STAR GAS PARTNERS LP
Form PRE 14A
December 28, 2005
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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box

x Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)

¨ Definitive Proxy Statement

¨ Definitive Additional Material

¨ Soliciting Material Pursuant to [240.14a-11(c) or 240.14a-1]

STAR GAS PARTNERS, L.P.

(Name of Registrant as Specified in its Charter)

Not applicable

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box)

x No filing fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

6) Amount Previously Paid:

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8) Filing Party:

9) Date Filed:

PRELIMINARY PROXY MATERIAL SUBJECT TO COMPLETION

STAR GAS PARTNERS, L.P.

2187 Atlantic Street

Stamford, CT 06902

To our Unitholders:

You are cordially invited to attend a special meeting of the unitholders of Star Gas Partners, L.P. (Star Gas Partners) to be held at the offices of , , on , 2006, at a.m. local time. The board of directors of Star Gas LLC (Star Gas), our general partner, has called the special meeting.

The board of directors of Star Gas has approved a strategic recapitalization of Star Gas Partners that, if approved by unitholders and completed, would result in a reduction in the outstanding amount of our 10.25% senior notes due 2013 (senior notes) of between approximately $87 million and $100 million and the issuance of approximately 42,171,308 new common units.

At the special meeting you will be asked to consider and approve the issuance and sale to Kestrel Energy Partners, LLC (Kestrel) or its affiliates of a minimum of 7,500,000 common units and a maximum of 25,000,000 common units at a purchase price of $2.00 per unit, pursuant to the terms and conditions of a unit purchase agreement dated as of December 5, 2005 (the unit purchase agreement), by and among Star Gas Partners, Star Gas, Kestrel, Kestrel Heat, LLC, (Kestrel Heat) and KM2, LLC (M2). A copy of the unit purchase agreement is attached to the enclosed proxy statement as Annex A.

As part of the proposed recapitalization, you will also be asked to approve the election of Kestrel Heat, as successor general partner to Star Gas, and the adoption of amendments to Star Gas Partners amended and restated agreement of limited partnership that reflect the election of Kestrel Heat as successor general partner and revise the terms of our partnership securities in several respects, as further described in the proxy statement, including the conversion of each outstanding senior subordinated unit and junior subordinated unit into one common unit.

The board of directors of Star Gas has determined that the proposed recapitalization is in the best interests of Star Gas Partners and our unitholders and recommends that unitholders vote FOR each of the recapitalization proposals.

Representation of your units at the meeting is very important. Your vote is important, no matter how many or how few units you hold. We urge you, whether or not you plan to attend the meeting, to promptly date, sign and return the enclosed proxy in the envelope furnished for that purpose. If you attend the meeting, you may, if you wish, revoke your proxy and vote in person.

The Board of Directors of

Star Gas LLC, the general partner of

Star Gas Partners, L.P.

Please see the sections entitled Important Considerations, The Recapitalization Reasons for the Recapitalization that the Board Considered; Recommendations of the Board and Interest of Certain Persons in the Recapitalization for a discussion of potential advantages and disadvantages and other factors which you should consider in connection with the recapitalization proposal.

If you need assistance in voting your Star Gas Partners units, please call the firm assisting us in the solicitation of proxies for the special meeting.

Georgeson Shareholder

Call toll free: (800) 960-7546

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PRELIMINARY PROXY MATERIAL SUBJECT TO COMPLETION

STAR GAS PARTNERS, L.P.

2187 Atlantic Street

Stamford, CT 06902

NOTICE OF SPECIAL MEETING OF UNITHOLDERS

TO BE HELD ON , 2006

To our Unitholders:

We, the board of directors of Star Gas, the general partner of Star Gas Partners, give notice that a special meeting of our unitholders will be held at the offices of on , 2006, at a.m. local time. At the meeting, our unitholders will act on the following matters:

Proposal 1. Approval of the issuance of:

- 7,500,000 new common units at a purchase price of $2.00 per unit to Kestrel Heat and M2, wholly owned subsidiaries of Kestrel, on the terms and subject to the conditions set forth in the unit purchase agreement dated as of December 5, 2005 in the form attached to this proxy statement as Annex A;
- 17,500,000 new common units in an offering of non-transferable rights to our common unitholders at an exercise price of $2.00 per unit, with a standby commitment from M2 to purchase all units that are not subscribed for in the rights offering;
- 13,433,962 (subject to adjustment based on rounding) new common units upon the conversion by certain holders of Star Gas Partners 10.25% senior notes due 2013 of approximately $26.9 million in principal amount of senior notes at a conversion price of $2.00 per unit; and
- 3,737,346 new common units upon the conversion of each outstanding senior subordinated unit and each outstanding junior subordinated unit into one common unit in accordance with the terms and conditions of the second amended and restated agreement of limited partnership submitted to unitholders for approval in Proposal 3.

Proposal 2. Approval of the election of Kestrel Heat as successor general partner upon the withdrawal of Star Gas; and

Proposal 3. The adoption of a second amended and restated agreement of limited partnership of Star Gas Partners, substantially in the form attached to the proxy statement as Annex B, that will, among other matters, reflect the election of Kestrel Heat as successor general partner upon the withdrawal of Star Gas and revise the terms and distribution rights of our partnership securities as further described in this proxy statement, including the conversion of each outstanding senior subordinated unit and junior subordinated unit into one common unit, as indicated in Proposal 1 above.

The form of proxy provides unitholders with the opportunity to vote on each of the three proposals to effect the recapitalization separately. However, none of the proposals will be implemented unless all three proposals are approved by unitholders. Under our partnership agreement, proposal 1 requires the approval of a majority of the outstanding common units and proposals 2 and 3 require the approval of a unit majority which means (i) a majority of common units entitled to vote and outstanding as of the record date, and (ii) a majority of senior subordinated units and junior subordinated units, voting together as one class, entitled to vote and outstanding as of the record date, in each case excluding units owned by Star Gas or its affiliates, including its executive officers, directors and members. Under the NYSE rules, proposal 1 requires the approval of a majority of the votes cast by the holders of the common units and senior subordinated units, provided that the total votes cast on the proposal represent at least 50% of all units entitled to vote, and proposals 2 and 3 do not require unitholder approval.

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We are sending this proxy statement to our unitholders on or about , 2006. We have set the close of business on , 2006 as the record date for determining which unitholders are entitled to receive notice of and to vote at the special meeting or any postponements or adjournments thereof. A list of unitholders entitled to vote is on file at our principal offices, 2187 Atlantic Street, Stamford, CT 06902, and will be available for inspection by any unitholder during the meeting.

If you cannot attend the special meeting, you may vote over the telephone or the Internet as instructed on the enclosed proxy card or by mailing the proxy card in the enclosed postage-prepaid envelope. Any unitholder attending the meeting may vote in person even though he or she already has returned a proxy card or voted by telephone or through the Internet.

The Board of Directors of

Star Gas LLC, the general partner of

Star Gas Partners, L.P.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROXY STATEMENT OR DOCUMENTS INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. THIS PROXY STATEMENT IS DATED , 2006. YOU SHOULD ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF THAT DATE ONLY. OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THAT DATE.

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STAR GAS PARTNERS, L.P.

2187 Atlantic Street

Stamford, CT 06902

PROXY STATEMENT

SPECIAL MEETING OF UNITHOLDERS

, 2006

This proxy statement contains information related to the special meeting of unitholders of Star Gas Partners and any postponements or adjournments thereof. The special meeting will be held on , 2006 beginning at a.m. local time at .

At the meeting, our unitholders will act on the following matters:

Proposal 1. Approval of the issuance of:

- 7,500,000 new common units at a purchase price of $2.00 per unit to Kestrel Heat and M2, wholly owned subsidiaries of Kestrel, on the terms and subject to the conditions set forth in the unit purchase agreement dated as of December 5, 2005 in the form attached to this proxy statement as Annex A;
- 17,500,000 new common units in an offering of non-transferable rights to our common unitholders at an exercise price of $2.00 per unit, with a standby commitment from M2 to purchase all units that are not subscribed for in the rights offering;
- 13,433,962 (subject to adjustment based on rounding) new common units upon the conversion by certain holders of Star Gas Partners 10.25% senior notes due 2013 of approximately $26.9 million in principal amount of senior notes at a conversion price of $2.00 per unit; and
- 3,737,346 new common units upon the conversion of each outstanding senior subordinated unit and each outstanding junior subordinated unit into one common unit in accordance with the terms and conditions of the second amended and restated agreement of limited partnership submitted to unitholders for approval in Proposal 3.

Proposal 2. Approval of the election of Kestrel Heat as successor general partner upon the withdrawal of Star Gas; and

Proposal 3. The adoption of a second amended and restated agreement of limited partnership of Star Gas Partners, substantially in the form attached to the proxy statement as Annex B, that will, among other matters, reflect the election of Kestrel Heat as successor general partner upon the withdrawal of Star Gas and revise the terms and distribution rights of our partnership securities as further described in this proxy statement, including the conversion of each outstanding senior subordinated unit and junior subordinated unit into one common unit, as indicated in Proposal 1 above.

This proxy statement is first being mailed to Star Gas Partners unitholders on or about , 2006.

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Annex A	Unit Purchase Agreement
Annex B	Form of Second Amended and Restated Agreement of Limited Partnership, a clean copy of which is attached hereto as Annex B-1, and a copy marked to show changes compared to the existing Amended and Restated Agreement of Limited Partnership is attached hereto as Annex B-2.
Annex C	Annual Report on Form 10-K for the fiscal year ended September 30, 2005
Annex D	Opinion of Jefferies & Company, Inc.

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FORWARD-LOOKING STATEMENTS

Many of the statements contained in this proxy statement, including, without limitation, statements regarding our business strategy, plans and objectives of our management for future operations are forward-looking within the meaning of the federal securities laws. These statements use forward-looking words, such as anticipate, continue, expect, may, will, estimate, believe or other similar words. These statements disc expectations or contain projections. Although we believe that the expectations reflected in the forward-looking statements are reasonable, actual results may differ from those suggested by the forward-looking statements for various reasons, including:

- the approval of the recapitalization;
- the effect of weather conditions on our financial performance;
- the price and supply of home heating oil;
- the consumption patterns of our customers;
- our ability to obtain satisfactory gross profit margins;
- our ability to obtain new customers and retain existing customers;
- our ability to effect strategic acquisitions or redeploy assets;
- the ultimate disposition of excess proceeds from the sale of the propane segment should the recapitalization not be consummated;
- the impact of litigation;
- the impact of the business process redesign project at the heating oil segment and our ability to address issues related to that project;
- natural gas conversions;
- future union relations and the outcome of current union negotiations;
- the impact of current and future environmental, health and safety regulations;
- customer creditworthiness; and

marketing plans.

The above factors, as well as the factors set forth under Item 1A Risk Factors of our Annual Report on Form 10-K for the fiscal year ended September 30, 2005, which is attached to this proxy statement as Annex C, could cause our actual results to differ materially from those contained in any forward-looking statement. We disclaim any obligation to update the above list or to announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments.

Throughout this proxy statement, we refer to ourselves, Star Gas Partners, L.P., as we or us or Star Gas Partners. We sometimes refer to the board of directors of our general partner, Star Gas, as our board of directors, our board, the board, Star Gas board or Star Gas Partners board

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SUMMARY

This summary highlights selected information from this proxy statement and does not contain all of the information that is important to you. To fully understand the transaction, and for a more complete description of legal terms, you should read carefully this entire document and the documents to which we have referred you. A glossary of terms used in this proxy statement begins on page 83.

About Star Gas Partners

Star Gas Partners. We are the largest retail distributor of home heating oil in the United States, based on volume as reported by the National Oilheat Research Alliance Organization, March 2003. Our home heating oil operations serve approximately 480,000 customers in the Northeast and Mid-Atlantic regions. For the fiscal year ended September 30, 2005, our home heating oil segment sold 487 million gallons of home heating oil. We were also formerly engaged as a retail distributor of propane until December 17, 2004 when we sold our propane segment.

Our executive offices are located at 2187 Atlantic Street, Stamford, Connecticut 06902. The telephone number is (203) 328-7310.

The Recapitalization (see pages 25 to 43)

The board of directors of Star Gas has approved a strategic recapitalization of Star Gas Partners that, if approved by unitholders and completed, would result in a reduction in the outstanding amount of our senior notes of between approximately $87 million and $100 million and the issuance of approximately 42,171,308 new common units.

The recapitalization includes a commitment by Kestrel and its affiliates to purchase $15 million of new equity capital and provide a standby commitment in a $35 million rights offering to our common unitholders, each at a price of $2.00 per common unit. We would utilize the $50 million in new equity financing, together with additional funds from operations, to repurchase at least $60 million in face amount of our senior notes and, at our option, up to approximately $73.1 million of senior notes. In addition, certain noteholders have agreed to convert approximately $26.9 million in face amount of such notes into 13,433,962 (subject to adjustment based on rounding) new common units at a conversion price of $2.00 per unit in connection with the closing of the recapitalization.

Unit Purchase Agreement. We have entered into a unit purchase agreement with Kestrel and its affiliates, which provides for, among other things: the receipt by us of $50 million in new equity financing through the issuance to Kestrel s affiliates of 7,500,000 common units at $2.00 per unit for an aggregate of $15 million and the issuance of an additional 17,500,000 common units in a rights offering to our common unitholders at an exercise price of $2.00 per unit for an aggregate of $35 million. The rights will be non-transferable, and an affiliate of Kestrel has agreed to buy any common units not subscribed for in the rights offering. Under the terms of the unit purchase agreement, Kestrel Heat will become our new general partner and Star Gas, our current general partner, will receive no consideration for its withdrawal as general partner.

Noteholder Agreements. We have entered into agreements with the holders of approximately 94% in principal amount of our senior notes that provide that these noteholders will tender their senior notes to us at par for:

a pro rata portion of $60 million or, at our option, up to approximately $73.1 million in cash;

13,433,962 (subject to adjustment based on rounding) new common units at a conversion price of $2.00 per unit (which new units would be acquired by certain noteholders exchanging approximately $26.9 million in face amount of senior notes); and

new notes representing the remaining face amount of the tendered notes.

The closing of the tender offer for the senior notes is conditioned upon the simultaneous closing of the transactions under the Kestrel unit purchase agreement.

Subject to and until the closing of the recapitalization, these noteholders have agreed not to accelerate indebtedness due under the senior notes or initiate any litigation or proceeding with respect to the senior notes. The consenting noteholders have further agreed:

- to waive certain potential defaults under the indenture;
- not to tender the senior notes in the change of control offer which will be required to be made by us following the closing of the transactions under the unit purchase agreement with Kestrel; and
- to consent to certain amendments to the existing indenture.

The agreements with the consenting noteholders further provide for the termination of their provisions in the event that the Kestrel unit purchase agreement is no longer in effect. The understandings and agreements contemplated by these transactions will terminate if the transaction does not close prior to April 30, 2006.

Amendments to Partnership Agreement. The unit purchase agreement provides for the adoption of a second amended and restated agreement of limited partnership that will, among other things, provide for the following:

- *Conversion of Senior Subordinated Units and Junior Subordinated Units into Common Units.* The proposed amendments will provide for the mandatory conversion of each outstanding senior subordinated unit and each junior subordinated unit into one common unit, as a result of which the subordination period (as defined in our partnership agreement) will end.
- *Reduction of the Minimum Quarterly Distribution.* The proposed amendments will reduce the minimum quarterly distribution on the common units from $0.575 per unit per quarter, or $2.30 per year, to $0.0 per unit through September 30, 2008 and to $0.0675 per unit, or $0.27 per year, thereafter. The amendment will also eliminate all previously accrued cumulative distribution arrearages, which aggregated $92.5 million at November 30, 2005. We believe that this amendment will more closely align the minimum quarterly distribution with the levels of available cash that we expect to generate in the future.
- *Reduction of Incentive Distribution Levels.* The proposed amendments will reduce the target distribution levels for the incentive distribution rights so that, commencing with the quarter beginning October 1, 2008, or, if we elect to commence making distributions sooner, the quarter in which any distribution of available cash is made, the new general partner units in the aggregate will be entitled to receive 10% of the cash distributions in a quarter once each common unit and general partner unit has received $.0675 for that quarter, plus any arrearages on the common units from prior quarters, and 20% of the cash distributions in a quarter once each common unit and general partner unit has received $.1125 for that quarter, plus any arrearages on the common units from prior quarters. Under the partnership agreement as currently in effect, the senior subordinated units, junior subordinated units and general partner units are not entitled to receive incentive distributions until $0.604 has been distributed on each common unit for a quarter, plus any arrearages on the common units for prior quarters.
- *Suspension of Mandatory Distribution of Available Cash.* We suspended distributions on our senior subordinated units, junior subordinated units and general partner units on July 29, 2004 and on our common units on October 18, 2004. The proposed

amendments will provide that we are not required to distribute available cash through the quarter ending September 30, 2008. We currently do not intend to make distributions of available cash during this period, even if we have available cash to distribute.

Reasons for the Recapitalization; Potential Advantages and Disadvantages of the

Recapitalization (see pages 30 to 33)

Reasons for the Recapitalization

As discussed under The Recapitalization-Background, during fiscal 2004, we experienced difficult operating and financial conditions as a result of our inability to pass on the full impact of record wholesale heating oil prices to customers and the effects of unusually high net customer attrition principally related to our heating oil segment s operational restructuring. Prior to the 2004 winter heating season, our heating oil segment attempted to develop a comprehensive advantage in customer service, and as part of that effort, centralized its heating equipment service dispatch and engaged a centralized call center to fulfill its telephone requirements for the majority of its home heating oil customers. We experienced difficulties in advancing this initiative during the fiscal year ended September 30, 2004, which adversely impacted our customer base, product sales and costs. These conditions led to the suspension of distributions on our senior subordinated units, junior subordinated units and general partner units on July 29, 2004 and to the suspension of distributions on the common units on October 18, 2004. We continued to experience difficult operating and financial conditions in fiscal 2005. As indicated below, we believe that the recapitalization would permit us to address the problems resulting from these difficult operating and financial conditions in a manner that would be beneficial to our unitholders.

