Jenkins-Scott became a director of the Company and of Century Bank and Trust Company in 2006. Ms. Jenkins-Scott is President of Boston's Wheelock College. Ms. Jenkins-Scott's experience as President of a college and expertise in the educational field as well as President and CEO of a non-profit entity, which is relevant to certain customer relationships of the Company, has qualified her to serve as director of the Company.

Ms. Kay became a director of the Company in 2005. Ms. Kay joined Century Bank and Trust Company in 1983 as Assistant Vice President of Marketing and currently serves as Executive Vice President. Ms. Kay's experience in business development at Century Bank and Trust Company has qualified her to serve as director of the Company.

Mr. Lemley became a director of the Company in 1996. He has been a director of Century Bank and Trust Company since 1988. Mr. Lemley is Chairman of the Board and CEO of Sentry Auto Group. Mr. Lemley's experience as CEO of a company and expertise in the automotive industry, which is relevant to certain other customers in the automotive industry of the Company, has qualified him to serve as director of the Company. Also, his tenure and experience as a director of the Company has qualified him to continue to serve.

Mr. Mercurio became a director of the Company in 1990 and a director of Century Bank and Trust Company in 1995 and voluntarily resigned in 2004. He was then re-elected in 2010. Mr. Mercurio is Executive Vice President of Boston University. Mr. Mercurio's experience in the educational field, which is relevant to certain customer relationships of the Company, has qualified him to serve as director of the Company. Also, his tenure and experience as a director of the Company has qualified him to continue to serve.

Mr. Senna became a director of the Company in 1986. He has been a director of Century Bank and Trust Company since 1979. Mr. Senna is an attorney and managing partner of C&S Capital Properties, LLC, a real estate management and development firm. Mr. Senna's experience as an attorney and expertise in the real estate industry, which is relevant to real estate related customers in addition to his years of service as Chairman of the Audit Committee, has qualified him to serve as director of the Company. Also, his tenure and experience as a director of the Company has qualified him to continue to serve.

Mr. Barry R. Sloane has been a director of the Company and Century Bank and Trust Company since 1997. Mr. Sloane is President and CEO of Century Bancorp and President and CEO of Century Bank and Trust Company. Mr. Sloane is also a director of BGC Partners, Inc., and a trustee of the Savings Bank Employee Retirement System (SBERA). Mr. Sloane's experience at the Company as well as his experience at other financial services companies and expertise in the financial services industry has qualified him to serve as director of the Company.

Mr. Marshall M. Sloane is the founder of the Company and is currently the Chairman of the Board. He founded Century Bank and Trust Company in 1968 and is currently the Chairman of the Board. Mr. Sloane's extensive banking experience qualifies him to serve as Chairman of the Board.

Ms. Sonnabend became a director of the Company in 1997. She has been a director of Century Bank and Trust Company since 1997. Ms. Sonnabend is CEO, President and director of Sonesta International Hotels

Corporation. Ms. Sonnabend's experience as CEO of a major hotel company and expertise in the real estate and travel and leisure industry, which is relevant to travel and leisure related customers of the Company, has qualified her to serve as a director of the Company. Also, her tenure and experience as a director of the Company has qualified her to continue to serve.

Mr. Swansburg became a director of the Company in 1986. He has been a director of Century Bank and Trust Company since 1992. From 1992 to 1998 he was President and Chief Operating Officer of Century Bank and

Table of Contents

Trust Company. He is now retired from Century Bank and Trust Company. Mr. Swansburg's experience as President and Chief Operating Officer of Century Bank and Trust Company and expertise in the banking industry has qualified him to serve as a director of the Company. Also, his tenure and experience as a director of the Company has qualified him to continue to serve.

Mr. Westling became a director of the Company in 1996. He has been a director of Century Bank and Trust Company since 1995. Mr. Westling is President Emeritus and Professor of History and Humanities of Boston University. Mr. Westling's experience as president of a University and expertise in the educational field, which is relevant to certain customer relationships of the Company, has qualified him to serve as director of the Company. Also, his tenure and experience as a director of the Company has qualified him to continue to serve.

All of the Company's directors are elected annually and hold office until their successors are duly elected and qualified. A majority of the members of the Company's Board of Directors have been determined by the Company's Board of Directors to be independent within the meaning of current FINRA listing standards. There are no family relationships between any of the directors or executive officers, except that Barry R. Sloane is the son of Marshall M. Sloane and Linda Sloane Kay is the daughter of Marshall M. Sloane.

Executive officers are elected annually by the Board prior to the Annual Meeting of Shareholders to serve for a one year term and until their successors are elected and qualified. The following table sets forth the name and age of each executive officer of the Company and the principal positions and offices he/she holds with the Company.

Marshall M. Sloane	Chairman of the Board of the Company and Century Bank and Trust Company. Mr. Sloane is 84 years old.
Barry R. Sloane	Director, President and CEO; Director, President and CEO, Century Bank and Trust Company. Mr. Sloane is 55 years old.
William P. Hornby	Chief Financial Officer and Treasurer; Chief Financial Officer and Treasurer, Century Bank and Trust Company. Mr. Hornby is 44 years old. He joined the Company in 2007. Formerly he was Senior Vice President at Capital Crossing Bank.
Paul A. Evangelista	Executive Vice President, Century Bank and Trust Company with responsibility for retail, operations and marketing. Mr. Evangelista is 47 years old. He joined the Company in 1999.
Brian J. Feeney	Executive Vice President, Century Bank and Trust Company, Head of Institutional Services Group. Mr. Feeney is 50 years old.
Linda Sloane Kay	Executive Vice President, Century Bank and Trust Company with responsibility for business development. Ms. Kay is 49 years old. She joined the Company in 1983.
David B. Wootton	Executive Vice President, Century Bank and Trust Company with responsibility for lending. Mr. Wootton is 55 years old. He joined the Company in 1999.

