CENTURY BANCORP INC
Form 10-K
March 13, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**

OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**

OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 0-15752

CENTURY BANCORP, INC.

(Exact name of registrant as specified in its charter)

COMMONWEALTH OF MASSACHUSETTS	**04-2498617**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification number)*
400 MYSTIC AVENUE, MEDFORD, MA	**02155**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number including area code:

(781) 391-4000

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

Class A Common Stock, $1.00 par value	**Nasdaq Global Market**
(Title of class)	*(Name of Exchange)*

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

State the aggregate market value of the registrant s voting and nonvoting stock held by nonaffiliates, computed using the closing price as reported on Nasdaq as of June 30, 2011 was $94,674,012.

Indicate the number of shares outstanding of each of the registrant s classes of common stock as of February 29, 2012:

Class A Common Stock, $1.00 par value 3,551,542 Shares

Class B Common Stock, $1.00 par value 1,994,380 Shares

DOCUMENTS INCORPORATED BY REFERENCE

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

(1) Portions of the Registrant s Annual Report to Stockholders for the fiscal year ended December 31, 2011 are incorporated into Part II, Items 5-8 of this Form 10-K.

CENTURY BANCORP INC.

FORM 10-K

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PART I

ITEM 1. *BUSINESS*

The Company

Century Bancorp, Inc. (together with its bank subsidiary, unless the context otherwise requires, the Company) is a Massachusetts state-chartered bank holding company headquartered in Medford, Massachusetts. The Company is a Massachusetts corporation formed in 1972 and has one banking subsidiary (the Bank): Century Bank and Trust Company formed in 1969. At December 31, 2011, the Company had total assets of $2.7 billion. Currently, the Company operates 24 banking offices in 17 cities and towns in Massachusetts, ranging from Braintree in the south to Beverly in the north. The Bank s customers consist primarily of small and medium-sized businesses and retail customers in these communities and surrounding areas, as well as local governments and institutions throughout Massachusetts.

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

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

The Company is also a provider of financial services, including cash management, transaction processing and short-term financing, to municipalities in Massachusetts and Rhode Island. The Company has deposit relationships with 188 (54%) of the 351 cities and towns in Massachusetts.

Availability of Company Filings

Under the Securities Exchange Act of 1934, Sections 13 and 15(d), periodic and current reports must be filed with the Securities and Exchange Commission (the SEC). The public may read and copy any materials filed with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0030. The Company electronically files with the SEC its periodic and current reports, as well as other filings it makes with the SEC from time to time. The SEC maintains an Internet site that contains reports and other information regarding issuers, including the Company, that file electronically with the SEC, at www.sec.gov, in which all forms filed electronically may be accessed. Additionally, our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and additional shareholder information are available free of charge on the Company s website: www.centurybank.com.

Employees

As of December 31, 2011, the Company had 317 full-time and 88 part-time employees. The Company s employees are not represented by any collective bargaining unit. The Company believes that its employee relations are good.

Financial Services Modernization

On November 12, 1999, President Clinton signed into law The Gramm-Leach-Bliley Act (Gramm-Leach) which significantly altered banking laws in the United States. Gramm Leach enables combinations among banks, securities firms and insurance companies beginning March 11, 2000. As a result of Gramm Leach, many of the

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depression-era laws that restricted these affiliations and other activities that may be engaged in by banks and bank holding companies were repealed. Under Gramm-Leach, bank holding companies are permitted to offer their customers virtually any type of financial service that is financial in nature or incidental thereto, including banking, securities underwriting, insurance (both underwriting and agency) and merchant banking.

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

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

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

Holding Company Regulation

The Company is a bank holding company as defined by the Bank Holding Company Act of 1956, as amended (the Holding Company Act), and is registered as such with the Board of Governors of the Federal Reserve Bank (the FRB), which is responsible for administration of the Holding Company Act. Although the Company may meet the qualifications for electing to become a financial holding company under Gramm-Leach, the Company has elected to retain its pre-Gramm-Leach status for the present time under the Holding Company Act. As required by the Holding Company Act, the Company files with the FRB an annual report regarding its financial condition and operations, management and intercompany relationships of the Company and the Bank. It is also subject to examination by the FRB and must obtain FRB approval before (i) acquiring direct or indirect ownership or control of more than 5% of the voting stock of any bank, unless it already owns or controls a majority of the voting stock of that bank, (ii) acquiring all or substantially all of the assets of a bank, except through a subsidiary which is a bank, or (iii) merging or consolidating with any other bank holding company. A bank holding company must also give the FRB prior written notice before purchasing or redeeming its equity securities, if the gross consideration for the purchase or redemption, when aggregated with the net consideration paid by the company for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the Company s consolidated net worth.

The Holding Company Act prohibits a bank holding company, with certain exceptions, from (i) acquiring direct or indirect ownership or control of more than 5% of any class of voting shares of any company which is not a bank or a bank holding company, or (ii) engaging in any activity other than managing or controlling banks, or furnishing services to or performing services for its subsidiaries. A bank holding company may own, however, shares of a company engaged in activities which the FRB has determined are so closely related to banking or managing or controlling banks as to be a proper incident thereto.

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

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Federal Deposit Insurance Corporation Improvement Act of 1991

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

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

Interstate Banking

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

USA PATRIOT Act

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

Sarbanes-Oxley Act

The Sarbanes-Oxley Act, signed into law July 30, 2002, addresses, among other issues, corporate governance, auditor independence and accounting standards, executive compensation, insider loans, whistleblower protection and enhanced and timely disclosure of corporate information. The SEC has adopted a substantial number of implementing rules and the Financial Industry Regulatory Authority (FINRA) has adopted corporate governance rules that have been approved by the SEC and are applicable to the Company. The changes are intended to allow stockholders to monitor more effectively the performance of companies and management. As directed by Section 302(a) of the Sarbanes-Oxley Act, the Company s Chief Executive Officer and Chief Financial Officer are each required to certify that the Company s quarterly and annual reports do not contain any