Certain Potential Advantages of the Proposed Recapitalization to Common Unitholders:

Reduce Liquidity Concerns. The use of the $50 million in new equity financing, together with additional funds from operations, to repurchase at least $60 million in face amount of our senior notes and, at our option, up to $73.1 million in senior notes, and the conversion of an additional $26.9 million in face amount of senior notes into equity in connection with the closing of the recapitalization would substantially strengthen our balance sheet and thereby reduce our concerns about liquidity and a shortage of capital. We believe this would provide us with the financial flexibility to better manage this period of high oil prices and to continue our program to improve operating results.

Facilitate Future Acquisitions. The repayment or conversion into equity of between $87 million and $100 million in senior notes would significantly reduce our indebtedness, which should help to facilitate our access to the capital markets to obtain equity capital and debt financing for acquisitions. If we are unable to access additional capital to grow our business, we may be adversely affected in our ability to maintain or increase our customer base, which could further erode our ability to generate available cash. Reducing our indebtedness should enhance our ability to make acquisitions, which could help offset the current and continuing net customer attrition rates.

Simplify Capital Structure. The elimination of the cumulative common unit arrearages and the conversion of the senior subordinated units and junior subordinated units into common units would simplify our capital structure, which should help to facilitate our access to the capital markets. We believe that it would be difficult to issue new common or subordinated units while our existing common units are subject to significant arrearages for past distributions, which could adversely affect our ability to obtain debt financing for acquisitions since an important element of obtaining debt financing is our ability to access equity markets to repay the debt. If we are limited in our ability to access capital to grow the business, we may be adversely affected in our ability to maintain or increase our customer base. Such reduction of activity could further erode our ability to generate available cash.

Experience of Kestrel Representatives. Subject to the closing of the transactions contemplated by the unit purchase agreement, Star Gas will withdraw as general partner and Kestrel Heat will become our new general partner. Kestrel will be entitled to elect the board of directors of the general partner. We expect to benefit from the ability of the Kestrel representatives who have substantial experience in the energy markets. Paul

A. Vermylen, Jr., the President of Kestrel, served as an executive officer of Meenan Oil Co., L.P., a heating oil company, for 18 years before it was sold to Star Gas Partners in 2001.

Agreements With Senior Noteholders. The agreements with the holders of 94% of the senior notes would largely eliminate the costs and significant risks associated with the potential for litigation and alleged defaults under the indenture for our senior notes involving, among other matters, our use of proceeds from the sale of our propane segment. If this matter was not resolved and we were unsuccessful in defending our position in any future claim that might be brought by noteholders, this would constitute an event of default if declared by either of the holders of 25% in principal amount of the senior notes or by the trustee and in such event all amounts due under the senior notes would become immediately due and payable. An acceleration of our senior notes would have a material adverse effect on our ability to continue as a going concern. The report of our independent registered public accounting firm on our consolidated financial statements as of September 30, 2005 and 2004, and for the three years ended September 30, 2005, includes an explanatory paragraph with respect to the impact of this matter on our ability to continue as a going concern if this matter is resolved adversely to us.

Certain potential disadvantages of the proposed recapitalization to common unitholders:

Elimination of Previously Accrued Cumulative Distribution Arrearages. Arrearages on the common units that have accrued through the date of the closing of the recapitalization proposal would be eliminated. As of November 30, 2005, cumulative distribution arrearages on all outstanding units aggregated $92.5 million.

Reduction and Postponement of Minimum Quarterly Distributions. The approval of the proposals would result in a reduction of the minimum quarterly distribution from the current $0.575 per common unit to $0.0675 per common unit. Also there would be no mandatory distributions on the common units until at least fiscal 2009. However, regardless of whether the minimum quarterly distribution is reduced, the board of directors of our general partner has concluded that (absent the proposed recapitalization) we are not generating enough available cash to pay any quarterly distributions and/or arrearages at the present time or in the foreseeable future.

Increased Distributions to General Partner. If the proposals are approved, the general partner would be entitled to receive a substantially higher percentage of cash distributed above $0.0675 per unit than under the existing partnership agreement as a result of the revisions to the incentive distribution payments to allocate all incentive distributions to the holders of the general partner units. The reduction of the minimum quarterly distribution would mean that the general partner would be able to receive incentive distributions sooner.

Depressed Purchase Price. The price per common unit that we would receive from Kestrel Heat and M2 and in connection with the rights offering is close to the bottom of the trading range for our common units since we became a public partnership, but such price represents a 34% premium to the closing sales price of the common units on the last trading day prior to the public announcement of the recapitalization transaction.

Substantial Dilution. The number of common units outstanding would increase from 32,165,528 to approximately 74,336,836, representing a significant dilution to existing unitholders. However, common unitholders who participate in the rights offering would be able to reduce the dilution in their unit holdings.

Termination of Subordination Period. The termination of the subordination period would eliminate the priority of payment to the common unitholders in preference to the senior subordinated units and junior subordinated units. In addition, the termination of the subordination period would eliminate the requirement that the general partner receive unitholder approval for issuance of more than a certain number of additional common units during the subordination period. However, the rules of the NYSE generally would require prior unitholder approval before we could issue common units in excess of 20% of the then currently issued and outstanding common units in a single or series of related transactions other than a public offering for cash.

Restriction on Use of NOLs. As of September 30, 2005, Star/Petro, Inc., had net operating losses of approximately $181.7 million. We believe that the issuance of units in the recapitalization will likely result in an ownership change of our corporate subsidiary, Star/Petro, Inc. (Star/Petro), under the Internal Revenue Code

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of 1986, as amended (Tax Code). As a result of this ownership change, Star/Petro will be materially restricted in its ability to use its net operating loss carryforwards. To the extent that these net operating loss carryforwards cannot be used to reduce Star/Petro s taxable income, Star/Petro will have less cash to distribute to us and we will have less cash to distribute to our unitholders.

Potential Advantages and Disadvantages to Senior Subordinated Unitholders and Junior Subordinated Unitholders:

In addition to the certain potential advantages to the common unitholders, the following are certain potential advantages of the proposed recapitalization to senior subordinated unitholders and junior subordinated unitholders:

Increased Likelihood of Distributions. The conversion of each outstanding senior subordinated unit and junior subordinated unit into one common unit will eliminate the priority common units had on distributions ahead of the senior subordinated units and junior subordinated units and will significantly increase the likelihood that we will resume distributions to the holders of these units.

In addition to the certain potential disadvantages to the common unitholders, the following are certain potential disadvantages of the proposed recapitalization to senior subordinated and junior subordinated unitholders:

No Incentive Distributions. The right of the senior subordinated units and junior subordinated units to receive incentive distributions would be eliminated. However, given that as of September 30, 2005 we had approximately $92.5 million in accrued distribution arrearages on the common units that must be paid prior to the payment of any incentive distributions, it is unlikely that any incentive distributions would be received by the holders of senior subordinated units in the foreseeable future.

No Separate Class Vote. The senior subordinated and junior subordinated units would lose their right to vote separately as a class during the subordination period on all matters on which unitholders are entitled to vote. However, the separate class vote was originally intended to protect the rights of the subordinated unitholders when they constituted a junior class of securities to the common units, which would no longer be the case once the subordinated units are converted in common units.

Dilution. Subordinated units would not be allowed to participate in the rights offering being made to the holders of common units, and therefore would be diluted to a greater extent than the holders of common units who participate in the rights offering.

Important Considerations (see pages 20 to 24)

We refer to you to Important Considerations beginning on page 20, which discusses certain important matters that you should carefully consider in evaluating the recapitalization proposals.

Recommendations of the Board of Directors

(see page 33)

After considering the advice of its independent legal counsel and financial advisor, the board of directors believes that the transaction is fair to, and in the best interests of, the Star Gas Partners unitholders. The board of directors of Star Gas unanimously recommends that Star Gas Partners unitholders vote FOR each of the recapitalization proposals.

Each of Star Gas Partners executive officers and directors who owns units has indicated that he intends to vote in favor of each of the proposals. These officers and directors own in the aggregate 35,125 common units, 290,037 senior subordinated units and 53,426 junior subordinated units. The votes of affiliates of Star Gas, including its executive officers, directors and members, will be excluded for the purposes of the votes required to approve proposals 2 and 3.

Opinion of Jefferies & Company, Inc.

(see pages 33 to 40)

On December 2, 2005, Jefferies & Company, Inc., or Jefferies, rendered to Star Gas board of directors its opinion as investment bankers to the effect that, as of that date and based upon and subject to the various considerations and assumptions set forth therein, the Recapitalization Transaction (as defined in such opinion), taken as a whole, was fair, from a financial point of view, to the existing holders of common units on that date. The full text of the Jefferies opinion, which sets forth the assumptions made, matters considered and limitations on the scope of review undertaken by Jefferies in rendering its opinion, is attached to this proxy statement as Annex D. See The Recapitalization Opinion of Jefferies & Company, Inc. or such Annex D for a description of the Recapitalization Transaction as used in the Jefferies opinion. Star Gas and its board of directors encourage the holders of common units to read the Jefferies opinion carefully and in its entirety. The summary of the Jefferies opinion in this proxy statement is qualified in its entirety by reference to the full text of the Jefferies opinion. **The Jefferies opinion was provided to Star Gas board of directors in connection with its consideration of the proposed recapitalization, taken as a whole, and does not address the underlying business decision of Star Gas Partners to engage in the proposed recapitalization or the terms of the unit purchase agreement and the documents referred to therein. The Jefferies opinion addresses only the fairness, from a financial point of view and as of the date of the Jefferies opinion, of the Recapitalization Transaction, taken as a whole, to existing holders of common units as of the date of its opinion, and does not address any individual element of the Recapitalization Transaction. The Jefferies opinion does not constitute a recommendation as to how any holder of units should vote on the Recapitalization, or as to whether any holder of common units should exercise rights to acquire additional common units in the rights offering.**

Interests of Certain Persons in the Recapitalization **(see pages 42 to 43)**

In connection with the proposed recapitalization, our current general partner, Star Gas, will withdraw as general partner by contributing its general partner units and its .01% equity interest in Star/Petro to Star Gas Partners for no consideration.

Kestrel has proposed that following the closing of the recapitalization, Mr. William P. Nicoletti, the chairman of the board of Star Gas, Mr. Joseph P. Cavanaugh, the chief executive officer and a director of Star Gas, and Mr. Daniel P. Donovan, the president of Star Gas, would become directors of Kestrel Heat. Mr. Paul Biddelman, Mr. Stephen Russell and Mr. Irik P. Sevin, the other three directors of Star Gas, will not become directors of Kestrel Heat. In addition, if the recapitalization is consummated, Mr. Cavanaugh, Mr. Donovan and Mr. Richard F. Ambury, the chief financial officer of Star Gas, would continue to be employed by us under the terms of their current employment arrangements. If Kestrel Heat is elected successor general partner, the proposed directors and executive officers of Kestrel Heat will have interests in the proposed recapitalization as described in Information Regarding Kestrel Heat below.

The unit purchase agreement provides in general that Kestrel will cause Star Gas Partners to maintain, for a period of six years after the completion of the transaction, the current indemnification agreements and provisions for Star Gas officers and directors and the current policies of directors and officers liability insurance maintained by Star Gas Partners, or policies of at least the same coverage and amounts containing terms and conditions that are no less advantageous, with respect to claims arising from facts or events that occurred on or before the date of the completion of the transaction.

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The membership interests in Star Gas are owned by Irik P. Sevin, Audrey L. Sevin and Hanseatic Americas, Inc. Mr. Sevin is a director of Star Gas. Star Gas and its members own an aggregate of 314,305 senior subordinated units and 345,364 junior subordinated units that will be converted into common units in connection with the proposed recapitalization. Mr. Paul Biddelman, who is a director of Star Gas, is an executive officer of Hanseatic Corporation, the sole managing member of Hanseatic Americas, LDC, which is the indirect parent of Hanseatic Americas, Inc.

In addition, the executive officers and directors of Star Gas (excluding Mr. Sevin) own an aggregate of 18,561 senior subordinated units that will be converted into common units in connection with the proposed recapitalization.

Kestrel has agreed that Star Gas Partners shall continue to reimburse Star Gas for amounts that are payable by Star Gas to Mr. Sevin under his agreement dated March 7, 2005.

Market Prices and Related Matters

Our common units and senior subordinated units are listed and traded on the New York Stock Exchange under the symbol SGU and SGH, respectively.

During the fiscal year ended September 30, 2005, the high and low sales prices of our common units were $22.23 and $1.94, respectively, and the high and low sales prices of our senior subordinated units were $14.05 and $1.15, respectively.

At December 2, 2005, the last trading day prior to our public announcement of the recapitalization transaction, the closing sales price of the common units and senior subordinated units was $1.32 and $1.89, respectively. On December 27, 2005, the last trading day prior to the commencement of the printing of this proxy statement, the closing sales price of the common units and senior subordinated units was $1.72 and $1.75, respectively.

For additional information concerning the market prices of our common units and senior subordinated units and information concerning distributions, see Item 5 Market for the Registrant s Units and Related Matters from our Annual Report on Form 10-K for the fiscal year ended September 30, 2005, which is attached hereto as Annex C.

The Meeting; Required Vote

The special meeting of unitholders to vote on the recapitalization proposals will be held on , at a.m., local time, at (the Meeting). The recapitalization cannot be effected without approval of each of the recapitalization proposals. Under our partnership agreement, proposal 1 requires the approval of a majority of the outstanding common units and proposals 2 and 3 require the approval of a unit majority, which means (i) a majority of common units entitled to vote and outstanding as of the record date, and (ii) a majority of senior subordinated units and junior subordinated units, voting together as one class, entitled to vote and outstanding as of the record date, in each case excluding units owned by Star Gas or its affiliates, including its executive officers and directors and members. Under the NYSE rules,

proposal 1 requires the approval of a majority of the votes cast by the holders of the common units and senior subordinated units, voting as a single class, provided that the total votes cast on the proposal represent at least 50% of all units entitled to vote, and proposals 2 and 3 do not require unitholder approval. None of the proposals will be implemented unless all three recapitalization proposals are approved by unitholders.

Material U.S. Federal Income Tax Consequences (see pages 44 to 46)

In general, the recapitalization is not expected to result in taxable income or loss to the unitholders. See Material U.S. Federal Income Tax Consequences.

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Description of Common Units and other Partnership

Interests Following the Recapitalization **(see pages 69 to 73)**

Units to be Outstanding After the Recapitalization	Approximately 74,336,836 common units, representing a combined 99.6% limited partner interest, and 325,729 general partner units, representing a combined 0.4% general partner interest.
Requirement to Distribute Available Cash	Within 45 days following the end of each quarter commencing with the quarter beginning October 1, 2008, Star Gas Partners is required to distribute 100% of its available cash with respect to such quarter to partners as of the record date selected by the general partner in its reasonable discretion. Star Gas Partners has no obligation to distribute available cash through the quarter ending September 30, 2008 and currently has no intention of making any such distributions.
Definition of Available Cash	Available cash for any quarter will continue to consist of all cash on hand at the end of that quarter, as adjusted for reserves. The general partner has broad discretion in establishing reserves.
Minimum Quarterly Distribution	$0.0 through the quarter ending September 30, 2008 and $0.0675 per unit per quarter or $0.27 per unit per year thereafter.
First Target Distribution Level	$0.1125 per unit per quarter thereafter or $0.45 per unit per year.
Distribution of Available Cash from Operating Surplus	Available cash from operating surplus with respect to any quarter will be distributed in the following manner:
	First, 100% to the common units, pro rata, until we distribute to each common unit the minimum quarterly distribution of $0.0675;
	Second, 100% to the common units, pro rata, until we distribute to each common unit any arrearages in payment of the minimum quarterly distribution on the common units for prior quarters;
	Third, 100% to the general partner units, pro rata, until we distribute to each general partner unit the minimum quarterly distribution of $0.0675;
	Fourth, 90% to the common units, pro rata, and 10% to the general partner units, pro rata, until we distribute to each common unit the first target distribution of $0.1125; and
	Thereafter, 80% to the common units, pro rata, and 20% to the general partner units, pro rata.

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Subordination Period	Because all senior subordinated units and junior subordinated units will convert into common units, the subordination period will end. All outstanding limited partner units will be common units.
Voting	Approval of a majority of the outstanding common units, including common units owned by the general partner and its affiliates, is required for the following:

- certain amendments to our partnership agreement;
- the merger of our partnership or the sale of all or substantially all of our assets; and
- the dissolution of our partnership.

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Financial Information

Unit Issuances

The following table shows the approximate number of units outstanding before and after the proposed recapitalization.

	Before Transaction*		After Transaction	
	Number	Percentage	Number	Percentage
Common Units				
Existing common units	32,165,528	88.8%	32,165,528	43.1%
Issued to Kestrel entities			7,500,000	10.1%
Issued in rights offering			17,500,000	23.4%
Issued to senior noteholders			13,433,962	18.0%
Issued to subordinated unitholders			3,737,346	5.0%
Subtotal	32,165,528	88.8%	74,336,836	99.6%
Subordinated Units				
Senior subordinated units	3,391,982	9.4%		
Junior subordinated units	345,364	0.9%		
Subtotal	3,737,346	10.3%		
General Partner Units	325,729	0.9%	325,729	0.4%
Total	36,228,603	100%	74,662,565	100%

* As of the date of this proxy statement.