Table of Contents

The Audit Committee

The Audit Committee meets with KPMG LLP, the Company's independent registered public accounting firm, in connection with the annual audit and quarterly reviews of the Company's financial statements. The Audit Committee is composed of four directors, Joseph J. Senna, Chair, George R. Baldwin, Stephanie Sonnabend, and Jon Westling, each of whom the Board of Directors has determined is independent under current FINRA listing standards. The Board of Directors has determined that Mr. Senna qualifies as an audit committee financial expert, as that term is defined in Item 401(h) of Regulation S-K promulgated by the SEC. The Audit Committee reviews the findings and recommendations of the FRB, FDIC, and Massachusetts Bank Commissioner's staff in connection with their examinations and the internal audit reports and procedures for the Company and its subsidiaries. The Audit Committee met five times during 2010.

Audit Committee Report

The Audit Committee of the Company's Board of Directors is responsible for providing independent, objective oversight of the Company's accounting functions and internal controls. The Audit Committee operates under a written charter first adopted and approved by the Board of Directors in 2000. The Audit Committee has reviewed and reassessed its Charter. A copy of the Audit Committee Charter was last published in the 10-K for the period ending December 31, 2009.

Management is responsible for the Company's internal controls and financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue their reports thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

The Audit Committee has reviewed and discussed the audited financial statements with management and the independent registered public accounting firm. The Audit Committee has also discussed with KPMG LLP, the independent registered public accounting firm for the Company, the matters required to be discussed by Codification of Statements on Auditing Standards, which we refer to as SAS, No. 114, as amended (American Institute of Certified Public Accountants, Professional Standards, Vol. 1, AU section 380) as adopted by the PCAOB in Rule 3200T. SAS No. 114 requires KPMG LLP to discuss with our Audit Committee, among other things the following:

Views about the qualitative aspects of our accounting practices, including policies and estimates and financial statement disclosures.

Significant difficulties, if any, encountered during the audit.

Uncorrected misstatements, other than those that KPMG LLP believes are trivial, if any.

Disagreements with management, if any.

Other findings or issues, if any, arising from the audit that in KPMG LLP judgment, are significant and relevant to those charged with governance with respect to their oversight of the financial reporting process.

The Audit Committee has also received the written disclosures and letter from KPMG LLP, the independent registered public accounting firm as required by applicable requirements of the Public Company Accounting Oversight Board. Our Audit Committee has discussed with KPMG LLP the firm's independence, including a review of audit and non-audit fees and services, and concluded that KPMG LLP is independent.

Based on the review and discussions referred to in the paragraph above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the Securities and Exchange Commission.

/s/ Joseph J. Senna, Chair

/s/ George R. Baldwin

/s/ Stephanie Sonnabend

/s/ Jon Westling

Table of Contents

Nominating Committee

The Company's Nominating Committee has three director members, Marshall I. Goldman, Stephanie Sonnabend and Jon Westling, each of whom the Board of Directors has determined to be independent under the NASDAQ current listing standards. The Nominating Committee operates pursuant to a written policy. The nominating committee implements the process by identifying a potential candidate and evaluating whether the candidate is eligible and qualified for service. The Committee has developed criteria for the selection of new directors to the Board, including but not limited to, diversity, age, skills, experience, time availability (including the number of other boards a director candidate sits on), NASDAQ listing standards, applicable federal and state laws and regulations, Board and Company needs and such other criteria as the Committee shall determine to be relevant. The committee's effectiveness is assessed by reviewing existing Board of Directors attendance and performance; experience, skills and contributions that the existing Director brings to the Board; and independence, prior to nominating an existing director for reelection.

Board Leadership Structure

During 2006, Chairman of the Board and CEO, Marshall M. Sloane, implemented a careful succession plan. At that time the Company decided to separate the CEO and Chairman's position. The positions were separated to retain Marshall M. Sloane, who is a valuable asset given his history with the Company and his experience, as Chairman. The Company also decided that the most effective way to manage the Company would be to create Co-CEO positions for Barry R. Sloane and Jonathan G. Sloane. During 2010, the Company accepted the voluntary resignation of Jonathan G. Sloane. Barry R. Sloane is the CEO. Marshall M. Sloane continues as Chairman of the Board.

Oversight of Risk

The Board oversees risk through various Board Committees which report directly to the Board. Also, various committees comprised of Company management report to the Board.

The principal Board Committees responsible for overseeing the various elements of risk are the Audit Committee, the Asset Liability Committee and the Executive Committee. The Audit Committee is responsible for monitoring all elements of risk, primarily through its oversight of the internal audit program. The Asset Liability Committee monitors interest rate risk principally through management's models and simulations. The Executive Committee monitors credit risk through its review of large originators, classified assets, the calculation of the allowance for loan losses and concentrations of credits.

The principal committees comprised of management are Management Committee, Corporate Risk Management Committee, Loan Approval Committee and Asset Liability Pricing Committee. Management Committee is comprised of senior management and is responsible for overseeing all elements of risk. The Corporate Risk Management Committee meets quarterly to address specific elements of risk. Loan Approval Committee is responsible for overseeing credit risk. The Asset Liability Committee oversees interest rate risk. The committees comprised of management report to the Board of Directors, as needed, through senior management's attendance and reporting at Board of Directors meetings.

Code of Ethics

The Company has adopted a Code of Ethics that applies to its principal executive officers, principal financial officer, principal accounting officer or persons performing similar functions. A copy of the Company's Code of Ethics may be obtained upon written request to Investor Relations, Century Bancorp, Inc., 400 Mystic Avenue, Medford,

Massachusetts 02155.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely on a review of the copies of Forms 3, 4 and 5 and amendments thereto, if any, and any written representations furnished to the Company, none of the Company's officers, Directors or beneficial owners of more

Table of Contents

than 10% of the Company's Class A Common Stock failed to file on a timely basis reports required by Section 16 of the Securities Exchange Act of 1934 during the fiscal year ended December 31, 2010, or in prior fiscal years.

ITEM 11. EXECUTIVE COMPENSATION

The following is a discussion and analysis of our executive compensation policies and practices with respect to compensation reported for fiscal year 2010.