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untrue statement of a material fact. This requirement has several parts, including certification that these officers are responsible for establishing, maintaining and regularly evaluating the effectiveness of the Company s disclosure controls and procedures and internal controls over financial reporting; that they have made certain disclosures to the Company s auditors and the Board of Directors about the Company s disclosure controls and procedures and internal control over financial reporting, and that they have included information in the Company s quarterly and annual reports about their evaluation of the Company s disclosure controls and procedures and internal control over financial reporting, and whether there have been significant changes in the Company s internal disclosure controls and procedures or in other factors that could significantly affect such controls and procedures subsequent to the evaluation and whether there have been any significant changes in the Company s internal control over financial reporting that have materially affected or reasonably likely to materially affect the Company s internal control over financial reporting, and compliance with certain other disclosure objectives. Section 906 of the Sarbanes-Oxley Act requires an additional certification that each periodic report containing financial statements fully complies with the requirements of Section 13(a) and 15(d) of the Securities Exchange Act of 1934 and that the information in the report fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act became law. The Act was intended to address many issues arising in the recent financial crisis and is exceedingly broad in scope affecting many aspects of bank and financial market regulation. The Act requires, or permits by implementing regulation, enhanced prudential standards for banks and bank holding companies inclusive of capital, leverage, liquidity, concentration and exposure measures. In addition, traditional bank regulatory principles such as restrictions on transactions with affiliates and insiders were enhanced. The Act also contains reforms of consumer mortgage lending practices and creates a Bureau of Consumer Financial Protection which is granted broad authority over consumer financial practices of banks and others. It is expected as the specific new or incremental requirements applicable to the company become effective that the costs and difficulties of remaining compliant with all such requirements will increase. The Act broadens the base for FDIC assessments to average consolidated assets less tangible equity of financial institutions and also permanently raises the current standard maximum FDIC deposit insurance amount to $250,000. The Act extends unlimited deposit insurance on non-interest bearing transaction accounts through December 31, 2012.

Deposit Insurance Premiums

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

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

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

On September 29, 2009, the FDIC adopted a Notice of Proposed Rulemaking (NPR) that would require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The FDIC Board voted to adopt a uniform three-basis point increase in assessment rates effective on January 1, 2011, and extend the restoration period from seven to eight years. This rule was finalized on November 2, 2009. As a result, the Company is carrying a prepaid asset of $4.3 million as of December 31, 2011. The Company s quarterly risk-based deposit insurance assessments will be paid from this amount until the amount is exhausted or until December 30, 2014, when any amount remaining would be returned to the Company.

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

Competition

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

Forward-Looking Statements

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

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

ITEM 1A. *RISK FACTORS*

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

(i) the Company s business is dependent upon general economic conditions in Massachusetts. The national and local economies may adversely affect the Company s performance and results of operations;

(ii) the Company s earnings depend to a great extent upon the level of net interest income generated by the Company, and therefore the Company s results of operations may be adversely affected by increases or decreases in interest rates or by the shape of the yield curve;

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

(iv) at December 31, 2011, approximately 57.9% of the Company s loan portfolio was comprised of commercial and commercial real estate loans, exposing the Company to the risks inherent in financings based upon analyses of credit risk, the value of underlying collateral, including real estate, and other more intangible factors, which are considered in making commercial loans;

(v) at December 31, 2011, approximately 35.6% of the Company s loan portfolio was comprised of residential real estate loans, exposing the Company to the risks inherent in financings based upon analyses of credit risk and the value of underlying collateral. Accordingly, the Company s profitability may be negatively impacted by errors in risk analyses, by loan defaults and the ability of certain borrowers to repay such loans may be adversely affected by any downturn in general economic conditions;

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

(vii) writedown of goodwill and other identifiable intangible assets would negatively impact our financial condition and results of operations. The amount of the purchase price which is allocated to goodwill is determined by the excess of the purchase price over the net identifiable assets acquired. At December 31, 2011, our goodwill and other identifiable intangible assets were approximately $2.8 million;

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

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

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

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

ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

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

ITEM 2. ***PROPERTIES***

The Company owns its main banking office, headquarters, and operations center in Medford, Massachusetts, which were expanded in 2004, and 11 of the 23 other facilities in which its branch offices are located. The remaining offices are occupied under leases expiring on various dates from 2012 to 2026. The Company believes that its banking offices are in good condition.

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

During July 2010, the Company entered into a lease agreement to open a branch located at Newton Centre in Newton, Massachusetts. The branch opened on June 20, 2011.

During September 2010, the Company entered into a lease agreement to open a branch located in Andover, Massachusetts. The branch is scheduled to open during the first half of 2012.

ITEM 3. ***LEGAL PROCEEDINGS***

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

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

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PART II

ITEM 5. *MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

(a) The Class A Common Stock of the Company is traded on the NASDAQ National Global Market under the symbol CNBKA. The price range of the Company s Class A common stock since January 1, 2010 is shown on page 11. The Company s Class B Common Stock is not traded on any national securities exchange or other public trading market.

	Issuer Purchases of Equity Securities			
Period	**Total Number of Shares Purchased**	**Weighted Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs(1)**
October 1 October 31, 2011				300,000
November 1 November 30, 2011				300,000
December 1 December 31, 2011				300,000

(1) On July 12, 2011, the Company announced a reauthorization of the Class A common stock repurchase program to repurchase up to 300,000 shares. The Company placed no deadline on the repurchase program. There were no shares purchased other than through a publicly announced plan or program.

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

(b) Approximate number of equity security holders as of December 31, 2011:

Title of Class	**Approximate Number of Record Holders**
Class A Common Stock	1,335
Class B Common Stock	58

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

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

	Dividends per Share	
	Class A	Class B
2010		
First quarter	$ .12	$ .06
Second quarter	.12	.06
Third quarter	.12	.06
Fourth quarter	.12	.06
2011		
First quarter	$ .12	$ .06
Second quarter	.12	.06
Third quarter	.12	.06
Fourth quarter	.12	.06

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

(d) The following schedule provides information with respect to the Company s equity compensation plans under which shares of Class A Common Stock are authorized for issuance as of December 31, 2011:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options (a)	Weighted-Average Exercise Price of Outstanding Options (b)	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	36,062	$ 28.90	223,084
Equity compensation plans not approved by security holders			
Total	36,062	$ 28.90	223,084

(e) The performance graph information required herein is shown on page 10.

ITEM 6. ***SELECTED FINANCIAL DATA***
The information required herein is shown on pages 9 and 10.

ITEM 7. ***MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION***
The information required herein is shown on pages 11 through 33.

ITEM 7a. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***
The information required herein is shown on page 30.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***
The information required herein is shown on pages 34 through 80.

ITEM 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***
None.

ITEM 9A. ***CONTROLS AND PROCEDURES***

The Company s principal executive officer and principal financial officer have evaluated the Company s disclosure controls and procedures as of December 31, 2011. Based on this evaluation, the principal executive officer and principal financial officer have concluded that the Company s disclosure controls and procedures effectively ensure that information required to be disclosed in the Company s filings and submissions with the Securities and Exchange Commission under the Exchange Act is accumulated and reported to Company management (including the principal executive officer and principal financial officer) and is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. In addition, the Company has reviewed its internal control over financial reporting and there have been no significant changes in its internal control over financial reporting or in other factors that could significantly affect its internal control over financial reporting. Management s report on internal control over financial reporting is shown on page 83. The audit report of the registered public accounting firm is shown on page 82.

ITEM 9B. ***OTHER INFORMATION***

None.