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Capitalization

The following table sets forth our historical capitalization as of September 30, 2005 on an actual basis and as adjusted to give pro forma effect to the following elements of the recapitalization:

the issuance of 7,500,000 common units to Kestrel Heat and M2 for a purchase price of $2.00 per unit and the issuance to Kestrel Heat of 325,729 general partner units;

the issuance of 17,500,000 common units in the rights offering at an exercise price of $2.00 per unit;

the use of the proceeds from the issuance of common units to Kestrel and M2 and the rights offering, together with additional cash from operations, to repurchase $73.1 million of senior notes;

the conversion of approximately $26.9 million of senior notes into 13,433,962 (subject to adjustment for rounding) newly issued common units; and

the conversion of each senior subordinated unit and each junior subordinated unit into one common unit:

	As of September 30, 2005 (in thousands)	
	Actual	**Pro Forma**
Cash and cash equivalents	$ 99,148	$ 68,235(a)
Debt		
Star Gas:		
10.25% Senior Notes due 2013	$ 267,322	$ 166,446
Heating Oil Segment:		
Revolving Credit Facility(b)	6,562	6,562
Acquisition Notes Payable	225	225
Subordinated Debentures	666	666
Total debt	$ 274,775	$ 173,899
Less: Revolving Credit Facility	(6,562)	(6,562)
Current Portion of Acquisition Notes and Subordinated Debentures	(796)	(796)
Total long-term debt	$ 267,417	$ 166,541
Total partner s capital	145,108	214,039

Total capitalization	$ 412,525	$ 380,580

(a) Reflects the repayment of $73.1 million in face amount of our senior notes. Pursuant to the tender offer for the senior notes, Star Gas Partners must exchange for cash at least $60 million of senior notes but not more than $73.1 million. Star Gas Partners intends to offer to repurchase $73.1 million of senior notes, subject to cash availability at the time of closing. If Star Gas Partners tenders for $60.0 million of senior notes, cash will decrease by $17.6 million and long-term debt will decrease by $87.7 million.

(b) The heating oil segment s revolving credit facility currently includes a $260 million revolving loan facility (which increases to $310 million during the peak heating season from December 1 through March 31), subject to borrowing base requirements and coverage ratios, of which up to $75 million may be used to issue letters of credit. This facility contains various restrictive and affirmative covenants. The most restrictive of these covenants relate to the incurrence of additional indebtedness, and restrictions on dividends, certain investments, guarantees, loans, sales of assets and other transactions.

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Summary Consolidated Historical Financial and Operating Data

The following table sets forth our summary consolidated financial information as of September 30, 2004 and 2005, and for the years ended September 30, 2003, 2004 and 2005 that has been derived from our financial statements included in our Annual Report on Form 10-K attached as Annex C to this proxy statement. You should read this financial information in conjunction with Selected Historical Financial and Operating Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and notes set forth in our Annual Report on Form 10-K for the fiscal year ended September 30, 2005 attached to this proxy statement as Annex C. The information set forth below is not necessarily indicative of our future results.

	Fiscal Years Ended September 30,		
(in thousands, except per unit data)	**2003**	**2004**	**2005**
Statement of Operations Data:			
Sales	$ 1,102,968	$ 1,105,091	$ 1,259,478
Costs and expenses:			
Cost of sales	793,543	799,055	983,779
Delivery and branch expenses	217,244	232,985	231,581
Depreciation and amortization expenses	35,535	37,313	35,480
General and administrative expenses	39,763	19,937	43,418
Goodwill impairment charge			67,000
Operating income (loss)	16,883	15,801	(101,780)
Interest expense, net	(29,530)	(36,682)	(31,838)
Amortization of debt issuance costs	(2,038)	(3,480)	(2,540)
Gain (loss) on redemption of debt	212		(42,082)
Loss from continuing operations before income taxes	(14,473)	(24,361)	(178,240)
Income tax expense	1,200	1,240	696
Loss from continuing operations	(15,673)	(25,601)	(178,936)
Income (loss) from discontinued operations, net of income taxes	19,786	20,276	(4,552)
Gain (loss) on sales of discontinued operations, net of income taxes		(538)	157,560
Cumulative effects of change in accounting principle for discontinued operations:			
Adoption of SFAS No. 142	(3,901)		
Net income (loss)	$ 212	$ (5,863)	$ (25,928)
Weighted average number of limited partner units:			
Basic	32,659	35,205	35,821
Diluted	32,767	35,205	35,821
Per Unit Data:			
Basic and diluted loss from continuing operations per unit(a)	$ (0.48)	$ (0.72)	$ (4.95)
Basic and diluted net income (loss) per unit(a)	$ 0.01	$ (0.16)	$ (0.72)
Cash distribution declared per common unit	$ 2.30	$ 2.30	$
Cash distribution declared per senior sub. unit	$ 1.65	$ 1.73	$
Balance Sheet Data (end of period):			
Current assets	$ 211,109	$ 234,171	$ 311,432
Total assets	$ 975,610	$ 960,976	$ 629,261
Long-term debt	$ 499,341	$ 503,668	$ 267,417

Partners Capital	$ 189,776	$ 169,771	$ 145,108

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(in thousands, except per unit data)	Fiscal Years Ended September 30, 2003	2004	2005
Summary Cash Flow Data:			
Net cash provided by (used in) operating activities	$ 15,365	$ 13,669	$ (54,915)
Net cash provided by (used in) investing activities	$ (48,395)	$ 6,447	$ 467,431
Net cash provided by (used in) financing activities	$ 48,049	$ (19,874)	$ (306,694)
Other Data:			
Earnings from continuing operations before interest, taxes, depreciation and amortization (EBITDA)(b)	$ 52,630	$ 53,114	$ (108,382)
Heating oil segment s retail gallons sold	567,024	551,612	487,300

(a) Income (loss) from continuing operations per unit is computed by dividing the limited partners interest in income (loss) from continuing operations by the weighted average number of limited partner units outstanding. Net income (loss) per unit is computed by dividing the limited partners interest in net income (loss) by the weighted average number of limited partner units outstanding.

(b) EBITDA from continuing operations should not be considered as an alternative to net income (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations), but provides additional information for evaluating our ability to make the minimum quarterly distribution. The working capital facility and the senior notes, impose certain restrictions on our ability to pay distributions to unitholders.

The definition of EBITDA set forth above may be different from that used by other companies. EBITDA from continuing operations is calculated for the fiscal years ended September 30 as follows:

Statement of Operations Data (in thousands)	2003	2004	2005
Loss from continuing operations	$ (15,673)	$ (25,601)	$ (178,936)
Plus:			
Income tax expense (benefit)	1,200	1,240	696
Amortization of debt issuance cost	2,038	3,480	2,540
Interest expense, net	29,530	36,682	31,838
Depreciation and amortization	35,535	37,313	35,480
EBITDA from continuing operations	$ 52,630	$ 53,114	$ (108,382)

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Summary Selected Unaudited Pro Forma Condensed Consolidated Financial Information

The following summary selected unaudited pro forma condensed consolidated financial information for the fiscal year September 30, 2005 assumes the recapitalization occurred on October 1, 2004. You should not rely on the pro forma financial information as being indicative of the historical results that we would have had or the future results that we will experience after the recapitalization. See Unaudited Pro Forma Condensed Consolidated Financial Information.

The Pro Forma column of the table represents the recapitalization assuming the repayment of at least $73.1 million in senior notes and the conversion of $26.9 million of senior notes into common units.

(in thousands, except per unit data)	**Pro Forma Sept. 30, 2005**
Sales:	
Product	$ 1,071,270
Installations and service	188,208
Total sales	1,259,478
Cost and expenses:	
Cost of product	786,349
Cost of installations and service	197,430
Delivery and branch expenses	231,581
Depreciation and amortization expenses	35,480
General and administrative expenses	43,418
Goodwill impairment charge	67,000
Operating income (loss)	(101,780)
Interest expense	(26,016)
Interest income	3,429
Amortization of debt issuance costs	(2,230)
Gain (loss) on redemption of debt	(42,082)
Loss from continuing operations before income taxes	(168,679)
Income tax expense	696
Loss from continuing operations	(169,375)
General Partner s interest in (loss from) continuing operations	$ (740)
Limited Partners interest in (loss from) continuing operations	$ (16,295)
Basic and diluted loss from continuing operations per Limited Partner Unit:	$ (2.27)
Weighted average number of Limited Partner units outstanding:	
Basic and Diluted	74,255

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	Fiscal Year Ended September 30, 2005
	Pro Forma
	(In thousands)
Balance Sheet Data (end of period)	
Current assets	$ 280,519
Total assets	596,035
Long-term debt	166,541
Total partners capital	214,039
Summary Cash Flow Data	
Net cash used in operating activities	$ (44,902)
Net cash provided by investing activities	467,321
Net cash used in financing activities	(336,326)
Other Data	
Operating income plus depreciation, amortization and other-non-cash charges less net gain (loss) on sales of equipment (EBITDA)(a)	$ (108,382)

(a) EBTIDA (see footnote (b) to the Summary Consolidated Historical Financial and Operating Data table above) is calculated as follows:

(in thousands)	2005
Pro Forma Loss from continuing operations	$ (169,375)
Plus:	
Income tax expense (benefit)	696
Amortization of debt issuance cost	2,230
Interest expense, net	22,587
Depreciation and amortization	35,480
Pro Forma EBITDA from continuing operations	$ (108,382)

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

How will my proxy be voted?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote all executed proxy cards in accordance with the recommendations of the board of directors of Star Gas, which is to vote FOR all three proposals to effect the recapitalization. With respect to any other matter that properly comes before the special meeting the proxy holders will vote as recommended by the board of directors of Star Gas, or, if no recommendation is given, in their own discretion. See The Recapitalization Reasons for the Recapitalization that the Board Considered; Recommendations of the Board.

Who sent me this proxy statement?

The board of directors of Star Gas, the general partner of Star Gas Partners, sent you this proxy statement and the proxy card. The solicitation will be paid for by Star Gas Partners. In addition to this solicitation by mail, proxies may be solicited by Star Gas directors, officers and other employees by telephone, internet, e-mail, telegraph, telefax or telex, in person or otherwise. These people will not receive any additional compensation for assisting in the solicitation. We have retained Georgeson Shareholder, to assist us in the solicitation of proxies, for a fee of $ plus reimbursement of reasonable out-of-pocket expenses. We will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of our units and will reimburse them for their reasonable out-of-pocket expenses.

What is the recommendation of Star Gas board of directors?

The board of directors of Star Gas has approved the recapitalization as being in the best interests of Star Gas Partners and our unitholders and recommends that unitholders vote FOR each of the recapitalization proposals. See Important Considerations, The Recapitalization Reason for the Recapitalization that the Board Considered; Recommendations of the Board and Interest of Certain Persons in the Recapitalization.

Included in Obligations Issued by States and Political Subdivisions as of December 31, 2009, are $11,635,000 of auction rate municipal obligations (ARSs) and $5,000,000 of variable rate demand notes (VRDNs) with unrealized losses of $468,000 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 $16,635,000 of ARSs and VRDNs, $5,000,000 are obligations of governmental entities and the remainder are obligations of large nonprofit entities. 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, 2009, two of the Company s ARSs were purchased subsequent to their failure with a fair value of $7,820,000 and an amortized cost of $8,288,000.

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As of December 31, 2009, the weighted average taxable equivalent yield on these securities was 0.52%.

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 available-for-sale securities 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, 2009.

Securities available-for-sale totaling $13,677,000, or 0.61% 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

	2009		**2008**		**2007**	
At December 31,	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
			(Dollars in thousands)			
U.S. Government Sponsored Enterprises	**$ 69,555**	**32.0%**	$ 44,000	23.9%	$ 94,987	51.7%
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	**148,088**	**68.0%**	140,047	76.1%	88,723	48.3%
Total	**$ 217,643**	**100.0%**	$ 184,047	100.0%	$ 183,710	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, 2009. 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.

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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
						(Dollars in thousands)					
y ment	$	0.0%	0.00%	$ 2,003	0.3%	0.95%	$	0.0%	0.00%	$	0.0
ment		0.0%	0.00%	115,098	17.8%	1.89%	77,266	11.9%	2.89%		0.0
cked ued	23,762	3.7%	4.00%	348,048	53.7%	3.86%	36,268	5.6%	4.05%	10,434	1.6
cked ued		0.0%	0.00%	4,910	0.8%	3.08%		0.0%	0.00%		0.0
cked f		0.0%	0.00%	544	0.1%	3.90%		0.0%	0.00%		0.0
	6,355	1.0%	1.49%	3,299	0.5%	3.22%	5,000	0.8%	0.35%	11,635	1.8
	100	0.0%	2.19%	700	0.1%	3.19%		0.0%	0.00%		0.0
ities		0.0%	0.00%		0.0%	0.00%		0.0%	0.00%		0.0
	$ 30,217	4.7%	3.47%	$ 474,602	73.3%	3.35%	$ 118,534	18.3%	3.14%	$ 22,069	3.4

	Non-Maturing	% of Total	Weighted Average Yield	Total	% of Total	Weighted Average Yield
			(Dollars in thousands)			
U.S. Treasury	$	0.0%	0.00%	$ 2,003	0.3%	0.95%
U.S. Government Sponsored Enterprises		0.0%	0.00%	192,364	29.7%	2.29%
U.S. Government Agency and Sponsored Enterprise		0.0%	0.00%	418,512	64.6%	3.88%

Mortgage-Backed Securities						
Privately Issued Residential Mortgage-Backed Securities		**0.0%**	**0.00%**	**4,910**	**0.8%**	**3.08%**
Privately Issued Commercial Mortgage-Backed Securities		**0.0%**	**0.00%**	**544**	**0.1%**	**3.90%**
Obligations of States and Political Subdivisions		**0.0%**	**0.00%**	**26,289**	**4.1%**	**0.98%**
Other Debt Securities	**1,459**	**0.2%**	**5.00%**	**2,259**	**0.3%**	**4.40%**
Equity Securities	**915**	**0.1%**	**2.73%**	**915**	**0.1%**	**2.73%**
Total	**$ 2,374**	**0.3%**	**4.12%**	**$ 647,796**	**100.0%**	**3.28%**

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
						(Dollars in thousands)					
nt s	$	0.0%	0.00%	$ 20,572	9.5%	2.74%	$ 48,983	22.5%	2.49%	$ 69,555	32.0%
nt	4,693	2.2%	3.98%	142,949	65.6%	4.46%	446	0.2%	2.31%	148,088	68.0%
	$ 4,693	2.2%	3.98%	$ 163,521	75.1%	4.24%	$ 49,429	22.7%	2.49%	$ 217,643	100.0%

At December 31, 2009 and 2008, the Bank had no investments in obligations of individual states, counties, municipalities or nongovernment corporate entities which exceeded 10% of stockholders equity. Additionally, 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. In 2008, there were sales totaling $123,704,000 in gross proceeds in state, county or municipal securities resulting in gross gains of $46,000 and gross losses of $0. In 2008, sales of securities

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totaling $238,894,000 in gross proceeds resulted in a net realized gain of $249,000. The book value of two equity securities was written down $76,000 during 2008.

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.

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

	2009		2008		2007		2006		2005	
...ber 31,	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Perc... of Tot...
					(Dollars in thousands)					
...ruction ...nd ...pment	**$ 60,349**	**6.9%**	$ 59,511	7.1%	$ 62,412	8.6%	$ 49,709	6.7%	$ 58,846	
...ercial ...dustrial	**141,061**	**16.1%**	141,373	16.9%	117,332	16.2%	117,497	15.9%	94,139	1...
...ercial ...tate	**361,823**	**41.2%**	332,325	39.8%	299,920	41.3%	327,040	44.4%	302,279	4...
...ential real	**188,096**	**21.4%**	194,644	23.3%	168,204	23.2%	167,946	22.8%	146,355	2...
...mer	**7,105**	**0.8%**	8,246	1.0%	8,359	1.1%	7,104	1.0%	8,318	
... equity	**118,076**	**13.5%**	98,954	11.8%	68,585	9.4%	66,157	9.0%	78,369	1...
...rafts	**615**	**0.1%**	1,012	0.1%	1,439	0.2%	1,320	0.2%	1,339	
	$ 877,125	**100.0%**	$ 836,065	100.0%	$ 726,251	100.0%	$ 736,773	100.0%	$ 689,645	10...

At December 31, 2009, 2008, 2007, 2006 and 2005, loans were carried net of discounts of $645,000, $692,000, $3,000, $3,000 and $4,000, respectively. Net deferred loan fees of $71,000, $81,000, $38,000, $183,000 and $482,000 were carried in 2009, 2008, 2007, 2006 and 2005, respectively.

The following table summarizes the remaining maturity distribution of certain components of the Company s loan portfolio on December 31, 2009. 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, 2009

	One Year or Less	One to Five Years	Over Five Years	Total
	(Dollars in thousands)			
Construction and land development	**$ 10,435**	**$ 12,868**	**$ 37,046**	**$ 60,349**
Commercial and industrial	**60,578**	**40,150**	**40,333**	**141,061**
Commercial real estate	**24,551**	**138,595**	**198,677**	**361,823**
Total	**$ 95,564**	**$ 191,613**	**$ 276,056**	**$ 563,233**

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

December 31, 2009	One to Five Years	Over Five Years	Total
	(Dollars in thousands)		
Predetermined interest rates	**$ 100,346**	**$ 46,760**	**$ 147,106**
Floating or adjustable interest rates	**91,267**	**229,296**	**320,563**
Total	**$ 191,613**	**$ 276,056**	**$ 467,669**

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 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 $6,860,000 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 but normally only one- or three-year adjustable interest rates are used. 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, 2009, the Company was obligated to advance a total of $22,699,000 to complete projects under construction.