Introduction

The following discussion and analysis includes separate sections on:

The Composition and Responsibilities of the Compensation Committee

The Company's Executive Compensation Conclusion

Compensation Discussion and Analysis

Philosophy and Objectives of the Company

Compensation Process

Compensation Consultant

Compensation Components

Post-Employment Compensation

Chief Executive Officer Compensation

Executive Officer Compensation

Consulting Services Agreements

Employment Agreements

Report of the Compensation Committee

Composition and Responsibilities of the Compensation Committee

The Compensation Committee is a committee of the Board of Directors composed of Fraser Lemley as Chairman, Jon Westling and Roger S. Berkowitz, each of whom the Board has determined is independent as defined by the FINRA current listing standards.

The Compensation Committee oversees compensation programs applicable to employees at all levels of the Company and makes decisions regarding executive compensation that is intended to align total compensation with business objectives and enable the Company to attract, retain and reward individuals who are contributing to the Company's success.

The Compensation Committee reviews the Company's cash incentive, stock incentive, retirement, and benefit plans and makes its recommendations to the Board with respect to these areas.

All decisions with respect to executive and director compensation are approved by the Compensation Committee and recommended to the full Board for ratification.

The Company's Executive Compensation Conclusion

Based upon review, the Compensation Committee and the Board of Directors found the Company's Chief Executive Officer's, the Chief Financial Officer's and the other Named Executive Officers' total compensation to be reasonable. In addition to the other factors noted, the Committee and the Board considered that the Company maintains only one change of control provision, one separation agreement and did not award stock incentive awards for fiscal year 2010. It should be noted that when the Committee and the Board considers any component of executive compensation, the mix and aggregate amounts of all components are taken into consideration.

Table of Contents

Compensation Discussion and Analysis

Philosophy and Objectives of Company

The Company's executive compensation philosophy is based on the following principles:

Compensation programs should be designed to attract and retain executives, to motivate them to achieve and to reward them appropriately for their performance.

Compensation should be competitive and equitable in light of the executive's responsibilities, experience, and performance and take into consideration the following:

Provide annual compensation that takes into account the Company's performance with respect to its financial and strategic objectives, the performance of functions and business areas under the executive's management and the results of established goals;

Align the financial interests of the executive with those of shareholders by providing both short-term and long-term incentives;

Offer a total compensation program for each executive based on (i) the level of responsibility of the executive's position, (ii) the experience and skills necessary relative to the other senior management positions, (iii) comparison of compensation to similarly positioned executives of peer financial institutions; and

Evaluate the overall compensation of our executives in light of general economic and specific company, industry and competitive considerations.

Compensation Process

The Company maintains governance practices to ensure that it can reach its compensation-related decisions in an informed and appropriate manner.

Base salaries, which are the Company's major element of compensation, are reviewed for executive officers and employees at the regularly scheduled fall meeting of the Compensation Committee. At this meeting the Committee also reviews and adopts, as appropriate, proposals for the cash incentive plan for the new fiscal year, stock option grants, additions, amendments, modifications or terminations of retirement and benefit programs.

The Compensation Committee's process incorporates the following:

The Committee operates under a written charter which is periodically reviewed.

The Committee meets with representatives of management to review and discuss prepared materials and issues.

The Committee considers recommendations from the Chief Executive Officer with respect to the compensation of the Company's Named Executive Officers.

Our independent compensation consultant attends Committee meetings as requested.

The Committee meets and deliberates privately without management present. Our consultant participates in these sessions as requested.

The Committee may consult with the non-management and independent directors regarding decisions affecting Executive compensation.

The Committee reports the Committee's major actions to the entire Board at the Board of Directors meeting in December or the following January.

The Committee recommends for approval to the Board of Directors the fees for our Board and Board Committees.

The Board of Directors then considers the report of the Compensation Committee and accepts or amends and approves or ratifies all matters presented for consideration.

Table of Contents

To the extent permitted by applicable law, the Committee or the Board may delegate to management certain of its duties and responsibilities, including with respect to the adoption, amendment, modification or termination of benefit plans and with respect to the awards of stock options under certain stock plans.

Compensation Consultant

When making determinations regarding the compensation paid to our executives the Compensation Committee and the Board of Directors rely, in part, on the expertise of our independent compensation consultant, Thomas Warren & Associates, to conduct an assessment of our executive compensation. In addition to conferring with certain executives, the consultant works with internal company support staff to obtain compensation and market data. Thomas Warren identifies a group of peer companies in consideration of such factors as asset size, geography, type of financial services offered and the complexity and scope of operations and makes use of executive compensation comparisons, published surveys and peer analyses.

The Compensation Committee and the Board of Directors took his recommendations into consideration when setting base salaries for fiscal 2010.

Compensation Components

With respect to Executive compensation, the Company reviews the mix of base salary, cash and stock based incentive plans and benefits for our individual executives, however, there is no specific formula for allocating between cash and non-cash compensation. The competitiveness of total compensation potential for our executives is reviewed against industry practices and the Company's peers as identified by our independent compensation consultant. The major elements of the Company's executive compensation package (i.e., base salary, cash and stock based incentive plans) are similar to those found in many companies.

Base Salary Compensation:

When evaluating executive base salary compensation, the Company takes into consideration such factors as:

The attainment of business and strategic goals and the financial performance of the Company;

The importance, complexity, and level of responsibility of the executive's position within the organizational structure;

The performance of the executive's business area's goals and the accomplishment of objectives for the previous year;

The difficulty of achieving desired results;

The value of the executive's unique skills, abilities and general management capabilities to support the long-term performance of the Company;

The executive's contribution as a member of the Executive Management Team.

While the Company reviews numerous quantitative and qualitative factors noted above when determining executive base salary compensation, the performance of the Company's stock is not generally considered a factor in this determination as the price of the Company's common stock is subject to various factors beyond the Company's control.

The Company believes that the price of the stock in the long-term will reflect the Company's operating performance and how well our executives manage the Company.

Ultimately, the Compensation Committee and the Board of Directors have the authority to use discretion when making executive compensation determinations after review of all the information that they deem relevant.

Cash Incentive Plan:

The Company has a discretionary cash incentive plan that is designed to reward our executives and officers for the achievement of annual financial performance goals of the Company as well as business line, department and

Table of Contents

individual performance. The plan supports the philosophy that management be measured for their performance as a team in the attainment of these goals.

Recipients of incentive compensation are selected by the Compensation Committee and approved by the Board of Directors, upon the recommendation of management, as eligible to participate in the plan.