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Financial Highlights

	2011	2010	2009	2008	2007
	(Dollars in thousands, except share data)				
FOR THE YEAR					
Interest income	**$ 78,065**	$ 76,583	$ 79,600	$ 80,693	$ 83,008
Interest expense	**22,766**	24,817	31,723	35,914	43,805
Net interest income	**55,299**	51,766	47,877	44,779	39,203
Provision for loan losses	**4,550**	5,575	6,625	4,425	1,500
Net interest income after provision for loan losses	**50,749**	46,191	41,252	40,354	37,703
Other operating income	**16,240**	15,999	16,470	13,975	13,948
Operating expenses	**48,742**	47,372	46,379	43,028	40,255
Income before income taxes	**18,247**	14,818	11,343	11,301	11,396
Provision for income taxes	**1,554**	1,244	1,183	2,255	3,532
Net income	**$ 16,693**	$ 13,574	$ 10,160	$ 9,046	$ 7,864
Average shares outstanding, basic	**5,540,644**	5,533,506	5,532,249	5,541,983	5,542,461
Average shares outstanding, diluted	**5,541,794**	5,535,742	5,534,340	5,543,702	5,546,707
Shares outstanding at year-end	**5,542,697**	5,540,247	5,530,297	5,538,407	5,543,804
Earnings per share:					
Basic	**$ 3.01**	$ 2.45	$ 1.84	$ 1.63	$ 1.42
Diluted	**$ 3.01**	$ 2.45	$ 1.84	$ 1.63	$ 1.42
Dividend payout ratio	**13.1%**	16.0%	21.4%	24.0%	27.6%
AT YEAR-END					
Assets	**$ 2,743,225**	$ 2,441,684	$ 2,254,035	$ 1,801,566	$ 1,680,281
Loans	**984,492**	906,164	877,125	836,065	726,251
Deposits	**2,124,584**	1,902,023	1,701,987	1,265,527	1,130,061
Stockholders equity	**160,649**	145,025	132,730	120,503	118,806
Book value per share	**$ 28.98**	$ 26.18	$ 24.00	$ 21.76	$ 21.43
SELECTED FINANCIAL PERCENTAGES					
Return on average assets	**0.63%**	0.56%	0.50%	0.54%	0.49%
Return on average stockholders equity	**10.72%**	9.52%	7.98%	7.43%	7.05%
Net interest margin, taxable equivalent	**2.48%**	2.52%	2.69%	3.00%	2.65%
Net charge-offs as a percent of average loans	**0.21%**	0.44%	0.63%	0.38%	0.22%
Average stockholders equity to average assets	**5.88%**	5.93%	6.26%	7.23%	6.97%
Efficiency ratio	**62.2%**	65.0%	68.5%	70.6%	77.5%

	2011, Quarter Ended			
Per Share Data	**December 31,**	**September 30,**	**June 30,**	**March 31,**
Market price range (Class A)				
High	**$ 28.80**	**$ 28.91**	**$ 27.80**	**$ 28.38**
Low	**20.50**	**21.96**	**23.25**	**24.75**
Dividends Class A	**0.12**	**0.12**	**0.12**	**0.12**
Dividends Class B	**0.06**	**0.06**	**0.06**	**0.06**

	2010, Quarter Ended			
	December 31,	**September 30,**	**June 30,**	**March 31,**
Market price range (Class A)				

High	$ 27.39	$ 24.00	$ 23.22	$ 23.60
Low	22.54	19.40	16.77	18.65
Dividends Class A	0.12	0.12	0.12	0.12
Dividends Class B	0.06	0.06	0.06	0.06

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The stock performance graph below compares the cumulative total shareholder return of the Company s Class A Common Stock from December 31, 2006 to December 31, 2011 with the cumulative total return of the NASDAQ Market Index (U.S. Companies) and the NASDAQ Bank Stock Index. The lines in the graph represent monthly index levels derived from compounded daily returns that include all dividends. If the monthly interval, based on the fiscal year-end, was not a trading day, the preceding trading day was used.

Comparison of Five-Year

Cumulative Total Return*

Value of $100 Invested on December 31, 2006 at:	2007	2008	2009	2010	2011
Century Bancorp, Inc.	$ 75.47	$ 60.62	$ 87.05	$ 108.12	**$ 116.09**
NASDAQ Banks	79.26	57.79	48.42	57.29	**51.19**
NASDAQ U.S.	108.47	66.35	95.38	113.19	**113.81**

* Assumes that the value of the investment in the Company s Common Stock and each index was $100 on December 31, 2006 and that all dividends were reinvested.

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

FORWARD-LOOKING STATEMENTS

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

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

RECENT MARKET DEVELOPMENTS

The financial services industry continues to face unprecedented challenges in the aftermath of the recent national and global economic crisis. Since June 2009, the U.S. economy has been recovering from the most severe recession and financial crisis since the Great Depression. There have been some improvements in private-sector employment, industrial production and U.S. exports; nevertheless, the pace of economic recovery has been extremely slow. The housing markets continue to be depressed. Financial markets have improved since the depths of the crisis but are still unsettled and volatile. Investors have pulled back from risky assets. Lower equity prices and wider spreads on corporate bonds and other debt instruments and greater pressures on financial institutions have resulted. At the same time, heightened demand for safe assets has put downward pressure on yields. There is continued concern about the U.S. economic outlook and the potential effects of the continued crisis in the European financial markets.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act became law. The Act was intended to address many issues arising in the recent financial crisis and is exceedingly broad in scope, affecting many aspects of bank and financial market regulation. The Act requires, or permits by implementing regulation, enhanced prudential standards for banks and bank holding companies inclusive of capital, leverage, liquidity, concentration and exposure measures. In addition, traditional bank regulatory principles such as restrictions on transactions with affiliates and insiders were enhanced. The Act also contains reforms of consumer mortgage lending practices and creates a Bureau of Consumer Financial Protection, which is granted broad authority over consumer financial practices of banks and others. It is expected as the specific new or incremental requirements applicable to the company become effective that the costs and difficulties of remaining compliant with all such requirements will increase. The Act broadens the base for FDIC assessments to average consolidated assets less tangible equity of financial institutions and also permanently raises the current standard maximum FDIC deposit insurance amount to $250,000. The Act extends unlimited deposit insurance on non-interest bearing transaction accounts through December 31, 2012.

On September 29, 2009, the FDIC adopted a Notice of Proposed Rulemaking (NPR) that would require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The FDIC Board voted to adopt a uniform three-basis point increase in assessment rates effective on January 1, 2011, and extend the restoration period from seven to eight years. This rule was finalized on November 2, 2009. As a result, the Company is carrying a prepaid asset of $4.3 million as of December 31, 2011. The Company s quarterly risk-based deposit insurance assessments will be paid from this amount until the amount is exhausted or until December 30, 2014, when any amount remaining would be returned to the Company.