The composition of nonperforming assets is as follows:

December 31,	**2009**	**2008**	**2007**	**2006**	**2005**
			(Dollars in thousands)		
Total nonperforming loans/loans on nonaccrual	**$ 12,311**	$ 3,661	$ 1,312	$ 135	$ 949
Other real estate owned			452		
Total nonperforming assets	**$ 12,311**	$ 3,661	$ 1,764	$ 135	$ 949
Troubled debt restructured loans	**$ 521**	$	$	$	$
Loans past due 90 and still accruing		89	122	789	
Nonperforming loans as a percent of gross loans	**1.40%**	0.44%	0.18%	0.02%	0.14%
Nonperforming assets as a percent of total assets	**0.55%**	0.20%	0.10%	0.01%	0.05%

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

	2009	**2008**	**2007**	**2006**	**2005**
Residential real estate, multi-family	**$**	$ 194	$	$	$
Commercial real estate	**4,260**	1,175			
Construction and land development	**4,900**				675
Commercial and industrial	**1,356**	1,329	196	16	211
Total impaired loans	**$ 10,516**	$ 2,698	$ 196	$ 16	$ 886

At December 31, 2009, 2008 and 2007, impaired loans had specific reserves of $745,000, $600,000 and $75,000, respectively. There were no impaired loans with specific reserves at December 31, 2005 and December 31, 2006.

The Company was servicing mortgage loans sold to others without recourse of approximately $1,127,000, $768,000, $559,000, $798,000 and $1,078,000 at December 31, 2009, 2008, 2007, 2006 and 2005, respectively. Additionally, the Company services mortgage loans sold to others with limited recourse. The outstanding balance of these loans with limited recourse was approximately $47,000, $56,000, $65,000, $72,000 and $80,000 at December 31, 2009, 2008, 2007, 2006 and 2005, 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.

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 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 $35,229,000 and $21,807,000 at December 31, 2009 and 2008, respectively, of loans for which management has concerns regarding the ability of the borrowers to perform. The majority

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of the loans is secured by real estate and is considered to have adequate collateral value to cover the loan balances at December 31, 2009, 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 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,	2009	2008	2007	2006	2005
			(Dollars in thousands)		
Year-end loans outstanding (net of unearned discount and deferred loan fees)	**$ 877,125**	$ 836,065	$ 726,251	$ 736,773	$ 689,645
Average loans outstanding (net of unearned discount and deferred loan fees)	**$ 853,422**	$ 775,337	$ 725,903	$ 723,825	$ 641,103
Balance of allowance for loan losses at the beginning of year	**$ 11,119**	$ 9,633	$ 9,713	$ 9,340	$ 9,001
Loans charged-off:					
Commercial	**1,498**	2,869	1,828	386	366
Construction	**3,639**	15			
Residential real estate	**490**				
Consumer	**443**	489	311	322	324
Total loans charged-off	**6,070**	3,373	2,139	708	690
Recovery of loans previously charged-off:					
Commercial	**352**	159	268	96	75
Construction	**25**				
Real estate	**4**	5	149	49	235
Consumer	**318**	270	142	111	119
Total recoveries of loans previously charged-off:	**699**	434	559	256	429
Net loan charge-offs	**5,371**	2,939	1,580	452	261
Additions to allowance charged to operating expense	**6,625**	4,425	1,500	825	600
Balance at end of year	**$ 12,373**	$ 11,119	$ 9,633	$ 9,713	$ 9,340

Ratio of net charge-offs during the year to average loans outstanding	**0.63%**	0.38%	0.22%	0.06%	0.04%
Ratio of allowance for loan losses to loans outstanding	**1.41%**	1.33%	1.33%	1.32%	1.35%

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 2007 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.

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

Small business loans The outstanding loan balances of small business loans is $50,414,000 at December 31, 2009. 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

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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.

Construction loans The outstanding loan balance of construction loans at December 31, 2009 is $60,349,000. As noted above, a major factor in nonaccrual loans is 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.

Higher balance loans Loans greater than $1.0 million are considered high balance loans. The balance of these loans is $421,371,000 at December 31, 2009. 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.

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:

	2009		**2008**		**2007**		**2006**		**2005**	
	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	**$ 370**	**6.9%**	$ 679	7.1%	$ 592	8.6%	$ 849	6.7%	$ 1,014	8.5%
Commercial and industrial	**5,070**	**16.1**	5,148	16.9	4,714	16.2	1,916	15.9	1,575	13.7
Commercial real estate	**3,042**	**41.2**	2,632	39.8	2,584	41.3	4,502	44.4	4,131	43.8
Residential real estate	**1,329**	**21.4**	782	23.3	647	23.2	512	22.8	778	21.2
Consumer and other	**1,787**	**0.9**	344	1.1	407	1.3	135	1.2	148	1.4
Home equity	**775**	**13.5**	1,534	11.8	689	9.4	219	9.0	625	11.4
Unallocated							1,580		1,069	
Total	**$ 12,373**	**100.0%**	$ 11,119	100.0%	$ 9,633	100.0%	$ 9,713	100.0%	$ 9,340	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.

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.

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.

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

	2009		2008		2007	
	Amount	Percent	Amount	Percent	Amount	Percent
			(Dollars in thousands)			
Demand Deposits	**$ 277,300**	**17.8%**	$ 267,966	22.0%	$ 278,402	23.1%
Savings and Interest Checking	**528,973**	**34.0%**	369,687	30.3%	314,961	26.1%
Money Market	**432,159**	**27.8%**	308,432	25.3%	277,482	23.0%
Time Certificates of Deposit	**318,413**	**20.4%**	273,925	22.4%	335,972	27.8%
Total	**$ 1,556,845**	**100.0%**	$ 1,220,010	100.0%	$ 1,206,817	100.0%

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

	2009 (Dollars in thousands)
Three months or less	**$ 33,331**
Three months through six months	**34,495**
Six months through twelve months	**33,687**
Over twelve months	**50,167**
	$ 151,680

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 $232,500,000, a decrease of $4,500,000 from the prior year. The Bank s remaining term borrowing capacity at the FHLBB at December 31, 2009 was approximately $136,476,000. 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.

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 $118,745,000, an increase of $6,235,000 from the prior year. See Note 11, Securities Sold Under Agreements to Repurchase, for a schedule, including their interest rates and other information.

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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 9.6% in 2009 to $51,215,000, compared with $46,750,000 in 2008. The increase in net interest income for 2009 was mainly due to a 22.3% 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 thirty-one 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 2.69% in 2009 from 3.00% in 2008 and increased from 2.65% in 2007.

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.

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.

	2009			2008			2007	
Ended December 31,	Average Balance	Interest Income/ Expense(1)	Rate Earned/ Paid(1)	Average Balance	Interest Income/ Expense(1)	Rate Earned/ Paid(1)	Average Balance	Interest Income/ Expense(1)
				(Dollars in thousands)				
				ASSETS				
arning assets:								
	$ 853,422	**$ 51,174**	**6.00%**	$ 775,337	$ 50,199	6.47%	$ 725,903	$ 52,902
s available-for-sale:(3)								
	562,899	**20,439**	**3.63**	411,938	18,183	4.41	372,878	14,466
npt	**48,347**	**1,061**	**2.19**	61,406	3,204	5.24	330	17
s held-to-maturity:								
	193,520	**8,093**	**4.18**	193,584	8,265	4.27	248,338	9,065
unds sold				99,784	2,442	2.45	131,737	6,661
pearing deposits in ks	**245,002**	**2,171**	**0.87**	14,478	371	2.56	163	7
erest-earning assets	**1,903,190**	**82,938**	**4.36%**	1,556,527	82,664	5.31%	1,479,349	83,118
est-earning assets	**143,984**			136,830			130,652	
ce for loan losses	**(13,331)**			(9,997)			(9,719)	
ets	**$ 2,033,843**			$ 1,683,360			$ 1,600,282	

LIABILITIES AND STOCKHOLDERS EQUITY

earing deposits:								
counts	$ 279,213	$ 2,396	0.86%	$ 203,678	$ 3,076	1.51%	$ 202,761	$ 4,235
ccounts	249,761	2,862	1.15	166,009	2,929	1.76	112,200	2,477
arket accounts	432,159	6,100	1.41	308,432	7,260	2.35	277,482	8,901
osits	318,412	9,438	2.96	273,925	9,744	3.56	335,972	15,640
erest-bearing deposits	1,279,545	20,796	1.63	952,044	23,009	2.42	928,415	31,253
s sold under ts to repurchase	98,635	576	0.58	94,526	1,393	1.47	89,815	3,193
rowed funds and ated debentures	219,713	10,351	4.71	225,743	11,512	5.10	168,535	9,359
erest-bearing liabilities	1,597,893	31,723	1.99%	1,272,313	35,914	2.82%	1,186,765	43,805
est-bearing liabilities								
deposits	277,300			267,966			278,402	
bilities	31,289			21,363			23,565	
bilities	1,906,482			1,561,642			1,488,732	
ders equity	127,361			121,718			111,550	
bilities and stockholders	$ 2,033,843			$ 1,683,360			$ 1,600,282	
est income on a fully quivalent basis		$ 51,215			$ 46,750			$ 39,313
ble equivalent nt		(3,338)			(1,971)			(110)
est income		$ 47,877			$ 44,779			$ 39,203
est spread			2.37%			2.49%		
est margin			2.69%			3.00%		

(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.

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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.

	2009 Compared with 2008 Increase/(Decrease) Due to Change in			**2008 Compared with 2007 Increase/(Decrease) Due to Change in**		
Year Ended December 31,	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
	(Dollars in thousands)					
Interest income:						
Loans	**$ 5,110**	**$ (4,135)**	**$ 975**	$ 3,450	$ (6,153)	$ (2,703)
Securities available-for-sale:						
Taxable	**5,867**	**(3,611)**	**2,256**	1,606	2,111	3,717
Tax-exempt	**(574)**	**(1,569)**	**(2,143)**	3,187		3,187
Securities held-to-maturity:						
Taxable	**(3)**	**(169)**	**(172)**	(2,190)	1,390	(800)
Federal funds sold	**(2,442)**		**(2,442)**	(1,349)	(2,870)	(4,219)
Interest-bearing deposits in other banks	**2,198**	**(398)**	**1,800**	368	(4)	364
Total interest income	**10,156**	**(9,882)**	**274**	5,072	(5,526)	(454)
Interest expense:						
Deposits:						
NOW accounts	**913**	**(1,593)**	**(680)**	19	(1,178)	(1,159)
Savings accounts	**1,172**	**(1,239)**	**(67)**	1,020	(568)	452
Money market accounts	**2,329**	**(3,489)**	**(1,160)**	915	(2,556)	(1,641)
Time deposits	**1,452**	**(1,758)**	**(306)**	(2,589)	(3,307)	(5,896)
Total interest-bearing deposits	**5,866**	**(8,079)**	**(2,213)**	(635)	(7,609)	(8,244)
Securities sold under agreements to repurchase	**58**	**(875)**	**(817)**	159	(1,959)	(1,800)
Other borrowed funds and subordinated debentures	**(301)**	**(860)**	**(1,161)**	2,968	(815)	2,153
Total interest expense	**5,623**	**(9,814)**	**(4,191)**	2,492	(10,383)	(7,891)
Change in net interest income	**$ 4,533**	**$ (68)**	**$ 4,465**	$ 2,580	$ 4,857	$ 7,437

Average earning assets were $1,903,190,000 in 2009, an increase of $346,663,000 or 22.3% from the average in 2008, which was 5.2% higher than the average in 2007. Total average securities, including securities available-for-sale and securities held-to-maturity, were $804,766,000, an increase of 20.7% from the average in 2008. 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 0.2% to $29,593,000 on a fully tax equivalent basis. Total average loans increased 10.1% to $853,422,000 after increasing $49,434,000 in 2008. 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 partially offset by decreases in loan rates resulted in higher loan income, which increased by 1.9% or $975,000 to $51,174,000. Total loan income was $52,902,000 in 2007.

The Company s sources of funds include deposits and borrowed funds. On average, deposits showed an increase of 27.6% or $336,835,000 in 2009 after increasing by 1.1% or $13,193,000 in 2008. Deposits increased in 2009, primarily as a result of increases in savings, money market, NOW and time deposit accounts. Deposits increased in 2008 primarily as a result of increases in savings and money market accounts, which increased by 21.8% or $84,759,000, somewhat offset by decreases in time deposits, which decreased by 18.5% or $62,047,000.

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Borrowed funds and subordinated debentures decreased by 0.6% in 2009 following an increase of 24.0% in 2008. 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 $6,030,000, and average retail repurchase agreements increased by $4,109,000 in 2009. Interest expense totaled $31,723,000 in 2009, a decrease of $4,191,000 or 11.7% from 2008 when interest expense decreased 18.0% from 2007. 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 $6,625,000 in 2009, compared with $4,425,000 in 2008 and $1,500,000 in 2007. 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 increased during 2009 and 2008 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 $12,373,000 at December 31, 2009, compared with $11,119,000 at December 31, 2008. Expressed as a percentage of outstanding loans at year-end, the allowance was 1.41% in 2009 and 1.33% in 2008. This ratio increased as a result of management s evaluation of the loan portfolio.

Nonperforming loans, which include all nonaccruing loans, totaled $12,311,000 on December 31, 2009, compared with $3,661,000 on December 31, 2008. Nonperforming loans increased primarily as a result of three loan relationships: one primarily commercial real estate, and two construction totaling $7,379,000. During 2009, charge-offs totaling $3,604,000 were taken on the two construction loans.

Other Operating Income

During 2009, 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 offered through Linsco/Private Ledger Corp. (LPL), an unaffiliated registered securities broker-dealer and investment advisor.

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, a full-service securities brokerage business. Registered representatives employed by LPL offer limited investment advice, execute transactions and assist customers in financial and retirement planning. LPL provides research to and supervises its representatives. The Bank receives a share in the commission revenues.

Total other operating income in 2009 was $16,470,000, an increase of $2,495,000 or 17.9% compared to 2008. This increase followed an increase of $27,000 or 0.2% in 2008, compared to 2007. Included in other operating income are net gains on sales of securities of $2,734,000, $249,000 and $153,000 in 2009, 2008 and 2007, respectively. Included in 2007 is the $1,321,000 pre-tax gain on the sale of the building that houses the Company s Medford Square branch. Service charge income, which continues to be a major area of other operating income, totaling $8,003,000 in 2009, decreased $187,000 compared to 2008. This followed an increase of $611,000 compared to 2007. 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 reduction in the number of overdraft lines. Service charges on deposit accounts increased during 2008 mainly because of increases in fees. Lockbox revenues totaled $2,814,000, down $139,000 in 2009 following a decrease of $3,000 in 2008. Other income totaled $2,709,000, up $230,000 in 2009 following an increase of $792,000 in 2008. 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. The increase in 2008 was mainly attributable to an increase of $420,000 in the growth of cash surrender values on life insurance policies, which was attributable to higher returns on life insurance policies, an increase of $143,000 in foreign ATM surcharges and an increase of $138,000 in royalty payments on the merchant and credit card customer base. Foreign ATM surcharges increased because of an increase in rates charged and the addition of ATMs.

Operating Expenses

Total operating expenses were $46,379,000 in 2009, compared to $43,028,000 in 2008 and $40,255,000 in 2007.

Salaries and employee benefits expenses increased by $1,304,000 or 5.1% in 2009, after increasing by 4.4% in 2008. The increase in 2009 was mainly attributable to increases in pension expense and health insurance costs. The increase in 2008 was mainly attributable to an increase in staff levels, merit increases in salaries and increases in health insurance costs.

Occupancy expense decreased by $142,000 or 3.3% in 2009, following an increase of $394,000 or 10.2% in 2008. 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. The increase in 2008 was primarily attributable to an increase in rent expense associated with general rent escalations as well as retail branch expansion, depreciation and real estate taxes.

Equipment expense decreased by $502,000 or 17.5% in 2009, following a decrease of $83,000 or 2.8% in 2008. The decrease in 2009 and 2008 was primarily attributable to a decrease in depreciation expense. Other operating expenses decreased by $32,000 in 2009, which followed a $925,000 increase in 2008. 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. The increase in 2008 was primarily attributable to an increase in legal expense, consulting expense and contributions to charitable organizations.

FDIC assessments increased 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 $1,183,000 in 2009, $2,255,000 in 2008 and $3,532,000 in 2007. The effective tax rate was 10.4% in 2009, 20.0% in 2008 and 31.0% in 2007. The decreases in the effective tax rate for 2009 and 2008 were mainly attributable to an increase in tax-exempt interest income as a percentage of taxable income. The federal tax rate was 34% in 2009, 2008 and 2007.

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 the current rate of 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.

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)
+300	(7.7)%
+200	(5.5)%
+100	(3.1)%
−100	3.9%
−200	6.5%
−300	0.5%

(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 $417,160,000 on December 31, 2009, compared with $199,982,000 on December 31, 2008. 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. 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 $132,730,000 at December 31, 2009, compared with $120,503,000 at December 31, 2008. The increase in 2009 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 an increase of $4,421,000 in the net unrealized gains on the Company s available-for-sale portfolio, net of taxes offset by an increase of $77,000 in the pension liability, 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 requirements with a Tier 1 capital-to-risk assets ratio of 14.45% and 11.68%, respectively, and total capital-to-risk assets ratio of 15.53% and 12.76%, respectively, at December 31, 2009. 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, 2009, the Company and the Bank exceeded this requirement with leverage ratios of 7.73% and 6.23%, respectively.

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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, 2009.