Awards are based upon the attainment of established objectives including profitability, expense control, sales volumes and overall job performance. Awards are generally not granted unless the Company achieves certain financial targets.

Upon recommendation of the Compensation Committee, the Board of Directors determines the amounts, if any, to be awarded. In recognition of the Company's performance, discretionary awards were granted for fiscal 2010. Those for the Chief Executive Officer and the other Named Executive Officers are noted on the Summary Compensation Table.

Stock Option Plans:

During 2000 and 2004, common stockholders of the Company approved stock option plans (the Option Plans) to encourage ownership of Class A common stock of the Company by directors, officers and employees of the Company and its Affiliates and to provide additional incentives for them to promote the success of the Company's business through awards of or relating to shares of the Company's Class A common stock. Under the Option Plans, all officers and key employees of the Company are eligible to receive non-qualified and incentive stock options to purchase shares of Class A common stock. The Option Plans are administered by the Compensation Committee of the Board of Directors, whose members are ineligible to participate in the Option Plans. Based on management's recommendations, the Committee submits its recommendations to the Board of Directors as to persons to whom options are to be granted, the number of shares granted to each, the option price (which may not be less than 85% of the stocks trading value for non-qualified stock options, or the fair market value for incentive stock options, of the shares on the date of grant) and the time period over which the options are exercisable (not more than ten years from the date of the grant).

The Compensation Committee has complete discretion to make or select the manner of making all necessary determinations with respect to each option to be granted by the committee under the Option Plans including the director, employee, or officer to receive an Option. However, in determining the long-term incentive component (stock incentive plan) of executive compensation, the Committee does consider the Company's performance and relative shareholder return, the value of similar incentives awards at peer companies and the awards given in past years. The Committee may take into account the nature of the services provided by the respective officers, employees, and directors, their present and potential contributions to the success of the Company, and any other factors that the Compensation Committee, in its discretion, determines are relevant.

Option grants were not awarded in 2010.

Post-Employment Compensation

Defined Benefit Pension Plan:

The Company had a qualified Defined Benefit Pension Plan which had been offered to all employees reaching a minimum age and service requirement. In 2006 the Bank became a member of the Savings Bank Employee Retirement Association (SBERA) within which it maintains the qualified Defined Benefit Pension Plan. SBERA offers a common and collective trust as the underlying investment structure for pension plans participating in SBERA. The Trustee of SBERA, through SBERA's Investment Committee, selects investment managers for the common and collective trust portfolio. A professional advisory firm is retained by the Investment Committee to provide allocation analysis, performance measurement and to assist with manager searches. The overall investment objective is to

diversify equity investments across a spectrum of investment types. (e.g. small cap, large cap, international, etc) and styles (e.g. growth, value, etc.). The Company has closed the plan to employees hired after March 31, 2006.

Table of Contents

Benefits under the plan are based upon an employee's years of service and career average compensation. The 2010 increase in the actuarial present value of each Named Executive Officer's accumulated benefit under the plan is set forth in the Summary Compensation Table which appears below and the actuarial present value of each Named Executive Officer is set forth in the Pension Benefits Table which appears below.

401(k) Plan:

Our executives are eligible to participate in the Company's 401(k) contributory defined contribution plan. The Company contributes a matching contribution equal to 33.33% on the first 6% of the participant's compensation that has been contributed to the plan. Both Co-Chief Executive Officers and five of the Named Executive Officers participated in the 401(k) plan during fiscal 2010 and received matching contributions up to a maximum of \$4,900.

In fiscal 2007, the Company transferred administration of its 401(k) plan to SBERA who also operates the Company's Defined Benefit Pension Plan as noted above.

Supplemental Executive Insurance/Retirement Income Plan:

The Company has a Supplemental Executive Insurance/Retirement Plan (the Supplemental Plan) which is limited to select officers and employees of the Company.

Executive officers of the Company or its subsidiaries who have at least one year of service may participate in the Supplemental Plan. The Supplemental Plan is voluntary and participants are required to contribute to its cost. Under the Supplemental Plan, each participant will receive a retirement benefit based on compensation and length of service. Individual life insurance policies, which are owned by the Company, are purchased covering the lives of each participant.

Benefits under the Supplemental Plan are based upon an employee's years of service and highest three year average compensation. The 2010 increase in the actuarial present value of each Named Executive Officer's accumulated benefit under the Supplemental Plan is set forth in the Summary Compensation Table which appears below and the actuarial present value of each Named Executive Officer is set forth in the Supplemental Executive Insurance/Retirement Benefits Table which appears below.

Previously, the Company has entered into an agreement with Mr. Marshall Sloane to freeze his Supplemental Executive/Insurance Retirement Income Plan benefit. In consideration of this frozen benefit, the Company has acquired a life insurance policy providing a death benefit of \$25,000,000 upon the death of the survivor of Mr. Sloane or Mrs. Sloane. Mr. Sloane has elected 50% joint and survivor annuity. Under this plan he received \$523,639 in 2010.

Chief Executive Officer Compensation

The Company granted Chief Executive Officer, Barry R. Sloane a 3% salary increase in 2010. In recognition of the Company's financial performance in 2010, the Company also granted a \$50,000 cash bonus payable to Mr. Barry R. Sloane. Total compensation granted to the Chief Executive Officer for 2010 is described in the Summary Compensation Table in the statement. Mr. Barry R. Sloane's titles were changed from Co-President to President and from Co-Chief Executive Officer to Chief Executive Officer upon the voluntary resignation of Co-President and Co-CEO Jonathan G. Sloane in May 2010.

Executive Officer Compensation

Consistent with the decisions regarding CEO base compensation, the Company determined that the base salary compensation for Named Executive Officers, Messrs. David Woonton, Paul Evangelista, and William Hornby were also increased by 3% in 2010. Acknowledging Linda Sloane Kay's increased management responsibilities and her continued business development success, Ms. Kay's base salary was increased from \$150,000 to \$175,000. Mr. Brian Feeney's base was increased from \$210,000 to \$225,000 to recognize his participation on the Executive Management team. Additionally, in light of the Company's financial performance in 2010, cash bonuses were awarded to all of the above Named Executive Officers as noted in the Summary Compensation Table.