On September 30, 2011, the Massachusetts Department of Revenue issued a draft directive prohibiting a corporation from pledging more than 50 percent of security corporation stock it owns to secure a borrowing, effective for tax years beginning on or after October 2012. Century Bank currently utilizes the stock of two of its security corporations to secure Federal Home Loan Bank of Boston (FHLBB) advances. Should this draft directive become effective, Century Bank would have fewer assets available to secure FHLBB advances, or would have a higher tax rate if it chose to utilize security corporations to a lesser extent.

OVERVIEW

Century Bancorp, Inc. (together with its bank subsidiary, unless the context otherwise requires, the Company) is a Massachusetts state-chartered bank holding company headquartered in Medford, Massachusetts. The Company is a Massachusetts corporation formed in 1972 and has one banking subsidiary (the Bank): Century Bank and Trust Company formed in 1969. At December 31, 2011, the Company had total assets of $2.7 billion. Currently, the Company operates 24 banking offices in 17 cities and towns in Massachusetts, ranging from Braintree in the south to Beverly in the north. The Bank s customers consist primarily of small and medium-sized businesses and retail customers in these communities and surrounding areas, as well as local governments and institutions throughout Massachusetts.

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

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

The Company is also a provider of financial services, including cash management, transaction processing and short-term financing, to municipalities in Massachusetts and Rhode Island. The Company has deposit relationships with 188 (54%) of the 351 cities and towns in Massachusetts.

The Company had net income of $16,693,000 for the year ended December 31, 2011, compared with net income of $13,574,000 for the year ended December 31, 2010, and net income of $10,160,000 for the year ended December 31, 2009. Diluted earnings per share were $3.01 in 2011, compared to $2.45 in 2010 and $1.84 in 2009.

The trends in the net interest margin are illustrated in the graph below:

Net Interest Margin

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The primary factor accounting for the general increase in the net interest margin for 2009 was pricing discipline. The primary factor accounting for the general decrease in the net interest margin for 2010 was a large influx of deposits, primarily from municipalities, and a corresponding increase in short-term investments. The net interest margin fell somewhat during the second quarter of 2011 mainly as a result of increased deposits and corresponding lower-yield short-term investments. During the third quarter, management stabilized the net interest margin by continuing to lower cost of funds and by deploying excess liquidity through expansion of the investment portfolio.

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

Historical U.S. Treasury Yield Curve

A yield curve is a line that typically plots the interest rates of U.S. Treasury Debt, which have different maturity dates but the same credit quality, at a specific point in time. The three main types of yield curve shapes are normal, inverted and flat. Over the past three years, the U.S. economy has experienced low short-term rates. Since December 31, 2009, longer-term rates have declined resulting in a flatter yield curve.

During 2011, the Company s earnings were positively impacted primarily by an increase in net interest income. This increase was primarily due to an increase in earning assets. During 2011, 2010 and 2009, the U.S. economy experienced a lower short-term rate environment. The lower short-term rates negatively impacted the net interest margin for 2011, 2010 and 2009 as the rate at which short-term deposits could be invested declined more than the rates offered on those deposits.

Total assets were $2,743,225,000 at December 31, 2011, an increase of 12.3% from total assets of $2,441,684,000 on December 31, 2010.

On December 31, 2011, stockholders equity totaled $160,649,000, compared with $145,025,000 on December 31, 2010. Book value per share increased to $28.98 at December 31, 2011, from $26.18 on December 31, 2010.

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

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

During July 2010, the Company entered into a lease agreement to open a branch located at Newton Centre in Newton, Massachusetts. The branch opened on June 20, 2011.

During September 2010, the Company entered into a lease agreement to open a branch located in Andover, Massachusetts. The branch is scheduled to open during the first half of 2012.

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CRITICAL ACCOUNTING POLICIES

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

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

Impaired Investment Securities

If a decline in fair value below the amortized cost basis of an investment security is judged to be other-than-temporary, the cost basis of the investment is written down to fair value. The amount of the writedown is included as a charge to earnings. The amount of the impairment charge is recognized in earnings with an offset for the noncredit component which is recognized through other comprehensive income. Some factors considered for other-than-temporary impairment related to a debt security include an analysis of yield which results in a decrease in expected cash flows, whether an unrealized loss is issuer specific, whether the issuer has defaulted on scheduled interest and principal payments, whether the issuer s current financial condition hinders its ability to make future scheduled interest and principal payments on a timely basis or whether there was a downgrade in ratings by rating agencies.

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

Allowance for Loan Losses

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

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

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

FINANCIAL CONDITION

Investment Securities

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

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

These securities are carried at fair value, and unrealized gains and losses, net of applicable income taxes, are recognized as a separate component of stockholders equity. The fair value of securities available-for-sale at December 31, 2011 totaled $1,258,676,000 and included gross unrealized gains of $16,842,000 and gross unrealized losses of $3,138,000. A year earlier, securities available-for-sale were $909,391,000 including gross unrealized gains of $12,450,000 and gross unrealized losses of $6,615,000. In 2011, the Company recognized gains of $1,940,000 on the sale of available-for-sale securities. In 2010 and 2009, the Company recognized gains of $1,851,000 and $2,734,000, respectively.

Securities which management intends to hold until maturity consist of U.S. Government Sponsored Enterprises and mortgage-backed securities. Securities held-to-maturity as of December 31, 2011 are carried at their amortized cost of $179,368,000 and exclude gross unrealized gains of $5,471,000 and gross unrealized losses of $17,000. A year earlier, securities held-to-maturity totaled $230,116,000, excluding gross unrealized gains of $5,394,000 and gross unrealized losses of $1,986,000.

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

Fair Value of Securities Available-for-Sale

	2011		2010		2009	
At December 31,	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
			(Dollars in thousands)			
U.S. Treasury	**$ 2,012**	**0.2%**	$ 2,005	0.2%	$ 2,003	0.3%
U.S. Government Sponsored Enterprises	**174,957**	**13.9%**	175,663	19.3%	192,364	29.7%
SBA Backed Securities	**8,801**	**0.7%**	9,732	1.1%		
U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities	**1,035,838**	**82.3%**	680,898	74.9%	418,512	64.6%
Privately Issued Residential Mortgage-Backed Securities	**3,198**	**0.3%**	3,968	0.4%	4,910	0.8%
Privately Issued Commercial Mortgage-Backed Securities		**0.0%**	287	0.1%	544	0.1%
Obligations Issued by States and Political Subdivisions	**20,642**	**1.6%**	34,074	3.7%	26,289	4.1%
Other Debt Securities	**12,610**	**1.0%**	2,253	0.2%	2,259	0.3%
Equity Securities	**618**	**0.0%**	511	0.1%	915	0.1%
Total	**$ 1,258,676**	**100.0%**	$ 909,391	100.0%	$ 647,796	100.0%

Included in Obligations Issued by States and Political Subdivisions as of December 31, 2011, is $3,724,000 of an auction rate municipal obligation (ARS) with an unrealized loss of $957,000. This debt security was issued by a governmental entity but is not a debt obligation of the issuing entity. This ARS is the obligation of a large nonprofit entity. This obligation is a variable rate security with long-term maturity whose interest rate is set periodically through an auction process for ARS. As the auctions have not attracted sufficient bidders, the interest rate adjusts to the default rate defined in the obligation s underlying documents. Although many of these issuers have bond insurance, the Company purchased the security based on the creditworthiness of the underlying obligor.