Contractual Obligations and Commitments by Maturity

		Payments Due by Period			
Contractual Obligations	Total	Less Than One Year	One to Three Years	Three to Five Years	After Five Years
		(Dollars in thousands)			
FHLBB advances	$ 232,500	$ 104,000	$ 30,500	$ 56,000	$ 42,000
Subordinated debentures	36,083				36,083
Retirement benefit obligations	23,611	1,835	3,860	4,069	13,847
Lease obligations	5,631	1,474	1,823	934	1,400
Other					
Treasury, tax and loan	1,380	1,380			
Customer repurchase agreements	118,745	118,745			
Total contractual cash obligations	$ 417,950	$ 227,434	$ 36,183	$ 61,003	$ 93,330

		Amount of Commitment Expiring by Period			
Other Commitments	Total	Less Than One Year	One to Three Years	Three to Five Years	After Five Years
Lines of credit	$ 143,556	$ 87,726	$ 310	$ 2,228	$ 53,292
Standby and commercial letters of credit	8,904	7,440	1,214	250	
Other commitments	28,368	5,132	4,839	1,206	17,191
Total commitments	$ 180,828	$ 100,298	$ 6,363	$ 3,684	$ 70,483

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 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	**2009**	**2008**
	(Dollars in thousands)	
Financial instruments whose contract amount represents credit risk:		
Commitments to originate 1-4 family mortgages	**$ 1,262**	$ 1,225
Standby and commercial letters of credit	**8,904**	14,225
Unused lines of credit	**143,556**	144,653
Unadvanced portions of construction loans	**22,699**	16,642
Unadvanced portions of other loans	**4,407**	6,558

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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 $93,000 and $117,000 for 2009 and 2008, respectively.

Recent Accounting Developments

FASB ASC 320-10, *Investments-Debt and Equity Securities* (formerly FASB Staff Position FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments). On April 9, 2009, the FASB issued FASB ASC 320-10, which is intended to provide greater clarity to investors about the credit and noncredit component of an OTTI event and to more effectively communicate when an OTTI event has occurred. The FSP applies to debt securities and requires that the total OTTI be presented in the statement of income with an offset for the amount of impairment that is recognized in other comprehensive income, which is the noncredit component. Noncredit component losses are to be recorded in other comprehensive income if an investor can assess that (a) it does not have the intent to sell or (b) it is more likely than not that it will not have to sell the security prior to its anticipated recovery. The Company adopted FASB ASC 320-10 as of April 1, 2009. The adoption did not have a material effect on the Company s consolidated financial statements.

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 FSP was applied prospectively, as retrospective application was not permitted. 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.

FASB ASC 805, *Business Combinations* (formerly Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations) and FASB ASC 810, *Consolidation* (formerly Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51). In December 2007, the FASB issued FASB ASC 805 and FASB ASC 810. These statements require significant changes in the accounting and reporting for business acquisitions and the reporting of noncontrolling interests in subsidiaries. Among many changes under FASB ASC 805, an acquirer will record 100% of all assets and liabilities at fair value for partial acquisitions, contingent consideration will be recognized at fair value at the acquisition date with changes possibly recognized in earnings, and acquisition related costs will be expensed rather than capitalized. FASB ASC 810 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary. Key changes under the standard are that noncontrolling interests in a subsidiary will be reported as part of equity, losses allocated to a noncontrolling interest can result in a deficit balance, and changes in ownership interests that do not result in a change of control are accounted for as equity transactions and, upon a loss of control, gain or loss is recognized and the remaining interest is remeasured at fair value on the date control is lost. FASB ASC 805 applies prospectively to business combinations for which the acquisition is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The effective date for applying FASB ASC 810 is also the first annual

reporting period beginning on or after December 15, 2008. Adoption of these statements will affect the Company s accounting for any business acquisitions occurring after the effective date and the reporting of any noncontrolling interests in subsidiaries existing on or after the effective date.

FASB ASC 350, *Intangibles-Goodwill and Other* (formerly FSP FAS 142-3, Determination of the Useful Life of Intangible Assets). In April 2008, the FASB issued FASB ASC 350. This FSP amends the factors that should be

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considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset. These principles are effective for fiscal years beginning on or after December 15, 2008, and interim periods within those years. Early application is not permitted. The Company has determined that the impact of the adoption of FASB ASC 350 to the Company s statement of financial position or results of operations is immaterial.

FASB ASC 260-10, *Earnings per Share-Overall* (formerly FSP EITF 03-6-01, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities). In June 2008, the FASB issued FASB ASC 260-10-55, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. FASB ASC 260-10-55 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method. The guidance applies to the calculation of EPS for share-based payment awards with rights to dividends or dividend equivalents. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method. FASB 260-10-55 is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those years. All prior-period EPS data presented shall be adjusted retrospectively (including interim financial statements, summaries of earnings and selected financial data) to conform to these provisions. Early application is not permitted. The Company adopted FASB ASC 260-10-55 and the adoption did not have a material effect on the results of operations.

FASB ASC 715-20, *Defined Benefit Plans-General* (formerly FSP FAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets). In December 2008, the FASB issued FASB ASC 715-30-50, Employers Disclosures about Postretirement Benefit Plan Assets. FASB ASC 715-30-50 requires disclosure of additional information about investment allocation, fair values of major asset categories of assets, the development of fair value measurements, and concentrations of risk. FASB ASC 715-30-50 is effective for fiscal years ending after December 15, 2009; however, earlier application is permitted. The Company has made the required disclosures for the period ending December 31, 2009.

FASB ASC 825-10-50, *Financial Instruments-Overall-Disclosure* and FASB ASC 270-10-05 *Interim Reporting-Overall-Disclosure* (formerly FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments). These standards require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. These standards, which became effective for interim reporting periods ending after June 15, 2009, allowed early adoption for periods ending after March 15, 2009, only if a company also elects to early adopt. The Company adopted these standards for the period ended June 30, 2009.

On June 30, 2009, the Company adopted FASB ASC 855, *Subsequent Events* (formerly Statement of Financial Accounting Standards No. 165, Subsequent Events). FASB ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, FASB ASC 855 defines: (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. Management has reviewed events occurring through February 23, 2010, the date the financial statements were issued, and no subsequent events occurred requiring accrual or disclosure.

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. Management does not expect the adoption of these Statements to have a material effect on the Company s financial statement 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. Management does not expect the adoption of these Statements to have a material effect on the Company s financial statement at the date of adoption, January 1, 2010.

FASB ASC 105, *Generally Accepted Accounting Principles* (formerly Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162). The codification will become the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification supersedes all previously existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. ASC 105 has not had a material impact on our financial statements.

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CENTURY BANCORP, INC.

Consolidated Balance Sheets

	December 31,	
	2009	2008
	(Dollars in thousands except share data)	
ASSETS		
Cash and due from banks (Note 2)	**$ 42,627**	$ 61,195
Federal funds sold and interest-bearing deposits in other banks	**356,015**	94,973
Total cash and cash equivalents	**398,642**	156,168
Short-term investments	**18,518**	43,814
Securities available-for-sale, amortized cost $641,010 in 2009 and $496,046 in 2008 (Notes 3 and 9)	**647,796**	495,585
Securities held-to-maturity, fair value $221,413 in 2009 and $185,433 in 2008 (Notes 4 and 11)	**217,643**	184,047
Federal Home Loan Bank of Boston, stock at cost	**15,531**	15,531
Loans, net (Note 5)	**877,125**	836,065
Less: allowance for loan losses (Note 6)	**12,373**	11,119
Net loans	**864,752**	824,946
Bank premises and equipment (Note 7)	**21,015**	22,054
Accrued interest receivable	**5,806**	6,723
Prepaid FDIC assessments	**8,757**	
Other assets (Notes 8 and 14)	**55,575**	52,698
Total assets	**$ 2,254,035**	$ 1,801,566
LIABILITIES AND STOCKHOLDERS EQUITY		
Demand deposits	**$ 279,874**	$ 277,217
Savings and NOW deposits	**575,592**	353,261
Money market accounts	**553,883**	308,177
Time deposits (Note 10)	**292,638**	326,872
Total deposits	**1,701,987**	1,265,527
Securities sold under agreements to repurchase (Note 11)	**118,745**	112,510
Other borrowed funds (Note 12)	**234,024**	238,558
Subordinated debentures (Note 12)	**36,083**	36,083
Other liabilities	**30,466**	28,385
Total liabilities	**2,121,305**	1,681,063
Commitments and contingencies (Notes 7, 16 and 17)		
Stockholders equity (Note 13):		
	3,516	3,511

Common stock, Class A, $1.00 par value per share; authorized 10,000,000 shares; issued 3,515,767 shares in 2009 and 3,511,307 shares in 2008		
Common stock, Class B, $1.00 par value per share; authorized 5,000,000 shares; issued 2,014,530 shares in 2009 and 2,027,100 shares in 2008	**2,014**	2,027
Additional paid-in capital	**11,376**	11,475
Retained earnings	**120,125**	112,135
	137,031	129,148
Unrealized gains (losses) on securities available-for-sale, net of taxes	**4,129**	(292)
Pension liability, net of taxes	**(8,430)**	(8,353)
Total accumulated other comprehensive loss, net of taxes (Notes 3 and 13)	**(4,301)**	(8,645)
Total stockholders equity	**132,730**	120,503
Total liabilities and stockholders equity	**$ 2,254,035**	$ 1,801,566

See accompanying Notes to Consolidated Financial Statements.

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CENTURY BANCORP, INC.

Consolidated Statements of Income

	Year Ended December 31,		
	2009	2008	2007
	(Dollars in thousands except share data)		
INTEREST INCOME			
Loans, taxable	**$ 43,119**	$ 47,521	$ 52,589
Loans, non-taxable	**5,080**	1,782	207
Securities available-for-sale, taxable	**20,439**	17,680	13,815
Securities available-for-sale, non-taxable	**698**	2,101	12
Federal Home Loan Bank of Boston dividends		531	651
Securities held-to-maturity	**8,093**	8,265	9,065
Federal funds sold, interest-bearing deposits in other banks and short-term investments	**2,171**	2,813	6,669
Total interest income	**79,600**	80,693	83,008
INTEREST EXPENSE			
Savings and NOW deposits	**5,258**	6,005	6,712
Money market accounts	**6,100**	7,260	8,901
Time deposits (Note 8)	**9,438**	9,744	15,640
Securities sold under agreements to repurchase	**576**	1,393	3,191
Other borrowed funds and subordinated debentures	**10,351**	11,512	9,361
Total interest expense	**31,723**	35,914	43,805
Net interest income	**47,877**	44,779	39,203
Provision for loan losses (Note 6)	**6,625**	4,425	1,500
Net interest income after provision for loan losses	**41,252**	40,354	37,703
OTHER OPERATING INCOME			
Service charges on deposit accounts	**8,003**	8,190	7,579
Lockbox fees	**2,814**	2,953	2,956
Brokerage commissions	**140**	180	135
Net gains on sales of securities	**2,734**	249	153
Writedown of certain investments to fair value (Note 3)		(76)	
Net gains on sales of fixed assets	**70**		1,438
Other income	**2,709**	2,479	1,687
Total other operating income	**16,470**	13,975	13,948
OPERATING EXPENSES			
Salaries and employee benefits (Note 15)	**26,919**	25,615	24,543
Occupancy	**4,104**	4,246	3,852
Equipment	**2,372**	2,874	2,957
FDIC assessments	**3,336**	613	148
Other (Note 18)	**9,648**	9,680	8,755

Total operating expenses		**46,379**		43,028		40,255
Income before income taxes		**11,343**		11,301		11,396
Provision for income taxes (Note 14)		**1,183**		2,255		3,532
Net income	**$**	**10,160**	$	9,046	$	7,864
SHARE DATA (Note 13)						
Weighted average number of shares outstanding, basic		**5,532,249**		5,541,983		5,542,461
Weighted average number of shares outstanding, diluted		**5,534,340**		5,543,702		5,546,707
Net income per share, basic	**$**	**1.84**	$	1.63	$	1.42
Net income per share, diluted		**1.84**		1.63		1.42

See accompanying Notes to Consolidated Financial Statements.

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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, 2006	$ 3,499	$ 2,042	$ 11,505	$ 99,859	$ (10,087)	$ 106,818
Net income				7,864		7,864
Other comprehensive income, net of tax:						
Unrealized holding gains arising during period, net of $2,977 in taxes and $153 in realized net gains					4,900	4,900
Pension liability adjustment, net of $934 in taxes					1,346	1,346
Comprehensive income						14,110
Conversion of Class B Common Stock to Class A Common Stock, 15,350 shares	15	(15)				
Stock options exercised, 2,616 shares	3		48			51
Cash dividends, Class A Common Stock, $0.48 per share				(1,685)		(1,685)
Cash dividends, Class B Common Stock, $0.24 per share				(488)		(488)
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 losses 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				(287)	31	(256)

pursuant to SFAS 158, net of $177 in taxes						
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)**				
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**

See accompanying Notes to Consolidated Financial Statements.

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CENTURY BANCORP, INC.

Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2009	**2008**	**2007**
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 10,160**	$ 9,046	$ 7,864
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 building			(1,321)
Gain on sale of fixed assets	**(70)**		(117)
Net gain on sales of securities	**(2,734)**	(249)	(153)
Writedown of certain investments to fair value		76	
Provision for loan losses	**6,625**	4,425	1,500
Deferred tax (benefit) expense	**(2,294)**	(1,094)	111
Net depreciation and amortization	**6,035**	3,229	3,443
Decrease (increase) in accrued interest receivable	**917**	(133)	782
Increase in prepaid FDIC assessments	**(8,757)**		
Loss on sales of other real estate owned		33	
Writedown of other real estate owned		77	
Increase in other assets	**(3,822)**	(1,415)	(5,809)
Increase (decrease) in other liabilities	**2,003**	737	(656)
Net cash provided by operating activities	**8,063**	14,732	5,644
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturities of short-term investments	**221,628**	3,717	
Purchase of short-term investments	**(196,332)**	(47,531)	
Proceeds from calls/maturities of securities available-for-sale	**327,615**	282,705	197,322
Proceeds from sales of securities available-for-sale	**94,142**	238,894	160
Purchase of securities available-for-sale	**(566,680)**	(593,958)	(177,870)
Proceeds from calls/maturities of securities held-to-maturity	**94,069**	56,123	82,074
Purchase of securities held-to-maturity	**(128,373)**	(91,431)	
Loan acquired, net of discount		(4,099)	
Net (increase) decrease in loans	**(46,385)**	(108,950)	8,489
Proceeds from sales of other real estate owned		673	
Proceeds from sale of building			1,500
Proceeds from sales of fixed assets	**100**		300
Capital expenditures	**(1,257)**	(3,009)	(2,252)
Net cash (used in) provided by investing activities	**(201,473)**	(266,866)	109,723
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (decrease) increase in time deposit accounts	**(34,234)**	31,294	(114,519)

Net increase (decrease) in demand, savings, money market and NOW deposits	**470,694**	104,172	(24,385)
Net payments for the repurchase of stock	**(107)**	(84)	
Net proceeds from the exercise of stock options			51
Cash dividends	**(2,170)**	(2,174)	(2,173)
Net increase (decrease) in securities sold under agreements to repurchase	**6,235**	26,520	(970)
Net (decrease) increase in other borrowed funds	**(4,534)**	(51,327)	166,862
Net cash provided by financing activities	**435,884**	108,401	24,866
Net increase (decrease) in cash and cash equivalents	**242,474**	(143,733)	140,233
Cash and cash equivalents at beginning of year	**156,168**	299,901	159,668
Cash and cash equivalents at end of year	**$ 398,642**	$ 156,168	$ 299,901
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	**$ 32,202**	$ 35,997	$ 44,787
Income taxes	**2,858**	2,750	3,942
Change in unrealized gains on securities available-for-sale, net of taxes	**$ 4,421**	$ (81)	$ 4,900
Pension liability adjustment, net of taxes	**(77)**	(4,754)	1,346
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		330	453

See accompanying Notes to Consolidated Financial Statements.

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 associated with the loans. 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

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

and nonfinancial liabilities, 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. FASB ASC 820 establishes a hierarchal 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, 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.

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, has 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 nine months ended September 30, 2009, the FHLBB reported a net loss of $193.1 million resulting from the recognition of $371.6 million of impairment losses which were recognized through income. 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, 2009. 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. 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 collectability 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 collectability 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 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

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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 collectability 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 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

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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, collectability is not probable.

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.

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

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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 68,637 shares of Class A common stock exercisable at December 31, 2009.

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 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.

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 judgment changes regarding an uncertain tax position.

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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 lives of each participant.

RECENT ACCOUNTING DEVELOPMENTS

FASB ASC 320-10, *Investments-Debt and Equity Securities* (formerly FASB Staff Position FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments). On April 9, 2009, the FASB issued FASB ASC 320-10, which is intended to provide greater clarity to investors about the credit and noncredit component of an OTTI event and to more effectively communicate when an OTTI event has occurred. The FSP applies to debt securities and requires that the total OTTI be presented in the statement of income with an offset for the amount of impairment that is recognized in other comprehensive income, which is the noncredit component. Noncredit component losses are to be recorded in other comprehensive income if an investor can assess that (a) it does not have the intent to sell or (b) it is more likely than not that it will have to sell the security prior to its anticipated recovery. The Company adopted FASB ASC 320-10 as of April 1, 2009. The adoption did not have a material effect on the Company s consolidated financial statements.

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 FSP was applied prospectively as retrospective application was not permitted. 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.

FASB ASC 805, *Business Combinations* (formerly Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations) and FASB ASC 810, *Consolidation* (formerly Statement of Financial Accounting

Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51). In December 2007, the FASB issued FASB ASC 805 and FASB ASC 810. These statements require significant changes in the accounting and reporting for business acquisitions and the reporting of noncontrolling interests in subsidiaries. Among many changes under FASB ASC 805, an acquirer will record 100% of all assets and liabilities at fair value for partial acquisitions, contingent consideration will be recognized at fair value at the acquisition date with changes possibly recognized in earnings, and acquisition related costs will be expensed rather than capitalized. FASB ASC 810 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary. Key changes under the standard are that noncontrolling interests in a subsidiary will be reported as part of equity, losses allocated to a noncontrolling interest can result in a deficit balance, and changes in ownership

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

interests that do not result in a change of control are accounted for as equity transactions and, upon a loss of control, gain or loss is recognized and the remaining interest is remeasured at fair value on the date control is lost. FASB ASC 805 applies prospectively to business combinations for which the acquisition is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The effective date for applying FASB ASC 810 is also the first annual reporting period beginning on or after December 15, 2008. Adoption of these statements will affect the Company s accounting for any business acquisitions occurring after the effective date and the reporting of any noncontrolling interests in subsidiaries existing on or after the effective date.