Table of Contents

The Company based its determinations on its subjective analysis of each individual's performance and contribution to the corporation's goals and objectives and considered the quantitative and qualitative factors referenced above.

Executive Benefits

We limit additional executive benefits that we make available to our executive officers. Where such benefits are provided, they are intended to support other business purposes including facilitating business development efforts.

Separation Agreement

On May 11, 2010, the Company accepted the voluntary resignation of Co-President and Co-CEO Jonathan G. Sloane effective May 10, 2010 and entered into a separation agreement with Mr. Jonathan Sloane. Under the terms of the separation agreement, Mr. Jonathan Sloane will continue to receive his base salary and health insurance benefits for two years through May 10, 2012.

Consulting Services Agreement

The Company renewed its consulting agreement with Marshall M. Sloane to provide the Company advice on strategic planning and operational management, assist with business development efforts and clients, participate in public relations and community outreach efforts and provide other services as may be requested by the Board of Directors. The Company agreed to pay Mr. Sloane an annual contract fee of \$283,250 per year during 2010 with provisions to reimburse Mr. Sloane for all related business expenses and the expense of obtaining health insurance comparable to that which the Company provided while he was Chief Executive Officer. In recognition of the Company's financial performance, the Company also awarded Mr. Sloane a special Director's bonus for 2010 as noted on the Summary Compensation Table.

Employment Agreement

The Company has entered into an employment agreement with Mr. David Woonton. The agreement grants two years of service payable upon a change of control of the Company.

Report of the Compensation Committee

The Compensation Committee has reviewed and discussed the foregoing Report of the Compensation Committee with management. In reliance on the reviews and discussions referred to above, the Compensation Committee recommended to the Board, and the Board has approved, that the CD&A be included in the proxy statement for the year ended December 31, 2010 for filing with the SEC.

/s/ Fraser Lemley, Chairman

/s/ Jon Westling

/s/ Roger S. Berkowitz

Table of Contents**Compensation Paid to Executive Officers**

The following table sets forth information for the three year period ended December 31, 2010 concerning the compensation for services in all capacities to Century Bancorp, Inc. and its subsidiaries of our principal executive officers and our principal financial officer as well as our other four most highly compensated executive officers (or executive officers of our subsidiaries). We refer to these individuals throughout this 10-K statement as the Named Executive Officers .

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Awards (\$)	Awards (\$)	Change in Pension Value and Nonqualified Deferred Stock Options Compensation	All Other Compensation (\$)(1)	Total (\$)
						September 30, (\$)		
Marshall M. Sloane (2) <i>Chairman of the Board, Century Bancorp, Inc. and Century Bank and Trust Company</i>	2010						545,375	545,375
	2009						481,095	481,095
	2008						427,630	427,630
Barry R. Sloane <i>President and CEO, Century Bancorp, Inc. and Century Bank and Trust Company</i>	2010	455,685	50,000			347,866	35,302	888,853
	2009	442,412	35,000			365,774	29,921	873,107
	2008	442,412	30,000			695,092	35,581	1,203,085
Jonathan G.. Sloane (Resigned 2010) <i>Co-President and Co-CEO, Century Bancorp, Inc. and Century Bank and Trust Company</i>	2010	442,412				198,457	3,500	644,369
	2009	442,412				344,015	17,338	803,765
	2008	442,412	30,000			243,623	16,281	732,316
David B. Woonton <i>Executive Vice President, Century Bank and Trust Company</i>	2010	285,007	30,000			239,841	11,700	566,548
	2009	276,706	20,000			243,416	10,907	551,029
	2008	276,706	15,000			182,072	10,332	484,110
Paul A. Evangelista <i>Executive Vice President, Century Bank and Trust Company</i>	2010	285,007	30,000			169,197	10,584	494,788
	2009	276,706	20,000			171,039	9,224	476,969
	2008	276,706	15,000			109,783	8,285	409,774
Brian J. Feeney	2010	225,009	30,000			74,298	7,494	336,801

Edgar Filing: CENTURY BANCORP INC - Form 10-K

<i>Executive Vice President,</i>	2009	210,008	20,000	89,004	6,132	325,144
<i>Century Bank and</i>	2008	200,008	15,000	29,158	4,397	248,563
<i>Trust Company</i>						
William P. Hornby	2010	231,759	30,000	30,451	6,884	299,094
<i>Chief Financial Officer and</i>	2009	225,008	20,000	19,178	6,242	270,428
<i>Treasurer, Century Bancorp,</i>	2008	187,007	15,000		5,700	207,707
<i>Inc.</i>						
<i>and Century Bank and</i>						
<i>Trust Company</i>						
Linda Sloane Kay	2010	175,007	30,000	46,600	7,955	259,562
<i>Executive Vice President</i>	2009	150,006	20,000	27,565	5,922	203,493
<i>Century Bank and</i>	2008	105,005	10,000	7,801	2,889	125,695
<i>Trust Company</i>						

- (1) The amount listed in all other compensation includes amounts attributable to term insurance premiums paid for the Supplemental Executive Insurance/Retirement Plan, matching contribution for the 401(k) plan, excess group life insurance premiums and long-term disability premiums and, as applicable, country club membership dues and taxable expense reimbursements.
- (2) This amount, for 2010, includes \$283,250 for consulting services, \$155,943 amounts attributable to term insurance premiums for the Supplemental Executive Insurance/Retirement Plan, \$30,800 for Director fees, \$50,000 for bonus, as well as country club membership dues, health insurance premiums and Medicare reimbursements.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information concerning outstanding equity awards held by each Named Executive Officer as of December 31, 2010. No stock awards are unvested.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Awards	Option Exercise Price (\$)	Option Expiration Date
			Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)		
Marshall M. Sloane <i>Chairman of the Board</i>					
Barry R. Sloane <i>President and CEO</i>	7,000			31.83	09/17/14
David B. Woonton <i>Executive Vice President</i>	2,000			22.50	04/01/12
<i>Century Bank and Trust Company</i>	2,000			26.68	01/21/13
Paul A. Evangelista <i>Executive Vice President</i>	2,500			31.83	09/17/14
<i>Century Bank and Trust Company</i>	2,000			22.50	04/01/12
Brian J. Feeney <i>Executive Vice President</i>	2,000			26.68	01/21/13
<i>Century Bank and Trust Company</i>	2,500			31.83	09/17/14
William P. Hornby <i>Chief Financial Officer and Treasurer</i>	500			22.50	04/01/12
Linda Sloane Kay <i>Executive Vice President</i>	500			22.50	04/01/12
<i>Century Bank and Trust Company</i>	500			26.68	01/21/13
	100			22.50	04/01/12
	250			26.68	01/21/13
	350			31.83	09/17/14

Table of Contents**Pension Benefits**

The following table sets forth information concerning plans that provide for payments or other benefits at, following, or in connection with, retirement for each Named Executive Officer.