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In the case of a failed auction, the Company may not have access to funds as only a limited market exists for the failed ARS. As of December 31, 2011, the Company s ARS was purchased subsequent to its failure with a fair value of $3,724,000 and an amortized cost of $4,681,000.

As of December 31, 2011, the weighted average taxable equivalent yield on this security was 0.31%.

The majority of the Company s securities AFS are classified as Level 2, as defined in Note 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. Management s understanding of a pricing service s pricing methodologies includes obtaining an understanding the valuation risks, assessing its qualification, verification of sources of information and processes used to develop prices and identifying, documenting, and testing controls. Management s validation of a vendor s pricing methodology include establishing internal controls to determine that the pricing information received by a pricing service and used by management in the valuation process is relevant and reliable. Market indicators and industry and economic events are also monitored. The decline in fair value from amortized cost for individual available-for-sale securities that are temporarily impaired is not attributable to changes in credit quality. Because the Company does not intend to sell any of its debt securities and it is not likely that it will be required to sell the debt securities before the anticipated recovery of their remaining amortized cost, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2011.

Securities available-for-sale totaling $18,914,000, or 0.69% of assets, are classified as Level 3, as defined in Note 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 refer primarily 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

	2011		**2010**		**2009**	
At December 31,	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
			(Dollars in thousands)			
U.S. Government Sponsored Enterprises	**$ 26,979**	**15.0%**	$ 84,534	36.7%	$ 69,555	32.0%
U.S. Government Sponsored Enterprise Mortgage-Backed Securities	**152,389**	**85.0%**	145,582	63.3%	148,088	68.0%
Total	**$ 179,368**	**100.0%**	$ 230,116	100.0%	$ 217,643	100.0%

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The following two tables set forth contractual maturities of the Bank s securities portfolio at December 31, 2011. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Fair Value of Securities Available-for-Sale Amounts Maturing

	Within One Year	% of Total	Weighted Average Yield	One Year to Five Years	% of Total	Weighted Average Yield	Five Years to Ten Years	% of Total	Weighted Average Yield	Over Ten Years	% of Total	Weighted Average Yield
						(Dollars in thousands)						
U.S. Treasury	$	0.0%	0.00%	$ 2,012	0.2%	0.67%	$	0.0%	0.00%	$	0.0%	0.00%
U.S. Government Sponsored Enterprises		0.0%	0.00%	52,357	4.2%	0.95%	122,600	9.7%	2.40%		0.0%	0.00%
SBA Backed Securities		0.0%	0.00%	1,706	0.1%	0.70%	1,517	0.1%	0.92%	5,578	0.4%	0.91%
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	65,380	5.2%	3.02%	907,264	72.1%	1.95%	53,838	4.3%	1.92%	9,356	0.7%	3.20%
Privately Issued Residential Mortgage-Backed Securities		0.0%	0.00%		0.0%	0.00%	3,198	0.3%	2.94%		0.0%	0.00%
Obligations of States and Political Subdivisions	15,128	1.2%	1.32%	1,789	0.1%	2.82%		0.0%	0.00%	3,725	0.3%	0.31%
Other Debt Securities	100	0.0%	1.25%	700	0.1%	1.57%	10,342	0.8%	4.00%		0.0%	0.00%
Equity Securities		0.0%	0.00%		0.0%	0.00%		0.0%	0.00%		0.0%	0.00%
Total	$ 80,608	6.4%	2.70%	$ 965,828	76.8%	1.89%	$ 191,495	15.2%	2.35%	$ 18,659	1.4%	1.94%

	Non-Maturing	% of Total	Weighted Average Yield	Total	% of Total	Weighted Average Yield
			(Dollars in thousands)			
U.S. Treasury	$	0.0%	0.00%	$ 2,012	0.2%	0.67%
U.S. Government Sponsored Enterprises		0.0%	0.00%	174,957	13.9%	1.97%
SBA Backed Securities		0.0%	0.00%	8,801	0.7%	0.87%
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities		0.0%	0.00%	1,035,838	82.3%	2.03%
Privately Issued Residential Mortgage-Backed Securities		0.0%	0.00%	3,198	0.3%	2.94%
Obligations of States and Political Subdivisions		0.0%	0.00%	20,642	1.6%	1.19%
Other Debt Securities	1,468	0.1%	4.63%	12,610	1.0%	3.92%
Equity Securities	618	0.1%	1.26%	618	0.0%	1.26%
Total	$ 2,086	0.2%	3.63%	$ 1,258,676	100.0%	2.02%

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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	Over Ten Years	% of Total	Weighted Average Yield	Total	% of Total	Weighted Average Yield
	(Dollars in thousands)														
U.S. Government Sponsored Enterprises	**$**	**0.0%**	**0.00%**	**$**	**0.0%**	**0.00%**	**$ 26,979**	**15.0%**	**1.60%**	**$**	**0.0%**	**0.00%**	**$ 26,979**	**15.0%**	**1.60%**
U.S. Government Sponsored Enterprise Mortgage-Backed Securities	**7,133**	**4.0%**	**4.00%**	**128,398**	**71.6%**	**3.35%**	**16,573**	**9.2%**	**2.77%**	**285**	**0.2%**	**2.89%**	**152,389**	**85.0%**	**3.32%**
Total	**$ 7,133**	**4.0%**	**4.00%**	**$ 128,398**	**71.6%**	**3.35%**	**$ 43,552**	**24.2%**	**2.05%**	**$ 285**	**0.2%**	**2.89%**	**$ 179,368**	**100.0%**	**3.06%**

At December 31, 2011 and 2010, the Bank had no investments in obligations of individual states, counties, municipalities or nongovernment corporate entities which exceeded 10% of stockholders equity. In 2011, sales of securities totaling $75,615,000 in gross proceeds resulted in a net realized gain of $1,940,000. There were no sales of state, county or municipal securities during 2011 and 2010. In 2010, sales of securities totaling $41,251,000 in gross proceeds resulted in net realized gains of $1,851,000. In 2009, sales of securities totaling $94,142,000 in gross proceeds resulted in net realized gains of $2,734.000.