FASB ASC 350, *Intangibles-Goodwill and Other* (formerly FSP FAS 142-3, Determination of the Useful Life of Intangible Assets). In April 2008, the FASB issued FASB ASC 350. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset. These principles are effective for fiscal years beginning on or after December 15, 2008, and interim periods within those years. Early application is not permitted The Company has determined that the impact of the adoption of FASB ASC 350 to the Company s statement of financial position or results of operations is immaterial.

FASB ASC 260-10, *Earnings per Share-Overall* (formerly FSP EITF 03-6-01, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities). In June 2008, the FASB issued FASB ASC 260-10-55, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. FASB ASC 260-10-55 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method. The guidance applies to the calculation of EPS for share-based payment awards with rights to dividends or dividend equivalents. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method. FASB 260-10-55 is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those years. All prior-period EPS data presented shall be adjusted retrospectively (including interim financial statements, summaries of earnings and selected financial data) to conform to these provisions. Early application is not permitted. The Company adopted FASB ASC 260-10-55 and the adoption did not have a material effect on the results of operations.

FASB ASC 715-20, *Defined Benefit Plans-General* (formerly FSP FAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets). In December 2008, the FASB issued FASB ASC 715-30-50, Employers Disclosures about Postretirement Benefit Plan Assets. FASB ASC 715-30-50 requires disclosure of additional information about investment allocation, fair values of major asset categories of assets, the development of fair value measurements, and concentrations of risk. FASB ASC 715-30-50 is effective for fiscal years ending after December 15, 2009; however, earlier application is permitted. The Company has made the required disclosures for the period ending December 31, 2009.

FASB ASC 825-10-50, *Financial Instruments-Overall-Disclosure* and FASB ASC 270-10-05 *Interim Reporting-Overall-Disclosure* (formerly FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments). These standards require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. These standards, which became effective for interim reporting periods ending after June 15, 2009, allowed early adoption for periods ending

after March 15, 2009, only if a company also elects to early adopt. The Company adopted these standards for the period ended June 30, 2009.

On June 30, 2009, the Company adopted FASB ASC 855, *Subsequent Events* (formerly Statement of Financial Accounting Standards No. 165, Subsequent Events). FASB ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, FASB ASC 855 defines: (1) the period after the balance sheet date during which

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. Management has reviewed events occurring through February 23, 2010, the date the financial statements were issued and no subsequent events occurred requiring accrual or disclosure.

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. Management does not expect the adoption of these Statements to have a material effect on the Company s financial statement 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. Management does not expect the adoption of these Statements to have a material effect on the Company s financial statement at the date of adoption, January 1, 2010.

FASB ASC 105, *Generally Accepted Accounting Principles* (formerly Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162). The codification will become the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification supersedes all previously-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. FASB ASC 105 is effective for

financial statements issued for interim and annual periods ending after September 15, 2009. FASB ASC 105 has not had a material impact on our financial statements.

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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 $1,061,000 at December 31, 2009 and $1,020,000 at December 31, 2008.

3. Securities Available-for-Sale

	December 31, 2009				December 31, 2008			
	Amortized Cost*	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)							
U.S. Treasury	**$ 1,998**	**$ 5**	**$**	**$ 2,003**	$ 1,999	$ 29	$	$ 2,028
U.S. Government Sponsored Enterprises	**192,942**	**374**	**952**	**192,364**	159,100	2,216	24	161,292
U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities	**410,181**	**8,855**	**524**	**418,512**	259,264	2,427	1,559	260,132
Privately Issued Residential Mortgage-Backed Securities	**5,383**		**473**	**4,910**	7,539		1,880	5,659
Privately Issued Commercial Mortgage-Backed Securities	**537**	**7**		**544**	3,433		66	3,367
Obligations Issued by States and Political Subdivisions	**26,627**	**130**	**468**	**26,289**	61,532	38	1,311	60,259
Other Debt Securities	**2,300**		**41**	**2,259**	2,200		100	2,100
Equity Securities	**1,042**	**71**	**198**	**915**	979	73	304	748
Total	**$ 641,010**	**$ 9,442**	**$ 2,656**	**$ 647,796**	$ 496,046	$ 4,783	$ 5,244	$ 495,585

* 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 $332,064,000 and $113,259,000 at December 31, 2009 and 2008, respectively. Also included in securities available-for-sale at fair value are securities pledged for borrowing at the Federal Home Loan Bank amounting to $172,497,000 and $244,409,000 at December 31, 2009 and 2008, respectively. The Company realized gross gains of $2,734,000 from the proceeds of $94,142,000 from the sales of available-for-sale securities for the year ended December 31, 2009.

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.

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, 2009.

	Amortized Cost*	Fair Value
	(Dollars in thousands)	
Within one year	**$ 29,585**	**$ 30,217**
After one but within five years	**467,566**	**474,602**
After five but within ten years	**118,917**	**118,534**
More than ten years	**22,400**	**22,069**
Nonmaturing	**2,542**	**2,374**
Total	**$ 641,010**	**$ 647,796**

* Amortized cost is net of impairment writedown.

The weighted average remaining life of investment securities available-for-sale at December 31, 2009, was 3.9 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, 2009, was $187,342,000 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, 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.

As of December 31, 2009, 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.

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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, 2009					
	Less Than 12 Months		12 Months or Longer		Total	
Temporarily Impaired Investments*	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
U.S. Government Sponsored Enterprise	$ 127,259	$ 952	$	$	$ 127,259	$ 952
U.S. Government Agency and Sponsored Enterprise 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

* At December 31, 2009, 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, 2009. Excluded from the table above are two equity securities that were written down in 2008 by

$76,000. The fair value is $121,000 with an unrealized gain of $12,000 at December 31, 2009. 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.

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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, 2008. 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 44 and 17 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 260 holdings at December 31, 2008. The Company believes that the investments are temporarily impaired.

	December 31, 2008					
	Less Than 12 Months		12 Months or Longer		Total	
Temporarily Impaired Investments*	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
U.S. Government Sponsored Enterprises	$ 4,976	$ 24	$	$	$ 4,976	$ 24
U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities	80,873	1,351	15,793	208	96,666	1,559
Privately Issued Residential Mortgage-Backed Securities	1,716	569	5,455	1,320	7,171	1,889
Privately Issued Commercial Mortgage-Backed Securities			1,855	57	1,855	57
Obligations Issued by States and Political Subdivisions	13,645	1,311			13,645	1,311
Other Debt Securities	100	1	150	1	250	2
Equity Securities	382	265	1,419	124	1,801	389
Total temporarily impaired securities	$ 101,692	$ 3,521	$ 24,672	$ 1,710	$ 126,364	$ 5,231

* 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, 2008. Excluded from the table above are two equity securities that were written down by $76,000. The fair value is $96,000 with an unrealized loss of $13,000. 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

	December 31, 2009				December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)							
U.S. Government Sponsored Enterprise	**$ 69,555**	**$ 36**	**$ 707**	**$ 68,884**	$ 44,000	$ 506	$	$ 44,506
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	**148,088**	**4,490**	**49**	**152,529**	140,047	1,314	434	140,927
Total	**$ 217,643**	**$ 4,526**	**$ 756**	**$ 221,413**	$ 184,047	$ 1,820	$ 434	$ 185,433

Included in U.S. Government and Agency Securities are securities pledged to secure public deposits and repurchase agreements at fair value amounting to $9,036,000 and $35,000,000 at December 31, 2009, and 2008, respectively. Also included are securities pledged for borrowing at the Federal Home Loan Bank at fair value amounting to $83,693,000 and $114,103,000 at December 31, 2009, and 2008, respectively.

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

At December 31, 2009 and 2008, all mortgage-backed securities are obligations of U.S. Government Sponsored Enterprises. 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 shows the maturity distribution of the Company s securities held-to-maturity at December 31, 2009.

	Amortized Cost	Fair Value
	(Dollars in thousands)	
Within one year	**$ 4,693**	**$ 4,719**
After one but within five years	**163,521**	**167,768**
After five but within ten years	**49,429**	**48,926**
Total	**$ 217,643**	**$ 221,413**

The weighted average remaining life of investment securities held-to-maturity at December 31, 2009, was 3.8 years. Included in the weighted average remaining life calculation at December 31, 2009, were $69,555,000 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, 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.

As of December 31, 2009, 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, 2009	
Less Than 12 Months	**Total**

Temporarily Impaired Investments*	Fair Value	Unrealized Losses	12 Months or Longer 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

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

* 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 this security and it is not likely that it will be required to sell this security 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, 2009.

The following table shows the temporarily impaired securities of the Company s held-to-maturity portfolio at December 31, 2008. 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 9 and 12 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 80 holdings at December 31, 2008.

	December 31, 2008					
	Less Than 12 Months		12 Months or Longer		Total	
Temporarily Impaired Investments*	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	$ 12,995	$ 111	$ 19,821	$ 323	$ 32,816	$ 434
Total temporarily impaired securities	$ 12,995	$ 111	$ 19,821	$ 323	$ 32,816	$ 434

* 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 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, 2008.

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,

	2009	2008
	(Dollars in thousands)	
Construction and land development	**$ 60,349**	$ 59,511
Commercial and industrial	**141,061**	141,373
Commercial real estate	**361,823**	332,325
Residential real estate	**188,096**	194,644
Consumer	**7,105**	8,246
Home equity	**118,076**	98,954
Overdrafts	**615**	1,012
Total	**$ 877,125**	$ 836,065

Net deferred fees included in loans at December 31, 2009 and December 31, 2008 were $71,000 and $81,000, respectively.

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

The Company was servicing mortgage loans sold to others without recourse of approximately $1,127,000 and $768,000 at December 31, 2009, and December 31, 2008, 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 $47,000 and $56,000 at December 31, 2009, and at December 31, 2008, respectively.

As of December 31, 2009, and 2008, the Bank recorded investment in impaired loans was $10,516,000 and $2,698,000, 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, 2009, there were $1,980,000 of impaired loans with a specific reserve of $745,000. At December 31, 2008, there were $1,460,000 of impaired loans with a specific reserve of $600,000.

Loans are designated as restructured 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:

	December 31,		
	2009	**2008**	**2007**
	(Dollars in thousands)		
Loans on nonaccrual	**$ 12,311**	$ 3,661	$ 1,312
Loans 90 days past due and still accruing		89	122
Impaired loans on nonaccrual included above	**9,736**	1,511	196
Total recorded investment in impaired loans	**10,516**	2,698	196
Average recorded investment of impaired loans	**9,718**	1,194	332
Troubled debt restructured loans	**521**		
Interest income not recorded on nonaccrual loans according to their original terms	**1,121**	121	52
Interest income on nonaccrual loans actually recorded			
Interest income recognized on impaired loans	**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 $46,000 and $34,000 of the discount during 2009 and 2008, 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 2009.

Balance at December 31, 2008	Additions	Repayments and Deletions	Balance at December 31, 2009
	(Dollars in thousands)		
$ 2,572	**$ 568**	**$ 167**	**$ 2,973**

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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 total allowances for loan losses for each of the three years ending December 31, 2009, 2008 and 2007 are as follows:

	2009	2008	2007
	(Dollars in thousands)		
Allowance for loan losses, beginning of year	**$ 11,119**	$ 9,633	$ 9,713
Loans charged-off	**(6,070)**	(3,373)	(2,139)
Recoveries on loans previously charged-off	**699**	434	559
Net charge-offs	**(5,371)**	(2,939)	(1,580)
Provision charged to expense	**6,625**	4,425	1,500
Allowance for loan losses, end of year	**$ 12,373**	$ 11,119	$ 9,633

7. Bank Premises and Equipment

	December 31,		
	2009	2008	Estimated Useful Life
	(Dollars in thousands)		
Land	**$ 3,478**	$ 3,478	
Bank premises	**17,883**	17,846	30-39 years
Furniture and equipment	**26,202**	25,357	3-10 years
Leasehold improvements	**6,328**	6,558	30-39 years or lease term
	53,891	53,239	
Accumulated depreciation and amortization	**(32,876)**	(31,185)	
Total	**$ 21,015**	$ 22,054	

During 2007, the Company sold the building that houses one of its branches located at 55 High Street, Medford, Massachusetts, for $1,500,000 at market terms. This property was sold to an entity affiliated with a director of the Company. The Bank financed $1,000,000 of this purchase at market terms. This sale resulted in a pre-tax gain of $1,321,000.

The Bank relocated this branch to 1 Salem Street (formerly 3 Salem Street), Medford, Massachusetts. This property is leased from an entity affiliated with Marshall M. Sloane, Chairman of the Board of the Company. The lease is for a period of 15 years. The annual base rent amount is $28,500 with annual increases based on the consumer price index. The Company is also required to pay 25% of all real estate taxes and operating costs. The lease contains options to extend the lease for three additional five-year periods. The lease was effective on September 1, 2007. The terms of the lease were based on an independent appraisal of the property and are considered to be market terms. The branch opened on May 5, 2008.

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 $1,673,000, $1,533,000 and $1,349,000 for the years ended December 31, 2009, 2008 and 2007, respectively. Rental income approximated $418,000, $399,000 and $351,000 in 2009, 2008 and 2007, respectively.

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

Future minimum rental commitments for noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2009, were as follows:

Year	Amount (Dollars in thousands)
2010	$ 1,474
2011	1,230
2012	593
2013	502
2014	432
Thereafter	1,400
	$ 5,631

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, the Company s Class A common stock traded closer to or above book value per share. Accordingly, at December 31, 2009 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, 2009.

The changes in goodwill and identifiable intangible assets for the years ended December 31, 2009 and 2008 are shown in the table below.

Carrying Amount of Goodwill and Intangibles	Goodwill	Core Deposit Intangibles	Total
	(Dollars in thousands)		
Balance at December 31, 2007	$ 2,714	$ 1,671	$ 4,385
Amortization Expense		(388)	(388)

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**

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

Core Deposit Intangibles Year		**Amount (Dollars in thousands)**
2010	$	388
2011		388
2012		119
	$	895

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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 hierarchal 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.

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

		Fair Value Measurements Using		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
		(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**

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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 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:

	Auction Rate Securities	Obligations Issued by States and Political Subdivisions	Equity Securities	Total
	(Dollars in thousands)			
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.

The results of the fair value hierarchy as of December 31, 2008 are as follows:

		Fair Value Measurements Using		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
	(Dollars in thousands)			

Financial Instruments Measured at Fair Value on a Recurring Basis Securities AFS				
U.S. Treasury	$ 2,028	$	$ 2,028	$
U.S. Government Sponsored Enterprises	161,292		161,292	
U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities	260,132		260,132	
Privately Issued Residential Mortgage-Backed Securities	5,659		5,659	
Privately Issued Commercial Mortgage-Backed Securities	3,367		3,367	
Obligations Issued by States and Political Subdivisions	60,259		56,959	3,300
Other Debt Securities	2,100		2,100	
Equity Securities	748	578		170
Total	$ 495,585	$ 578	$ 491,537	$ 3,470
Financial Instruments Measured at Fair Value on a Non-recurring Basis				
Impaired Loans	$ 1,460	$	$	$ 1,460

Specific provisions related to impaired loans recognized for 2008 for credit losses amounted to $2,519,000.

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

The changes in Level 3 securities for the year ended December 31, 2008 are shown in the table below:

	Auction Rate Securities	Obligations Issued by States and Political Subdivisions	Equity Securities	Total
	(Dollars in thousands)			
Balance at December 31, 2007	$	$	$	$
Purchases		12,741	29	12,770
Maturities		(10,194)	(12)	(10,206)
Reclassification		753	153	906
Change in fair value				
Balance at December 31, 2008	$	$ 3,300	$ 170	$ 3,470

10. Deposits

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

	2009	Percent	2008	Percent
	(Dollars in thousands)			
Within one year	**$ 180,498**	**61%**	$ 254,314	78%
Over one year to two years	**84,395**	**29%**	23,517	7%
Over two years to three years	**16,788**	**6%**	36,576	11%
Over three years to five years	**10,957**	**4%**	12,465	4%
Total	**$ 292,638**	**100%**	$ 326,872	100%

Time deposits of $100,000 or more totaled $151,680,000 and $182,694,000 in 2009 and 2008, respectively.

11. Securities Sold Under Agreements to Repurchase

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

2009	2008	2007

	(Dollars in thousands)		
Amount outstanding at December 31	**$ 118,745**	$ 112,510	$ 85,990
Weighted average rate at December 31	**0.52%**	1.08%	2.95%
Maximum amount outstanding at any month end	**$ 122,521**	$ 112,510	$ 102,110
Daily average balance outstanding during the year	**$ 98,635**	$ 94,526	$ 89,815
Weighted average rate during the year	**0.58%**	1.47%	3.56%

Amounts outstanding at December 31, 2009, 2008 and 2007 carried maturity dates of the next business day. U.S. Government Sponsored Enterprise securities with a total amortized cost of $115,792,000, $112,072,000 and $86,760,000 were pledged as collateral and held by custodians to secure the agreements at December 31, 2009, 2008 and 2007, respectively. The approximate fair value of the collateral at those dates was $118,186,000, $112,990,000 and $86,692,000, respectively.