PENSION BENEFITS TABLE

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit	Payments During Last Fiscal Year
			9/30/2010 (\$) (1)	9/30/2010 (\$)
Marshall M. Sloane <i>Chairman of the Board</i>	Defined Benefit Pension Plan	33	638,446	94,261
Barry R. Sloane <i>President and CEO</i>	Defined Benefit Pension Plan	7	79,686	
Jonathan G. Sloane (Resigned 2010) <i>Co-President and Co-CEO</i>	Defined Benefit Pension Plan	29	528,441	
David B. Woonton <i>Executive Vice President, Century Bank and Trust Company</i>	Defined Benefit Pension Plan	11	236,120	
Paul A. Evangelista <i>Executive Vice President, Century Bank and Trust Company</i>	Defined Benefit Pension Plan	11	158,403	
Brian J. Feeney <i>Executive Vice President, Century Bank and Trust Company</i>	Defined Benefit Pension Plan	21	185,701	
William P. Hornby (2) <i>Chief Financial Officer and Treasurer</i>	Defined Benefit Pension Plan			
Linda Sloane Kay <i>Executive Vice President Century Bank and Trust Company</i>	Defined Benefit Pension Plan	10	50,075	

(1) The present value of accumulated benefits was calculated with the assumption that retirement occurs at age 65. The benefit is calculated using an interest rate of 5.50% for 9/30/10 and 5.50% for 9/30/09 and the Mortality Table used is the 2010 Mortality Table.

(2) Not a member of the Defined Benefit Pension Plan.

Table of Contents**SUPPLEMENTAL EXECUTIVE INSURANCE/RETIREMENT BENEFITS**

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated	Payments During Last Fiscal
			Benefit- 9/30/2010 (\$)(1)	Year- 9/30/2010 (\$)
Marshall M. Sloane (2) <i>Chairman of the Board</i>	Supplemental Executive Insurance/Retirement Plan	33	3,358,069	523,639
Barry R. Sloane <i>President and CEO</i>	Supplemental Executive Insurance/Retirement Plan	9	1,376,474	
Jonathan G. Sloane (Resigned 2010) <i>Co-President and Co-CEO</i>	Supplemental Executive Insurance/Retirement Plan	29	1,917,460	
David B. Woonton (2) <i>Executive Vice President, Century Bank and Trust Company</i>	Supplemental Executive Insurance/Retirement Plan	11	1,078,507	
Paul A. Evangelista (2) <i>Executive Vice President, Century Bank and Trust Company</i>	Supplemental Executive Insurance/Retirement Plan	11	617,336	
Brian J. Feeney (2) <i>Executive Vice President, Century Bank and Trust Company</i>	Supplemental Executive Insurance/Retirement Plan	3	103,445	
William P. Hornby (2) <i>Chief Financial Officer and Treasurer</i>	Supplemental Executive Insurance/Retirement Plan	2	49,629	
Linda Sloane Kay (2) <i>Executive Vice President, Century Bank and Trust Company</i>	Supplemental Executive Insurance/Retirement Plan	2	45,577	

(1) The present value of accumulated benefits was calculated with the assumption that retirement occurs at age 65. The benefit is calculated using an interest rate of 5.50% and the Mortality Table used is the 2010 Mortality Table.

(2) As of January 1, 2010, Messrs. Marshall M. Sloane, Jonathan G. Sloane, Barry R. Sloane, Paul A. Evangelista, David B. Woonton, Brian J. Feeney, Linda Sloane Kay and William P. Hornby were 100%, 100%, 47.5%, 70.0%, 70.0%, 0%, 0% and 0% vested, respectively, under the Supplemental Executive Insurance/Retirement Plan.

Director Compensation

Directors not employed by the Company receive a \$10,000 retainer per year, \$250 per Company Board meeting attended, \$750 per Bank Board meeting attended and \$700 per committee meeting attended. Joseph Senna receives \$1,500 per Audit Committee meeting as Chairman of the Audit Committee.

Table of Contents**DIRECTOR COMPENSATION TABLE 2010**

Name	Fees Earned or Paid in Cash (\$)	All Other Compensation (\$)	Total (\$)
George R. Baldwin	33,200		33,200
Roger S. Berkowitz	25,100		25,100
Marshall I. Goldman	21,250		21,250
Russell B. Higley	26,000		26,000
Jackie Jenkins-Scott	25,800		25,800
Linda Sloane Kay			
Fraser Lemley	31,400		31,400
Joseph P. Mercurio	14,950		14,950
Joseph J. Senna	35,150		35,150
Barry R. Sloane			
Marshall M. Sloane(1)			
Stephanie Sonnabend	24,850		24,850
George F. Swansburg(2)	30,200	14,500	44,700
Jon Westling	23,400		23,400

(1) Amounts paid are listed in the Summary Compensation Table.

(2) The amount listed in all other compensation is for serving as Administrator of Century Bancorp Capital Trust II.

Table of Contents**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth certain information as to the number and percentage of shares of Class A and Class B Common Stock beneficially owned as of December 31, 2010, (i) by each person known by the Company to own beneficially more than 5% of the Company's outstanding shares of Class A or Class B Common Stock, (ii) by each of the Company's directors and executive officers; and (iii) by all directors and executive officers as a group. As of December 31, 2010, there were 3,528,867 shares of Class A Common Stock and 2,011,380 shares of Class B Common Stock outstanding.