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

Loans

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

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

	2011		2010		2009		2008		2007	
December 31,	**Amount**	**Percent of Total**	**Amount**	**Percent of Total**	**Amount**	**Percent of Total**	**Amount**	**Percent of Total**	**Amount**	**Percent of Total**
	(Dollars in thousands)									
Construction and land development	**$ 56,819**	**5.7%**	$ 53,583	5.9%	$ 60,349	6.9%	$ 59,511	7.1%	$ 62,412	8.6%
Commercial and industrial	**82,404**	**8.4%**	90,654	10.0%	141,061	16.1%	141,373	16.9%	117,332	16.2%
Commercial real estate	**487,495**	**49.5%**	433,337	47.8%	361,823	41.2%	332,325	39.8%	299,920	41.3%
Residential real estate	**239,307**	**24.3%**	207,787	22.9%	188,096	21.4%	194,644	23.3%	168,204	23.2%
Consumer	**6,197**	**0.6%**	5,957	0.7%	7,105	0.8%	8,246	1.0%	8,359	1.1%
Home equity	**110,786**	**11.3%**	114,209	12.6%	118,076	13.5%	98,954	11.8%	68,585	9.4%
Overdrafts	**1,484**	**0.2%**	637	0.1%	615	0.1%	1,012	0.1%	1,439	0.2%

Total	**$ 984,492**	**100.0%**	$ 906,164	100.0%	$ 877,125	100.0%	$ 836,065	100.0%	$ 726,251	100.0%

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At December 31, 2011, 2010, 2009, 2008 and 2007, loans were carried net of discounts of $550,000, $598,000, $645,000, $692,000 and $3,000, respectively. Net deferred loan fees of $666,000, $186,000, $71,000, $81,000 and $38,000 were carried in 2011, 2010, 2009, 2008 and 2007, respectively.

The following table summarizes the remaining maturity distribution of certain components of the Company s loan portfolio on December 31, 2011. 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, 2011

	One Year or Less	One to Five Years	Over Five Years	Total
	(Dollars in thousands)			
Construction and land development	**$ 11,702**	**$ 110**	**$ 45,007**	**$ 56,819**
Commercial and industrial	**32,111**	**25,993**	**24,300**	**82,404**
Commercial real estate	**23,770**	**142,754**	**320,971**	**487,495**
Total	**$ 67,583**	**$ 168,857**	**$ 390,278**	**$ 626,718**

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

December 31, 2011	One to Five Years	Over Five Years	Total
	(Dollars in thousands)		
Predetermined interest rates	**$ 102,209**	**$ 110,971**	**$ 213,180**
Floating or adjustable interest rates	**66,648**	**279,307**	**345,955**
Total	**$ 168,857**	**$ 390,278**	**$ 559,135**

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 $12,269,000 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.

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

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

Bank officers evaluate the feasibility of construction projects based on independent appraisals of the project, architects or engineers evaluations of the cost of construction and other relevant data. As of December 31, 2011, the Company was obligated to advance a total of $16,819,000 to complete projects under construction.

The composition of nonperforming assets is as follows:

December 31,	2011	2010	2009	2008	2007
			(Dollars in thousands)		
Total nonperforming loans	**$ 5,827**	$ 8,068	$ 12,311	$ 3,661	$ 1,312
Other real estate owned	**1,182**				452
Total nonperforming assets	**$ 7,009**	$ 8,068	$ 12,311	$ 3,661	$ 1,764
Accruing troubled debt restructured loans	**$ 4,634**	$ 1,248	$ 521	$	$
Loans past due 90 and still accruing	**18**	50		89	122
Nonperforming loans as a percent of gross loans	**0.59%**	0.89%	1.40%	0.44%	0.18%
Nonperforming assets as a percent of total assets	**0.26%**	0.33%	0.55%	0.20%	0.10%

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

	2011	2010	2009	2008	2007
Residential real estate, multi-family	**$ 516**	$	$	$ 194	$
Commercial real estate	**4,561**	2,492	4,260	1,175	
Construction and land development	**1,500**	4,000	4,900		
Commercial and industrial	**1,525**	1,471	1,356	1,329	196
Total impaired loans	**$ 8,102**	$ 7,963	$ 10,516	$ 2,698	$ 196

At December 31, 2011, 2010, 2009, 2008 and 2007, impaired loans had specific reserves of $741,000, $317,000, $745,000, $600,000 and $75,000 respectively.

The Company was servicing mortgage loans sold to others without recourse of approximately $18,220,000, $983,000, $1,127,000, $768,000 and $559,000 at December 31, 2011, 2010, 2009, 2008 and 2007, respectively. Additionally, the Company services mortgage loans sold to others with limited recourse. The outstanding balance of these loans with limited recourse was approximately $24,000, $36,000, $47,000, $56,000 and $65,000 at December 31, 2011, 2010, 2009, 2008 and 2007, respectively. The Company had $3,389,000 of loans held for sale at December 31, 2011.

Servicing assets are recorded at fair value and recognized as separate assets when rights are acquired through sale of loans with servicing rights retained. Mortgage servicing assets are amortized into non-interest income in proportion to, and over the period of, the estimated net servicing income. Upon sale, the mortgage servicing asset (MSA) is established, which represents the then-current estimated fair value based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model

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incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. Servicing rights are recorded in other assets and are amortized in proportion to, and over the period of estimated net servicing income and are assessed for impairment based on fair value at each reporting date. MSAs are reported in other assets in the consolidated balance sheets. MSAs totaled $123,000 at December 31, 2011 and $0 for December 31, 2007, through December 31, 2010.

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

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

Nonaccrual loans decreased during 2011, primarily as a result of $1,200,000 in charge-offs from two construction loans as well as the subsequent foreclosure of $1,300,000 of one of the construction loans.

Nonaccrual loans decreased during 2010, primarily as a result of resolution of a $2,479,000 commercial real estate loan as well as $900,000 in charge-offs from two construction loans during 2010. Nonaccrual loans increased from 2008 to 2009, primarily as a result of three loan relationships, one primarily commercial real estate and two construction totaling $7,379,000. Nonaccrual loans increased from 2007 to 2008, primarily as a result of eight consumer mortgages totaling $1,649,000.