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

12. Other Borrowed Funds and Subordinated Debentures

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

	2009	2008	2007
		(Dollars in thousands)	
Amount outstanding at December 31	**$ 270,107**	$ 274,641	$ 325,968
Weighted average rate at December 31	**3.63%**	4.22%	4.94%
Maximum amount outstanding at any month end	**$ 272,071**	$ 293,668	$ 325,968
Daily average balance outstanding during the year	**$ 219,713**	$ 225,743	$ 168,535
Weighted average rate during the year	**4.71%**	5.10%	5.55%

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, 2009, was approximately $136,476,000. In addition, the Bank has a $14,500,000 line of credit with the FHLBB. A schedule of the maturity distribution of FHLBB advances with the weighted average interest rates is as follows:

	December 31,					
	2009		2008		2007	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
			(Dollars in thousands)			
Within one year	**$ 104,000**	**2.72%**	$ 104,500	2.80%	$ 124,750	4.65%
Over one year to two years	**11,000**	**1.81%**	59,000	5.17%	54,500	4.67%
Over two years to three years	**19,500**	**2.08%**	11,000	4.05%	59,000	5.17%
Over three years to five years	**56,000**	**3.65%**	20,500	4.18%	9,000	4.14%
Over five years	**42,000**	**4.55%**	42,000	4.55%	42,000	4.53%
Total	**$ 232,500**	**3.18%**	$ 237,000	3.88%	$ 289,250	4.73%

Included in the table above are $82,500,000, $85,000,000 and $123,500,000 of FHLBB advances at December 31, 2009, 2008 and 2007, respectively, that are putable at the discretion of FHLBB. These put dates were not utilized in the table above.

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, 2009 and 2008. 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.

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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, 2009 and 2008.

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 $1,380,000 and $1,413,000 at December 31, 2009 and 2008, respectively.

The Bank also has an outstanding loan in the amount of $144,000 and $145,000 at December 31, 2009 and 2008, 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 2009, 2008 and 2007 was an increase of 2,091, 1,719 and 4,246 shares, respectively.

STOCK REPURCHASE PLAN

During 2009, 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 2008, 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.

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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 68,637 options exercisable at December 31, 2009.

Stock option activity under the plan is as follows:

	December 31, 2009		**December 31, 2008**		**December 31, 2007**	
	Amount	**Weighted Average Exercise Price**	**Amount**	**Weighted Average Exercise Price**	**Amount**	**Weighted Average Exercise Price**
Shares under option:						
Outstanding at beginning of year	**81,037**	**$ 27.42**	94,787	$ 27.66	122,737	$ 27.20
Forfeitured	**(12,400)**	**34.77**	(13,750)	29.07	(25,334)	26.32
Exercised					(2,616)	19.20
Outstanding at end of year	**68,637**	**$ 26.09**	81,037	$ 27.42	94,787	$ 27.66
Exercisable at end of year	**68,637**	**$ 26.09**	81,037	$ 27.42	94,787	$ 27.66
Available to be granted at end of year	**202,909**		190,509		176,759	

At December 31, 2009, 2008 and 2007, the options outstanding have exercise prices between $15.063 and $35.010, and a weighted average remaining contractual life of three years for 2009, four years for 2008 and four years for 2007. The weighted average intrinsic value of options exercised for the period ended December 31, 2007 was $4.90 per share with an aggregate value of $61,805. The average intrinsic value of options exercisable at December 31, 2009, 2008 and 2007 had an aggregate value of $74,056, $7,331 and $54,805, 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, 2009, that the Bank and the Company meet all capital adequacy requirements to which they are subject.

As of December 31, 2009, 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.

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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, 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%**
As of December 31, 2008						
Total Capital (to Risk-Weighted Assets)	$ 134,990	13.19%	$ 81,904	8.00%	$ 102,380	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	123,871	12.10%	40,952	4.00%	61,428	6.00%
Tier 1 Capital (to 4th Qtr. Average Assets)	123,871	7.15%	69,264	4.00%	86,580	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, 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%**
As of December 31, 2008						
	$ 168,121	16.38%	$ 82,114	8.00%	$ 102,643	10.00%

Total Capital (to Risk-Weighted Assets)						
Tier 1 Capital (to Risk-Weighted Assets)	157,002	15.30%	41,057	4.00%	61,586	6.00%
Tier 1 Capital (to 4th Qtr. Average Assets)	157,002	9.05%	69,404	4.00%	86,755	5.00%

14. Income Taxes

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

	2009	2008	2007
	(Dollars in thousands)		
Current expense:			
Federal	**$ 3,058**	$ 3,117	$ 3,137
State	**419**	232	284
Total current expense	**3,477**	3,349	3,421
Deferred expense (benefit):			
Federal	**(1,759)**	(954)	50
State	**(535)**	(140)	61
Total deferred expense (benefit)	**(2,294)**	(1,094)	111
Provision for income taxes	**$ 1,183**	$ 2,255	$ 3,532

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

Included in income tax expense for the year ended December 31, 2009, 2008, and 2007 is interest of $0, $0 and $0, respectively. There were no penalties during these periods.

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

	2009	2008
	(Dollars in thousands)	
Currently (payable) receivable	**$ (628)**	$ (9)
Deferred income tax asset, net	**12,340**	12,822
Total	**$ 11,712**	$ 12,813

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

	2009	2008	2007
	(Dollars in thousands)		
Federal income tax expense at statutory rates	**$ 3,856**	$ 3,842	$ 3,875
State income tax, net of federal income tax benefit	**(76)**	62	225
Insurance income	**(442)**	(353)	(210)
Effect of tax-exempt interest	**(1,965)**	(1,307)	(105)
Other	**(190)**	11	(253)
Total	**$ 1,183**	$ 2,255	$ 3,532
Effective tax rate	**10.4%**	20.0%	31.0%

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

	2009	2008
	(Dollars in thousands)	
Deferred income tax assets:		
Allowance for loan losses	**$ 6,430**	$ 4,495
Deferred compensation	**4,384**	4,151
Unrealized loss on securities available-for-sale		169
Pension and SERP liability	**5,795**	5,745

Acquisition premium	**532**	519
Depreciation		64
Investments writedown	**31**	27
Deferred gain	**71**	91
Other	**60**	11
Nonaccrual interest	**444**	54
Gross deferred income tax asset	**17,747**	15,326
Deferred income tax liabilities:		
Depreciation	**(169)**	
Limited partnerships	**(2,466)**	(2,401)
Unrealized gain on securities available-for-sale	**(2,657)**	
Other	**(115)**	(103)
Gross deferred income tax liability	**(5,407)**	(2,504)
Deferred income tax asset net	**$ 12,340**	$ 12,822

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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, 2009. 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 2006, 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 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 2010 to 2014 are $780,000, $824,000, $926,000, $955,000 and $1,013,000, respectively. The aggregate benefits expected to be paid in the five years from 2015 to 2019 are $6,482,000. The Company plans to contribute $1,275,000 to the Plan in 2010.

The weighted-average asset allocation of pension benefit assets was:

Asset Category	**December 31, 2009**	**December 31, 2008**
Fixed income	**32%**	35%
Domestic equity	**48%**	45%

International equity	**12%**	12%
Hedge funds	**8%**	8%
Total	**100%**	100%

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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.

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 for the year ended December 31, 2009 are shown in the table below:

Balance at December 31, 2008	$ 1,174
Actual return assets still being held	145
Actual return assets sold during year	
Purchases	
Sales	
Maturities	

Transfers	
Balance at December 31, 2009	**$ 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.

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 2010 to 2014 are $1,055,000, $1,058,000, $1,052,000, $1,051,000 and $1,050,000, respectively. The aggregate benefits expected to be paid in the five years from 2015 to 2019 are $7,365,000.

	Defined Benefit Pension Plan		**Supplemental Insurance/ Retirement Plan**	
	2009	**2008**	**2009**	**2008**
	(Dollars in thousands)			
Change projected in benefit obligation				
Benefit obligation at beginning of year	**$ 21,413**	$ 19,139	**$ 15,768**	$ 13,462
Service cost	**792**	1,026	**469**	336
Interest cost	**1,240**	1,436	**934**	1,008
Actuarial (gain)/loss	**1,396**	459	**782**	2,255
Benefits paid	**(594)**	(647)	**(1,047)**	(1,293)
Projected benefit obligation at end of year	**$ 24,247**	$ 21,413	**$ 16,906**	$ 15,768
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 14,059**	$ 16,660		
Actual (loss) return on plan assets	**2,347**	(3,731)		
Employer contributions	**1,275**	1,777		
Benefits paid	**(594)**	(647)		
Fair value of plan assets at end of year	**$ 17,087**	$ 14,059		
(Unfunded) Funded status	**$ (7,160)**	$ (7,534)	**$ (16,906)**	$ (15,768)
Accumulated benefit obligation	**$ 21,939**	$ 19,468	**$ 15,030**	$ 14,165
Weighted-average assumptions as of December 31				
Discount rate Liability	**5.50%**	5.75%	**5.50%**	5.75%
Discount rate Expense	**5.75%**	6.00%	**5.75%**	6.00%
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	**$ 792**	$ 821	**$ 469**	$ 308
Interest cost	**1,240**	1,148	**934**	814
Expected return on plan assets	**(1,128)**	(1,333)		
Recognized prior service cost	**(113)**	(116)	**110**	108
Recognized net losses	**696**	211	**139**	49

Net periodic cost	**$ 1,487**	$ 731	**$ 1,652**	$ 1,279
Other changes in plan assets and benefit obligations recognized in other comprehensive income				
Amortization of prior service cost	**$ 113**	$ 116	**$ (110)**	$ (108)
Net (gain) loss	**(519)**	5,623	**643**	2,177
Total recognized in other comprehensive income	**(406)**	5,739	**533**	2,069
Total recognized in net periodic benefit cost and other comprehensive income	**$ 1,081**	$ 6,470	**$ 2,185**	$ 3,348

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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

	December 31, 2009			December 31, 2008		
	Plan	**Supplemental Plan**	**Total**	**Plan**	**Supplemental Plan**	**Total**
Prior service cost	**$ 932**	**$ (1,440)**	**$ (508)**	$ 1,045	$ (1,513)	$ (468)
Net actuarial loss	**(9,298)**	**(4,272)**	**(13,570)**	(9,817)	(3,666)	(13,483)
Total	**$ (8,366)**	**$ (5,712)**	**$ (14,078)**	$ (8,772)	$ (5,179)	$ (13,951)

The following table summarizes the amounts included in Accumulated Other Comprehensive Loss at December 31, 2009, 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 2010	**$ (104)**	**$ 110**
Amortization of loss to be recognized in 2010	**634**	**172**

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 $261,000 for 2009, $265,000 for 2008 and $229,000 for 2007. 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 2007, 2008 and 2009. Discretionary bonus expense amounted to $403,000, $348,000 and $154,000 in 2009, 2008, and 2007, 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, 2009. 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 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.

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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

	2009	2008
	(Dollars in thousands)	
Financial instruments whose contract amount represents credit risk:		
Commitments to originate 1-4 family mortgages	**$ 1,262**	$ 1,225
Standby and commercial letters of credit	**8,904**	14,225
Unused lines of credit	**143,556**	144,653
Unadvanced portions of construction loans	**22,699**	16,642
Unadvanced portions of other loans	**4,407**	6,558

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.

18. Other Operating Expenses

	Year Ended December 31,		
	2009	2008	2007
	(Dollars in thousands)		
Marketing	**$ 1,518**	$ 1,482	$ 1,540
Processing services	**981**	828	806
Legal and audit	**1,284**	994	776
Postage and delivery	**882**	922	867
Software maintenance/amortization	**794**	807	721
Supplies	**662**	698	759

Consulting	**733**	832	639
Telephone	**585**	626	546
Core deposit tangible amortization	**388**	388	388
Insurance	**304**	322	380
Director s fees	**256**	229	232
Other	**1,261**	1,552	1,101
Total	**$ 9,648**	$ 9,680	$ 8,755

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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 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.

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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.

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

	2009		2008	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
	(Dollars in thousands)			
Financial assets:				
Cash and cash equivalents	**$ 398,642**	**$ 398,642**	$ 156,168	$ 156,168
Short-term investments	**18,518**	**18,665**	43,814	43,978
Securities available-for-sale	**647,796**	**647,796**	495,585	495,585
Securities held-to-maturity	**217,643**	**221,413**	184,047	185,433
Net loans	**877,125**	**876,197**	824,946	837,064
Accrued interest receivable	**5,806**	**5,806**	6,723	6,723
Financial liabilities:				
Deposits	**1,701,987**	**1,706,271**	1,265,527	1,271,404
Repurchase agreement and other borrowed funds	**352,769**	**359,989**	351,068	357,927
Subordinated debentures	**36,083**	**36,136**	36,083	41,908
Accrued interest payable	**1,116**	**1,116**	1,595	1,595
Standby letters of credit		**93**		117

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.

CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

20. Quarterly Results of Operations (unaudited)

	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**
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**

	2008 Quarters			
	Fourth	Third	Second	First
	(In thousands, except share data)			
Interest income	$ 20,570	$ 20,891	$ 19,470	$ 19,762
Interest expense	8,638	8,932	8,814	9,530
Net interest income	11,932	11,959	10,656	10,232
Provision for loan losses	1,450	1,350	925	700
Net interest income after provision for loan losses	10,482	10,609	9,731	9,532

Other operating income	3,499	3,577	3,477	3,422
Operating expenses	10,851	11,051	10,743	10,384
Income before income taxes	3,130	3,135	2,465	2,570
Provision for income taxes	320	576	589	770
Net income	$ 2,810	$ 2,559	$ 1,876	$ 1,800
Share data:				
Average shares outstanding, basic	5,539,043	5,541,345	5,543,781	5,543,804
Average shares outstanding, diluted	5,539,092	5,542,404	5,546,128	5,546,700
Earnings per share, basic	$ 0.51	$ 0.46	$ 0.34	$ 0.32
Earnings per share, diluted	$ 0.51	$ 0.46	$ 0.34	$ 0.32

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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, 2009 and 2008 and the statements of income and cash flows for each of the years in the three-year period ended December 31, 2009, 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,	
	2009	2008
	(Dollars in thousands)	
ASSETS:		
Cash	**$ 29,488**	$ 31,588
Investment in subsidiary, at equity	**135,459**	122,324
Other assets	**3,973**	2,786
Total assets	**$ 168,920**	$ 156,698
LIABILITIES AND STOCKHOLDERS EQUITY:		
Liabilities	**$ 107**	$ 112
Subordinated debentures	**36,083**	36,083
Stockholders equity	**132,730**	120,503
Total liabilities and stockholders equity	**$ 168,920**	$ 156,698

Statements of Income

	Year Ended December 31,		
	2009	2008	2007
	(Dollars in thousands)		
Income:			
Dividends from subsidiary	**$ 2,766**	$ 4,778	$ 3,611
Interest income from deposits in bank	**409**	884	1,442
Other income	**72**	72	72
Total income	**3,247**	5,734	5,125

Interest expense	**2,400**	2,400	2,400
Operating expenses	**200**	165	130
Income before income taxes and equity in undistributed income of subsidiary	**647**	3,169	2,595
Benefit from income taxes	**(720)**	(547)	(345)
Income before equity in undistributed income of subsidiary	**1,367**	3,716	2,940
Equity in undistributed income of subsidiary	**8,793**	5,330	4,924
Net income	**$ 10,160**	$ 9,046	$ 7,864

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

Statements of Cash Flows

	December 31,		
	2009	**2008**	**2007**
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 10,160**	$ 9,046	$ 7,864
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed income of subsidiary	**(8,793)**	(5,330)	(4,924)
Depreciation and amortization	**12**	12	12
Increase in other assets	**(1,197)**	(286)	(495)
Increase (decrease) in liabilities	**(5)**	5	(39)
Net cash provided by operating activities	**177**	3,447	2,418
CASH FLOWS FROM FINANCING ACTIVITIES:			
Stock repurchases	**(107)**	(84)	
Net proceeds from the exercise of stock options			51
Cash dividends paid	**(2,170)**	(2,174)	(2,173)
Net cash used in financing activities	**(2,277)**	(2,258)	(2,122)
Net increase (decrease) in cash	**(2,100)**	1,189	296
Cash at beginning of year	**31,588**	30,399	30,103
Cash at end of year	**$ 29,488**	$ 31,588	$ 30,399

CENTURY BANCORP, INC.

Report of Independent Registered Public Accounting Firm

KPMG LLP

Independent Registered Public Accounting Firm
99 High Street
Boston, Massachusetts 02110

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, 2009 and 2008 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, 2009. 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, 2009 and 2008 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, 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, 2009, 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 23, 2010, expressed an unqualified opinion on the effectiveness of the company s internal control over financial reporting.

Boston, Massachusetts
February 23, 2010

CENTURY BANCORP, INC.

Report of Independent Registered Public Accounting Firm

KPMG LLP

Independent Registered Public Accounting Firm
99 High Street
Boston, Massachusetts 02110

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, 2009, 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 Managements 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, 2009, 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, 2009 and 2008 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, 2009, and our report dated February 23, 2010, expressed an unqualified opinion on those consolidated financial statements.

Boston, Massachusetts
February 23, 2010

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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, 2009. 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, 2009, 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 77.

Barry R. Sloane	William P. Hornby, CPA
Co-President & Co-CEO	Chief Financial Officer & Treasurer

February 23, 2010

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	66	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Roger S. Berkowitz	57	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Marshall I. Goldman, Ph.D.	79	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Russell B. Higley, Esquire	70	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Jackie Jenkins-Scott	60	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Linda Sloane Kay	48	Director, Century Bancorp, Inc.; Director and Senior Vice President, Century Bank and Trust Company
Fraser Lemley	69	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Joseph J. Senna, Esquire	70	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Barry R. Sloane	54	Director, Co-President and Co-Chief Executive Officer, Century Bancorp, Inc.; Director, Co-President and Co-Chief Executive Officer, Century Bank and Trust Company
Jonathan G. Sloane	51	Director, Co-President and Co-Chief Executive Officer, Century Bancorp, Inc.; Director, Co-President and Co-Chief Executive Officer, Century Bank and Trust Company
Marshall M. Sloane	83	Chairman of the Board, Century Bancorp, Inc. and Century Bank and Trust Company
Stephanie Sonnabend	56	Director, Century Bancorp, Inc., and Century Bank and Trust Company
George F. Swansburg	67	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Jon Westling	67	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., which is a financial services firm. He was formerly President and CEO of Kaler Carney Liffler & Co., a regional insurance company. Mr. Baldwin s experience as President and CEO of a company and expertise in the financial services and insurance industries, which is relevant to insurance and financial service 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.