Name and Address of Beneficial Owner	Class A Owned	% A Owned	Class B Owned	% B Owned
Wellington Management Company, LLP(8) 280 Congress Street, Boston, MA 02210	297,847	8.44%		
Castine Capital Management, LLC(10) One International Place, Suite 2401, Boston, MA 02110	276,489	7.84%		
Sandler O'Neill Asset Management, LLC(11) 780 Third Avenue, New York, NY 10017	220,300	6.24%		
Jacobs Asset Management, LLC(9) 11 East 26th Street, Suite 1900, New York, NY 10010	213,299	6.04%		
Marshall M. Sloane(a) 400 Mystic Avenue, Medford, MA 02155	30,848(1)	0.87%	1,721,841(2)	85.60%
George R. Baldwin(a)	5,819	0.16%		
Roger S. Berkowitz(a)	6,541	0.19%		
Paul A. Evangelista(b)	2,308	0.07%		
Brian J. Feeney(b)	613	0.02%		
Marshall I. Goldman(a)	5,263(3)	0.15%	30,000(4)	1.49%
Russell B. Higley, Esquire(a)	4,698	0.13%		
William P. Hornby(b)	500	0.01%		
Jackie Jenkins-Scott(a)	40	0.00%		
Linda Sloane Kay(a)(b)	9,386(6)	0.27%	60,000	2.98%
Fraser Lemley(a)	16,201	0.46%		
Joseph P. Mercurio(a)	100	0.00%		
Joseph J. Senna(a)	41,093(5)	1.16%		
Barry R. Sloane(a)(b)	3,813(7)	0.11%		
Stephanie Sonnabend(a)	4,058	0.10%		
George F. Swansburg(a)	30,040	0.85%		
Jon Westling(a)	5,924	0.17%		
David B. Woonton(b)	500	0.01%		
All directors and officers as a group (18 in number) (iii)	167,745	4.75%	1,811,841	90.08%

(a) Denotes director of the Company.

(b) Denotes officer of the Company or one of its subsidiaries.

(1)

Edgar Filing: CENTURY BANCORP INC - Form 10-K

Includes 2,500 shares owned by Mr. Sloane's spouse and also includes 16,021 shares held in trust for Mr. Sloane's grandchildren.

- (2) Includes 1,500 shares owned by Mr. Sloane's spouse, 1,694,580 shares held by Sloane Family Enterprises LP, and does not include 94,239 shares owned by Mr. Sloane's children. Mr. Sloane disclaims beneficial ownership of such 94,239 shares and 1,694,580 shares held by Sloane Family Enterprises LP.
- (3) Does not include 9,000 shares held of record by Mr. Goldman's children; Mr. Goldman disclaims beneficial ownership of such shares.

Table of Contents

- (4) Does not include 9,000 shares held of record by Mr. Goldman's children; Mr. Goldman disclaims beneficial ownership of such shares.
- (5) Includes 32,600 shares owned by Mr. Senna's spouse.
- (6) Includes 9,252 shares owned by Ms. Kay's spouse and 10 shares owned by Ms. Kay's children.
- (7) Includes 40 shares owned by Mr. Barry Sloane's children and 72 shares owned by Mr. Barry Sloane's spouse.
- (8) The Company has relied upon the information set forth in the Form 13F filed with the SEC by the Wellington Management Company, LLP on February 14, 2011.
- (9) The Company has relied upon the information set forth in the Form 13F filed with the SEC by Sy Jacobs, c/o Jacobs Asset Management, L.L.C. on February 10, 2011.
- (10) The Company has relied upon the information set forth in the Form 13F filed with the SEC by the Castine Capital Management, LLC on February 11, 2011.
- (11) The Company has relied upon the information set forth in the Form 13F filed with the SEC by the Sandler O'Neill Asset Management, LLC on February 15, 2011.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Directors and Officers of the Company and Bank and members of their immediate family are at present, as in the past, customers of the Bank and have transactions with the Bank in the ordinary course of business. In addition, certain of the Directors are at present, as in the past, also Directors, Officers or Stockholders of corporations or members of partnerships that are customers of the Bank and have transactions with the Bank in the ordinary course of business. Such transactions with Directors and Officers of the Company and the Bank and their families and with such corporations and partnerships were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other features unfavorable to the Bank. The Directors annually approve amounts to be paid to related parties for services rendered. The Company reviews related party transactions monthly.

NASDAQ Stock Market (NASDAQ) rules, and our governance principles, require that at least a majority of our Board be composed of independent directors. All of our directors other than Marshall M. Sloane, Barry R. Sloane, Linda Sloane Kay, George F. Swansburg and Russell B. Higley, Esq. are independent within the meaning of both the NASDAQ rules and our own corporate governance principles. Nine of our fourteen directors, therefore, are currently independent directors.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Audit Committee separately pre-approves each of the following services, in compliance with the requirements of the Sarbanes-Oxley Act and SEC regulations, before they are rendered by the auditor: financial statement audit, attestation, preparation of tax returns and audit of 401(k) and pension plans. The Audit Committee's pre-approval procedures, in compliance with the requirements of the Sarbanes-Oxley Act and SEC regulations, allow the Company's auditors to perform certain services without specific permission from the Audit Committee, as long as

these services comply with the following requirements: (a) the services consist of special projects relating to strategic tax savings initiatives, corporate tax structure engagements or merger and acquisition consulting; (b) aggregate special project services cannot exceed \$50,000 during the calendar year; and

Table of Contents

(c) the Audit Committee must be informed about each service at its next scheduled meeting. All other services provided by the Company's auditor must be separately pre-approved before they are rendered.

Description of Fees	Fiscal 2010 Amount	Fiscal 2009 Amount
Audit fees(1)	\$ 356,500	\$ 356,500
Audit-related fees(2)		11,550
Tax fees(3)	46,930	38,000
Other fees		
	\$ 403,430	\$ 406,050

(1) includes fees for annual audit, renewal of quarterly financial statement, internal control attestations.

(2) includes fees for the audit of 401K and pension plans.

(3) includes fees for tax compliance and tax consulting.