The Company continues to monitor closely $20,906,000 and $32,905,000 at December 31, 2011 and 2010, respectively, of loans for which management has concerns regarding the ability of the borrowers to perform. The majority of the loans are secured by real estate and are considered to have adequate collateral value to cover the loan balances at December 31, 2011, 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

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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,	2011	2010	2009	2008	2007
			(Dollars in thousands)		
Year-end loans outstanding (net of unearned discount and deferred loan fees)	**$ 984,492**	$ 906,164	$ 877,125	$ 836,065	$ 726,251
Average loans outstanding (net of unearned discount and deferred loan fees)	**$ 948,883**	$ 877,858	$ 853,422	$ 775,337	$ 725,903
Balance of allowance for loan losses at the beginning of year	**$ 14,053**	$ 12,373	$ 11,119	$ 9,633	$ 9,713
Loans charged-off:					
Commercial	**676**	1,559	1,498	2,869	1,828
Construction	**1,200**	900	3,639	15	
Commercial real estate		922			
Residential real estate	**341**	515	490		
Consumer	**607**	547	443	489	311
Total loans charged-off	**2,824**	4,443	6,070	3,373	2,139
Recovery of loans previously charged-off:					
Commercial	**293**	172	352	159	268
Construction			25		
Real estate	**35**	8	4	5	149
Consumer	**467**	368	318	270	142
Total recoveries of loans previously charged-off:	**795**	548	699	434	559
Net loan charge-offs	**2,029**	3,895	5,371	2,939	1,580
Provision charged to operating expense	**4,550**	5,575	6,625	4,425	1,500
Balance at end of year	**$ 16,574**	$ 14,053	$ 12,373	$ 11,119	$ 9,633
Ratio of net charge-offs during the year to average loans outstanding	**0.21%**	0.44%	0.63%	0.38%	0.22%
Ratio of allowance for loan losses to loans outstanding	**1.68%**	1.55%	1.41%	1.33%	1.33%

The amount of the allowance for loan losses results from 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. Charge-offs declined in 2010 and 2011 as a result of the overall decrease in the level of nonaccrual loans. The dollar amount of the allowance for loan losses and the level of the allowance for loan losses to total loans increased primarily as a result of an increase in the historical loss factor on construction loans, increases in specific reserves associated with impaired loans as well as an increase in commercial real estate loans.

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

Construction loans The outstanding loan balance of construction loans at December 31, 2011 is $56,819,000. A major factor in nonaccrual loans is one construction loan. Based on this fact, and the general local construction conditions, 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 $489,114,000 at December 31, 2011, as compared to $434,829,000 at December 31, 2010. These loans are considered higher risk due to the concentration in individual loans. Additional allowance allocations are made based upon the level of high-balance loans. Included in high-balance loans are loans greater than $10.0 million. The balance of these loans is $189,222,000 at December 31, 2011, as compared to $124,685,000 at December 31, 2010. Additional allowance allocations are made based upon the level of this type of high balance loans that is separate and greater than the $1.0 million allocation.

Small business loans The outstanding loan balances of small business loans is $44,020,000 at December 31, 2011. These are considered higher risk loans because small businesses have been negatively impacted by the current economic conditions. In a liquidation scenario, the collateral, if any, is often not sufficient to fully recover the outstanding balance of the loan. As a result, the Company often seeks additional collateral prior to renewing maturing small business loans. In addition, the payment status of the loans is monitored closely in order to initiate collection efforts in a timely fashion.

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

	2011		**2010**		**2009**		**2008**		**2007**	
	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	**$ 2,893**	**5.7%**	$ 1,752	5.9%	$ 362	6.9%	$ 677	7.1%	$ 583	8.6%
Commercial and industrial	**3,139**	**8.4**	3,163	10.0	4,972	16.1	5,125	16.9	4,645	16.2
Commercial real estate	**6,566**	**49.5**	5,671	47.8	2,983	41.2	2,620	39.8	2,548	41.3
Residential real estate	**1,886**	**24.3**	1,718	22.9	1,304	21.4	778	23.3	637	23.2
Consumer and other	**356**	**0.8**	298	0.8	1,753	0.9	342	1.1	392	1.3
Home equity	**704**	**11.3**	725	12.6	761	13.5	1,527	11.8	686	9.4
Unallocated	**1,030**		726		238		50		142	
Total	**$ 16,574**	**100.0%**	$ 14,053	100.0%	$ 12,373	100.0%	$ 11,119	100.0%	$ 9,633	100.0%

Management believes that the allowance for loan losses is adequate. In addition, various regulatory agencies, as part of the examination process, periodically review the Company s allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination. Further information regarding the allocation of the allowance is contained within Note 6 of the Notes to Consolidated Financial Statements.

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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.

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

	2011		2010		2009	
	Amount	Percent	Amount	Percent	Amount	Percent
			(Dollars in thousands)			
Demand Deposits	**$ 326,102**	**15.3%**	$ 298,825	15.8%	$ 277,300	17.8%
Savings and Interest Checking	**735,022**	**34.6%**	696,232	36.7%	528,974	34.0%
Money Market	**584,059**	**27.4%**	543,432	28.7%	432,159	27.8%
Time Certificates of Deposit	**484,142**	**22.7%**	356,457	18.8%	318,412	20.4%
Total	**$ 2,129,325**	**100.0%**	$ 1,894,946	100.0%	$ 1,556,845	100.0%

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

	2011
	(Dollars in thousands)
Three months or less	**$ 58,443**
Three months through six months	**45,255**
Six months through twelve months	**55,170**
Over twelve months	**121,340**
Total	**$ 280,208**

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 $244,000,000, an increase of $23,000,000 from the prior year. The Bank s remaining term borrowing capacity at the FHLBB at December 31, 2011, was approximately $197,505,000. 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 on January 10, 2005.

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

Century Bancorp Capital Trust II then issued 35,000 shares of Cumulative Trust Preferred Securities with a liquidation value of $1,000 per share. These securities pay dividends at an annualized rate of 6.65% for the first ten years and then convert to the three-month LIBOR rate plus 1.87% for the remaining 20 years. 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 $143,320,000, an increase of $34,770,000 from the prior year. See Note 11, Securities Sold Under Agreements to Repurchase, for a schedule, including their interest rates and other information.

RESULTS OF OPERATIONS

Net Interest Income

The Company s operating results depend primarily on net interest income and fees received for providing services. Net interest income on a fully taxable equivalent basis increased 9.1% in 2011 to $62,081,000, compared with $56,893,000 in 2010. The increase in net interest income for 2011 was mainly due to a 10.7% 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 four 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 2.48% in 2011 from 2.52% in 2010 and decreased from 2.69% in 2009.

Additional information about the decreased 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.

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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.