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 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 experience as President of a college and expertise in the educational field, 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 Senior Vice President for Business Development. 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. 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, 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 Co-President and Co-CEO of Century Bancorp and Co-President and Co-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. Jonathan G. Sloane has been employed by the Company or one of its subsidiaries for 27 years and became a director of the Company in 1986. He has been a director of Century Bank and Trust Company since 1992. Mr. Sloane is currently Co-President and Co-CEO of Century Bancorp Inc. and Co-President and Co-CEO of Century Bank and Trust Company. Mr. Sloane s tenure and experience as a director and officer of the Company has qualified him to continue to serve.

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 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.

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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 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 and Jonathan G. Sloane are the sons 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 holds with the Company.

Marshall M. Sloane	Chairman of the Board of the Company and Century Bank and Trust Company. Mr. Sloane is 83 years old.
Barry R. Sloane	Director, Co-President and Co-CEO; Director, Co-President and Co-CEO, Century Bank and Trust Company. Mr. Sloane is 54 years old.
Jonathan G. Sloane	Director, Co-President and Co-CEO; Director, Co-President and Co-CEO, Century Bank and Trust Company. Mr. Sloane is 51 years old.
William P. Hornby	Chief Financial Officer and Treasurer; Chief Financial Officer and Treasurer, Century Bank and Trust Company. Mr. Hornby is 43 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 46 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 49 years old.
David B. Woonton	Executive Vice President, Century Bank and Trust Company with responsibility for lending. Mr. Woonton is 54 years old. He joined the Company in 1999.
Linda Sloane Kay	Senior Vice President, Century Bank and Trust Company with responsibility for business development.

Ms. Kay is 48 years old. She joined the Company in 1983.

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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 2009.

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 is attached as exhibit 99.1.

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 No. 61 (The Auditor s Communication With Those Charged With Governance). The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm as required by applicable standards of the PCAOB. Additionally, the Audit Committee has discussed with KPMG LLP the firm s independence.

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

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.

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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. The Co-CEOs manage the Company. 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 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, 2009, 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 2009.

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 Co-Chief Executive Officers , 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 does not currently maintain severance contracts, maintains only one change of control provision and did not award stock incentive awards for fiscal year 2009. 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.

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;

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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 Co-Chief Executive Officers 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 Director s meeting in 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.

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.

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The Compensation Committee and the Board of Directors took his recommendations into consideration when setting base salaries for fiscal 2009.

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 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.

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, a select number of discretionary awards were granted for fiscal 2009. Those for the Co-Chief Executive Officers 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 2009.

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.

Benefits under the plan are based upon an employee s years of service and career average compensation. The 2009 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 2009 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.

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Supplemental Executive Insurance/Retirement Income Plan:

The Company has a Supplemental Executive Insurance/Retirement Plan (the Supplemental Plan) which is limited to certain 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 2007 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.

On January 14, 2009, the Board ratified the Compensation Committee s admission of Linda Sloane Kay, William P. Hornby and Brian J. Feeney into the Supplemental Plan as members of the Executive Management Group effective as of January 1, 2009 and the Compensation Committee s vote to credit Mr. Feeney with one additional year of participation in the Supplemental Plan.

The Board also ratified the Compensation Committee s vote to credit Barry R. Sloane with two additional years of participation in the Supplemental Plan and its affirmation that he was admitted into the Supplemental Plan as a member of the Executive Management Group as of April 5, 2004.

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 2009.

Co-Chief Executive Officers Compensation

In light of the uncertain economic environment that was present in the beginning of 2009, the Company froze Co-Chief Executive Officer base compensation for 2009. However, based on the Company s better than projected performance during the year, particularly in light of the economic conditions, the Company did grant a $35,000 cash bonus payable to Mr. Barry R. Sloane. Due to Co-Chief Executive Officer Jonathan G. Sloane s absence for a substantial portion of 2009, the Company determined not to award him with a bonus for 2009. Total compensation granted to the Co-Chief Executive Officers during 2009 is described in the Summary Compensation Table in the statement.

Executive Officer Compensation

Consistent with the decisions regarding Co-CEO base compensation, the Company determined that the base salary compensation for Named Executive Officers, Messrs. David Woonton and Paul Evangelista would also be frozen for 2009. In recognition of the results of the Institutional Services Department under Mr. Brian Feeney s leadership, Mr. Feeney was awarded a 5% increase. To reward Mr. William Hornby s contributions to the Company in 2008, Mr. Hornby was awarded a 20% increase. Acknowledging Linda Sloane Kay s increased management responsibilities and her continued business development success, Ms. Kay s base salary was increased from $105,000 to $150,000.

Additionally, in light of the Company s better than anticipated financial performance in 2009, cash bonuses were awarded to all of the above Named Executive Officers as noted in the Summary Compensation Table.

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.

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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.

Consulting Services Agreements

Marshall M. Sloane

In May 2009, 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 provides other services as may be requested by the Board of Directors. The Company agreed to pay Mr. Sloane an annual contract fee of $275,000 per year 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 better than anticipated financial performance, the Company also awarded Mr. Sloane a special Director s bonus for 2009.

Paul V. Cusick, Jr.

Upon the appointment of William P. Hornby, the Company entered into a consultancy agreement with Mr. Cusick. The Company agreed to pay Mr. Cusick an annual consulting fee of $85,000 until August 1, 2009 at which point the agreement expired.

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, 2009 for filing with the SEC.

/s/ Fraser Lemley, Chairman
/s/ Jon Westling
/s/ Roger S. Berkowitz

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Compensation Paid to Executive Officers

The following table sets forth information for the three year period ended December 31, 2009 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 ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings- September 30, ($)	All Other Compensation ($)(1)	Total ($)
Marshall M. Sloane (2)	2009						481,095	481,095
Chairman of the Board,	2008						427,630	427,630
Century Bancorp, Inc.	2007					98,409	406,473	504,882
Century Bank and Trust Company								
Barry R. Sloane	2009	442,412	35,000			365,774	29,921	873,107
Co-President and Co-CEO, Century	2008	442,412	30,000			695,092	35,581	1,203,085
Bancorp, Inc. Co-President and	2007	429,527	15,000			8,395	14,346	467,268
Co- CEO, Century Bank and								
Trust Company								
Jonathan G. Sloane	2009	442,412				344,015	17,338	803,765
Co-President and Co-CEO, Century	2008	442,412	30,000			243,623	16,281	732,316
Bancorp, Inc. Co-President and Co-	2007	429,527	15,000				15,288	459,815
CEO, Century Bank and								
Trust Company								
David B. Woonton	2009	276,706	20,000			243,416	10,907	551,029
Executive Vice President,	2008	276,706	15,000			182,072	10,332	484,110
Century Bank and Trust Company	2007	268,646	7,000			85,099	9,781	370,526
Paul A. Evangelista	2009	276,706	20,000			171,039	9,224	476,969
Executive Vice President,	2008	276,706	15,000			109,783	8,285	409,774
Century Bank and Trust Company	2007	260,575	7,000			41,910	7,881	317,366
Brian J. Feeney	2009	210,008	20,000			89,004	6,132	325,144
Executive Vice President,	2008	200,008	15,000			29,158	4,397	248,563
Century Bank and Trust Company	2007	185,857	5,000			9,290	3,814	203,961
William P. Hornby (3)	2009	225,008	20,000			19,178	6,242	270,428
Chief Financial Officer and	2008	187,007	15,000				5,700	207,707
Treasurer, Century Bancorp, Inc.	2007	110,480	5,000				1,948	117,428

and Century Bank and Trust Company							
Linda Sloane Kay	2009	150,006	20,000		27,565	5,922	203,493
Senior Vice President	2008	105,005	10,000		7,801	2,889	125,695
Century Bank and Trust Company	2007	96,889	4,750		3,928	13,317	118,884

(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 2009, includes $275,000 for consulting services, $128,699 amounts attributable to term insurance premiums for the Supplemental Executive Insurance/Retirement Plan, $28,750 for Director fees, $25,000 for bonus, as well as country club membership dues, health insurance premiums and Medicare reimbursements.

(3) Mr. Hornby joined the Company during April of 2007; his salary reflects payment for the partial year.

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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, 2009. No stock awards are unvested.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

			Option Awards		
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Marshall M. Sloane					
Chairman of the Board					
Barry R. Sloane	7,000			31.83	09/17/14
Co-President and Co-CEO					
Jonathan G. Sloane	6,000			15.063	01/16/11
Co-President and Co-CEO	6,000			22.50	04/01/12
	6,000			26.68	01/21/13
	7,000			31.83	09/17/14
David B. Woonton	2,000			15.063	01/16/11
Executive Vice President	2,000			22.50	04/01/12
Century Bank and Trust Company	2,000			26.68	01/21/13
	2,500			31.83	09/17/14
Paul A. Evangelista	2,000			22.50	04/01/12
Executive Vice President	2,000			26.68	01/21/13
Century Bank and Trust Company	2,500			31.83	09/17/14
Brian J. Feeney	500			15.063	01/16/11
Executive Vice President	500			22.50	04/01/12
Century Bank and Trust Company	500			26.68	01/21/13
	600			31.83	09/17/14
William P. Hornby					
Chief Financial Officer and Treasurer					
Linda Sloane Kay	100			22.50	04/01/12
Senior Vice President	250			26.68	01/21/13
Century Bank and Trust Company	350			31.83	09/17/14

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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 9/30/2009 ($) (1)	Payments During Last Fiscal Year 9/30/2009 ($)
Marshall M. Sloane *Chairman of the Board*	Defined Benefit Pension Plan	33	667,641	94,261
Barry R. Sloane *Co-President and Co-CEO*	Defined Benefit Pension Plan	6	63,274	
Jonathan G. Sloane *Co-President and Co-CEO*	Defined Benefit Pension Plan	29	478,602	
David B. Woonton *Executive Vice President, Century Bank and Trust Company*	Defined Benefit Pension Plan	10	199,476	
Paul A. Evangelista *Executive Vice President, Century Bank and Trust Company*	Defined Benefit Pension Plan	10	133,711	
Brian J. Feeney *Executive Vice President, Century Bank and Trust Company*	Defined Benefit Pension Plan	20	157,887	
William P. Hornby(2) *Chief Financial Officer and Treasurer*	Defined Benefit Pension Plan			
Linda Sloane Kay *Senior Vice President Century Bank and Trust Company*	Defined Benefit Pension Plan	9	34,181	

(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 9/30/09 and 5.75% for 9/30/08 and the Mortality Table used is the 2009 Mortality Table.

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

SUPPLEMENTAL EXECUTIVE INSURANCE/RETIREMENT BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit- 9/30/2009 ($)(1)	Payments During Last Fiscal Year- 9/30/2009 ($)
Marshall M. Sloane (2) *Chairman of the Board*	Supplemental Executive Insurance/Retirement Plan	33	3,559,446	523,639
Barry R. Sloane *Co-President and Co-CEO*	Supplemental Executive Insurance/Retirement Plan	8	1,045,020	
Jonathan G. Sloane (2) *Co-President and Co-CEO*	Supplemental Executive Insurance/Retirement Plan	29	1,768,842	
David B. Woonton (2) *Executive Vice President, Century Bank and Trust Company*	Supplemental Executive Insurance/Retirement Plan	10	875,310	
Paul A. Evangelista (2) *Executive Vice President, Century Bank and Trust Company*	Supplemental Executive Insurance/Retirement Plan	10	472,831	
Brian J. Feeney (2) *Executive Vice President, Century Bank and Trust Company*	Supplemental Executive Insurance/Retirement Plan	2	56,961	
William P. Hornby (2) *Chief Financial Officer and Treasurer*	Supplemental Executive Insurance/Retirement Plan	1	19,178	
Linda Sloane Kay (2) *Senior Vice President, Century Bank and Trust Company*	Supplemental Executive Insurance/Retirement Plan	1	14,871	

(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 2009 Mortality Table.

(2) As of January 1, 2009, 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%, 62.5%, 62.5%, 0%, 0% and 0% vested, respectively, under the Supplemental Executive Insurance/Retirement Plan.

Director Compensation

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

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DIRECTOR COMPENSATION TABLE 2009

Name	Fees Earned or Paid in Cash ($)	All Other Compensation ($)	Total ($)
George R. Baldwin	28,500		28,500
Roger S. Berkowitz	23,250		23,250
Marshall I. Goldman	21,250		21,250
Russell B. Higley	23,750		23,750
Jackie Jenkins-Scott	24,000		24,000
Linda Sloane Kay			
Fraser Lemley	27,000		27,000
Joseph J. Senna	30,250		30,250
Barry R. Sloane			
Jonathan G. Sloane			
Marshall M. Sloane(1)			
Stephanie Sonnabend	25,000		25,000
George F. Swansburg(2)	28,750	14,500	43,250
Jon Westling	23,500		23,500

(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.

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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, 2009, (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, 2009, there were 3,515,767 shares of Class A Common Stock and 2,014,530 shares of Class B Common Stock outstanding.

Name and Address of Beneficial Owner	Class A Owned	% A Owned	Class B Owned	% B Owned
Sandler O Neill Asset Management, LLC(12) 780 Third Avenue, New York, NY 10017	300,300	8.54%		
Wellington Management Company, LLP(9) 75 State Street, Boston, MA 02109	297,847	8.47%		
Castine Capital Management, LLC(11) One International Place, Suite 2401, Boston, MA 02110	238,040	6.77%		
Jacobs Asset Management(10) One Fifth Avenue, New York, NY 10003	201,099	5.72%		
Marshall M. Sloane(a) 400 Mystic Avenue, Medford, MA 02155	30,850(1)	0.88%	1,695,930(2)	84.18%
George R. Baldwin(a)	5,819	0.17%		
Roger S. Berkowitz(a)	5,807	0.17%		
Paul A. Evangelista(b)	1,720	0.05%		
Brian J. Feeney(b)	113	0.00%		
Marshall I. Goldman(a)	4,625(3)	0.13%	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)	9,176(6)	0.26%	60,000	2.98%
Fraser Lemley(a)	14,440	0.41%		
Joseph J. Senna(a)	43,218(5)	1.23%		
Barry R. Sloane(a)(b)	3,596(8)	0.10%		
Jonathan G. Sloane(a)(b)	3,822(7)	0.11%	60,000	2.98%
Stephanie Sonnabend(a)	3,608	0.10%		
George F. Swansburg(a)	30,040	0.85%		
Jon Westling(a)	5,233	0.15%		
David B. Woonton(b)		0.00%		
All directors and officers as a group (18 in number) (iii)	167,305	4.76%	1,845,930	91.63%

(a) Denotes director of the Company.

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

(1)

Includes 2,500 shares owned by Mr. Sloane s spouse and also includes 16,024 shares held in trust for Mr. Sloane s grandchildren.

(2) Includes 1,500 shares owned by Mr. Sloane s spouse, 1,694,430 shares held by Sloane Family Enterprises LP, and does not include 120,000 shares owned by Mr. Sloane s children. Mr. Sloane disclaims beneficial ownership of such 120,000 shares and 1,694,430 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.

(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 34,800 shares owned by Mr. Senna s spouse.

(6) Includes 9,051 shares owned by Ms. Kay s spouse and 10 shares owned by Ms. Kay s children.

(7) Includes 83.43 shares owned by Mr. Jonathan Sloane s spouse and includes 394 shares owned by Mr. Jonathan Sloane s children.

(8) Includes 40 shares owned by Mr. Barry Sloane s children and 72 shares owned by Mr. Barry Sloane s spouse.

(9) 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 12, 2010.

(10) 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 16, 2010.

(11) 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 12, 2010.

(12) 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 12, 2010.

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, Jonathan G. 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. Eight of our fourteen directors, therefore, are currently independent directors.

During 2007, the Company sold the building which houses one of its branches located at 55 High Street, Medford, Massachusetts for $1.5 million at market terms. This property was sold to an entity affiliated with a director of the Company. The Bank financed $1.0 million of this purchase at market terms. This sale resulted in a pre-tax gain of $1,321,000.

The Bank has relocated this branch to 1 Salem Street (formerly 3 Salem Street), Medford, Massachusetts. This property is leased from an entity affiliated with Marshall M. Sloane, Chairman of the Board of the Company. The lease is for a period of fifteen years. The annual base rent amount is $28,500 with annual increases based on the consumer price index. The Company is also required to pay 25% of all real estate taxes and operating costs. The lease contains options to extend the lease for three additional five year periods. The lease was effective on September 1, 2007. The terms of the lease were based on an independent appraisal of the property and are considered to be market terms.

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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 (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 2009 Amount	Fiscal 2008 Amount
Audit fees(1)	$ 356,500	$ 341,750
Audit-related fees(2)	11,550	13,400
Tax fees(3)	38,000	38,600
Other fees		
	$ 406,050	$ 393,750

(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, 2009 and 2008

Consolidated Statements of Income Years Ended December 31, 2009, 2008 and 2007

Consolidated Statements of Changes in Stockholders Equity -Years ended December 31, 2009, 2008 and 2007

Consolidated Statements of Cash Flows-Years Ended December 31, 2009, 2008, and 2007

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*

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.
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 Co-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 Co-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.
99.1	Audit Committee Charter

(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.

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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 9th day of March, 2010.

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

/s/ Roger S. Berkowitz

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
Senior 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,
Co-President and Co-Chief Executive Officer

Jonathan G. Sloane, Director,
Co-President and Co-Chief Executive Officer

/s/ William P. Hornby

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

/s/ Joseph Senna

Joseph Senna, Director

/s/ Anthony C. LaRosa

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