PART IV**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***(a)(1) Financial Statements.*

The following financial statements of the company and its subsidiaries are presented in Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets December 31, 2010 and 2009

Consolidated Statements of Income Years Ended December 31, 2010, 2009 and 2008

Consolidated Statements of Changes in Stockholders' Equity -Years ended December 31, 2010, 2009 and 2008

Consolidated Statements of Cash Flows-Years Ended December 31, 2010, 2009, and 2008

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

All schedules are omitted because either the required information is shown in the financial statements or notes incorporated by reference, or they are not applicable, or the data is not significant.

(3) Exhibits

Edgar Filing: CENTURY BANCORP INC - Form 10-K

- 3.1 Certificate of Incorporation of Century Bancorp, Inc., incorporated by reference previously filed with registrant's initial registration statement on Form S-1 dated May 20, 1987 (Registration No. 33-13281).
- 3.2 Bylaws of Century Bancorp, Inc., Amended October 9, 2007, incorporated by reference previously filed with the September 30, 2007 10Q.
- 3.3 Articles of Amendment of Century Bancorp, Inc. Articles of Organization effective January 9, 2009, incorporated by reference previously filed with an 8-K filed on April 29, 2009.
- 4.1 Form of Common Stock Certificate of the Company, incorporated by reference previously filed with registrant's initial registration statement on Form S-1 dated May 20, 1987 (Registration No. 33-13281).
- 4.2 Century Bancorp, Inc. 401(K) Plan, incorporated by reference previously filed with the registrant's Form S-8 filed on June 25, 1997.
- 4.3 Registration Statement relating to the 8.30% Junior Subordinated Debentures issued by Century Bancorp Capital Trust, incorporated by reference previously filed with the registrant's Form S-2 filed on April 23, 1998.
- 10.1 2000 Stock Option Plan, as amended on December 30, 2005, incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 16, 2006.

Table of Contents

- 10.2 Supplemental Executive Retirement Benefit with Marshall M. Sloane, incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 26, 2003.
- 10.3 Supplemental Executive Retirement and Insurance Plan, as amended on December 1, 2008, incorporated by reference previously filed with an 8-K filed on January 21, 2009.
- 10.4 2004 Stock Option Plan, as amended on December 30, 2005, incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 16, 2006.
- 10.5 Supplemental Executive Retirement and Insurance plan, as amended on July 14, 2009, incorporated by reference previously filed with an 8-K filed on July 16, 2009.
- 10.6 Century Bancorp Capital Trust II Purchase Agreement dated November 30, 2004, between Century Bancorp Capital Trust II and the Company and Sandler O'Neill Partners, L.P., First Tennessee Bank National Association and Keefe, Bruyette and Woods, Inc., incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 15, 2005.
- 10.7 Century Bancorp Capital Trust II Indenture, dated December 2, 2004, between the Company and Wilmington Trust Company, incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 15, 2005.
- 10.8 Century Bancorp Capital Trust II Amended and Restated Declaration of Trust, dated December 2, 2004, between the Trustees of Century Bancorp Capital Trust II, the Administrator, the Company and Sponsors, incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 15, 2005.
- 10.9 Century Bancorp, Inc. Guarantee Agreement, dated December 2, 2004, between the Century Bancorp, Inc. and Wilmington Trust Company, incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 15, 2005.
- 10.10 Consulting Services Agreement among Century Bancorp, Inc., Century Bank and Trust Company and Marshall M. Sloane dated as of April 14, 2006, incorporated by reference previously filed with an 8-K filed on April 17, 2006.
- 10.11 Consulting Services Agreement among Century Bancorp, Inc., Century Bank and Trust Company and Paul V. Cusick, Jr. dated as of June 28, 2007, incorporated by reference previously filed with an 8-K filed on June 29, 2007.
- 10.12 Purchase and Sale Agreement, dated as of August 14, 2007, with C&S Capital Properties, LLC, incorporated by reference previously filed with an 8-K filed on August 17, 2007.
- 10.13 Commercial Lease, dated as of August 14, 2007, with C&S Capital Properties, LLC, incorporated by reference previously filed with an 8-K filed on August 17, 2007.
- 14 Code of ethics, amended February 12, 2008, incorporated by reference previously filed with an 8-K filed on February 19, 2008.
- 21 Subsidiaries of the Registrant.
- 23.1 Consent of Independent Registered Public Accounting Firm.
- 31.1 Certification of Chief Executive Officer of the Company Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14.
- 31.2 Certification of Chief Financial Officer of the Company Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) *Exhibits required by Item 601 of Regulation S-K.*

See (a)(3) above for exhibits filed herewith.

(c) *Financial Statement required by Regulation S-X.*

Schedules to Consolidated Financial Statements required by Regulation S-X are not required under the related instructions or are inapplicable, and therefore have been omitted.

103

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 8th day of March, 2011.

Century Bancorp, Inc.

By: /s/ Marshall M. Sloane

Marshall M. Sloane, Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on the date indicated.

/s/ George R. Baldwin

George R. Baldwin, Director

Roger S. Berkowitz, Director

/s/ Marshall I. Goldman

Marshall I. Goldman, Ph.D., Director

/s/ Russell B. Higley

Russell B. Higley, Esquire, Director

/s/ Jackie Jenkins-Scott

Jackie Jenkins-Scott, Director

/s/ Linda Sloane Kay

Linda Sloane Kay, Director
Executive Vice President, Century Bank and
Trust Company

/s/ Fraser Lemley

Fraser Lemley, Director

/s/ Stephanie Sonnabend

Stephanie Sonnabend, Director

/s/ George F. Swansburg

George F. Swansburg, Director

/s/ Jon Westling

Jon Westling, Director

/s/ Marshall M. Sloane

Marshall M. Sloane, Chairman

/s/ Barry R. Sloane

Barry R. Sloane, Director,
President and Chief Executive Officer

/s/ William P. Hornby

William P. Hornby, CPA, Chief Financial
Officer and Treasurer

/s/ Anthony C. LaRosa

Anthony C. LaRosa, CPA, Senior Vice President,
Century Bank and Trust
Company, Principal Accounting Officer

/s/ Joseph P. Mercurio

Joseph P. Mercurio, Director

/s/ Joseph Senna

Joseph Senna, Director