Year Ended December 31,	2011 Average Balance	2011 Interest Income/ Expense(1)	2011 Rate Earned/ Paid(1)	2010 Average Balance	2010 Interest Income/ Expense(1)	2010 Rate Earned/ Paid(1)	2009 Average Balance	2009 Interest Income/ Expense(1)	2009 Rate Earned/ Paid(1)
				(Dollars in thousands)					
ASSETS									
Interest-earning assets:									
Loans(2)									
Taxable	**$ 703,491**	**$ 36,772**	**5.23%**	$ 711,422	$ 40,163	5.65%	$ 752,013	$ 43,113	5.73%
Tax-exempt	**245,392**	**17,996**	**7.33%**	166,436	13,193	7.93%	101,409	8,061	7.95%
Securities available-for-sale:(3)									
Taxable	**1,076,689**	**22,828**	**2.12**	756,544	18,958	2.51	562,899	20,439	3.63
Tax-exempt	**22,410**	**321**	**1.43**	32,407	596	1.84	48,347	1,061	2.19
Securities held-to-maturity:									
Taxable	**178,659**	**5,816**	**3.26**	222,154	7,158	3.22	193,520	8,093	4.18
Interest-bearing deposits in other banks	**276,413**	**1,114**	**0.40**	371,665	1,642	0.44	245,002	2,171	0.87
Total interest-earning assets	**2,503,054**	**$ 84,847**	**3.39%**	2,260,628	81,710	3.61%	1,903,190	82,938	4.36%
Noninterest-earning assets	**158,297**			155,956			143,984		
Allowance for loan losses	**(15,767)**			(13,686)			(13,331)		
Total assets	**$ 2,645,584**			$ 2,402,898			$ 2,033,843		
LIABILITIES AND STOCKHOLDERS EQUITY									
Interest-bearing deposits:									
NOW accounts	**$ 476,807**	**$ 1,715**	**0.36%**	$ 423,693	$ 2,504	0.59%	$ 279,213	$ 2,396	0.86%
Savings accounts	**258,215**	**824**	**0.32**	272,539	1,568	0.58	249,761	2,862	1.15
Money market accounts	**584,059**	**2,706**	**0.46**	543,432	3,942	0.73	432,159	6,100	1.41
Time deposits	**484,142**	**9,356**	**1.93**	356,457	7,914	2.22	318,412	9,438	2.96
Total interest-bearing deposits	**1,803,223**	**14,601**	**0.81**	1,596,121	15,928	1.00	1,279,545	20,796	1.63
Securities sold under agreements to repurchase	**129,137**	**379**	**0.29**	133,080	573	0.43	98,635	576	0.58
Other borrowed funds and subordinated debentures	**202,209**	**7,786**	**3.85**	201,273	8,316	4.13	219,713	10,351	4.71
Total interest-bearing liabilities	**2,134,569**	**22,766**	**1.07%**	1,930,474	24,817	1.29%	1,597,893	31,723	1.99%
Noninterest-bearing liabilities									
Demand deposits	**326,102**			298,825			277,300		
Other liabilities	**29,253**			31,074			31,289		
Total liabilities	**2,489,924**			2,260,373			1,906,482		
Stockholders equity	**155,660**			142,525			127,361		
Total liabilities and stockholders equity	**$ 2,645,584**			$ 2,402,898			$ 2,033,843		
Net interest income on a fully taxable equivalent basis		**$ 62,081**			$ 56,893			$ 51,215	
Less taxable equivalent adjustment		**(6,782)**			(5,127)			(3,338)	

Net interest income	**$ 55,299**	$ 51,766	$ 47,877
Net interest spread	**2.32%**	2.32%	2.37%
Net interest margin	**2.48%**	2.52%	2.69%

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

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

(3) At amortized cost.

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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.

	2011 Compared with 2010 Increase/(Decrease) Due to Change in			2010 Compared with 2009 Increase/(Decrease) Due to Change in		
Year Ended December 31,	Volume	Rate	Total	Volume	Rate	Total
			(Dollars in thousands)			
Interest income:						
Loans						
Taxable	**$ (443)**	**$ (2,948)**	**$ (3,391)**	$ (2,299)	$ (651)	$ (2,950)
Tax-exempt	**5,854**	**(1,051)**	**4,803**	5,155	(23)	5,132
Securities available-for-sale:						
Taxable	**7,117**	**(3,247)**	**3,870**	5,885	(7,366)	(1,481)
Tax-exempt	**(160)**	**(115)**	**(275)**	(312)	(153)	(465)
Securities held-to-maturity:						
Taxable	**(1,415)**	**73**	**(1,342)**	1,090	(2,025)	(935)
Interest-bearing deposits in other banks	**(393)**	**(135)**	**(528)**	822	(1,351)	(529)
Total interest income	**10,560**	**(7,423)**	**3,137**	10,341	(11,569)	(1,228)
Interest expense:						
Deposits:						
NOW accounts	**284**	**(1,073)**	**(789)**	999	(891)	108
Savings accounts	**(79)**	**(665)**	**(744)**	241	(1,535)	(1,294)
Money market accounts	**276**	**(1,512)**	**(1,236)**	1,306	(3,464)	(2,158)
Time deposits	**2,565**	**(1,123)**	**1,442**	1,036	(2,560)	(1,524)
Total interest-bearing deposits	**3,046**	**(4,373)**	**(1,327)**	3,582	(8,450)	(4,868)
Securities sold under agreements to repurchase	**(17)**	**(177)**	**(194)**	171	(174)	(3)
Other borrowed funds and subordinated debentures	**40**	**(570)**	**(530)**	(825)	(1,210)	(2,035)
Total interest expense	**3,069**	**(5,120)**	**(2,051)**	2,928	(9,834)	(6,906)
Change in net interest income	**$ 7,491**	**$ (2,303)**	**$ 5,188**	$ 7,413	$ (1,735)	$ 5,678

Average earning assets were $2,503,054,000 in 2011, an increase of $242,426,000 or 10.7% from the average in 2010, which was 18.8% higher than the average in 2009. Total average securities, including securities available-for-sale and securities held-to-maturity, were $1,277,758,000, an increase of 26.4% from the average in 2010. The increase in securities volume was mainly attributable to an increase in taxable securities. An increase in securities balances offset, somewhat, by lower securities returns resulted in higher securities income, which increased 8.4% to $28,965,000 on a fully tax equivalent basis. Total average loans increased 8.1% to $948,883,000 after increasing $24,436,000 in 2010. 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 mortgage lending. The increase in loan volume offset, somewhat, by a decrease in loan rates resulted in higher loan income, which increased by 2.6% or $1,412,000 to $54,768,000. Total loan income was $51,174,000 in 2009.

The Company s sources of funds include deposits and borrowed funds. On average, deposits increased 12.4%, or $234,379,000, in 2011 after increasing by 21.7%, or $338,101,000, in 2010. Deposits increased in 2011, primarily as a result of increases in demand deposits, money market, NOW and time deposit accounts. Deposits increased in 2010, primarily as a result of increases in demand deposits, savings, money market, NOW and time deposit accounts. Borrowed funds and subordinated debentures decreased by 0.9% in 2011, following an increase of 5.0% in 2010. The majority of the Company s borrowed funds are borrowings from the FHLBB and retail repurchase agreements. Average borrowings from the FHLBB increased by approximately $936,000, and average retail repurchase agreements decreased by $3,943,000 in 2011. Interest expense totaled $22,766,000 in 2011, a decrease of $2,051,000, or 8.26%, from 2010 when interest expense decreased 21.8% from 2009. 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 $4,550,000 in 2011, compared with $5,575,000 in 2010 and $6,625,000 in 2009. These provisions are the result of management s evaluation of the amounts and quality of the loan portfolio considering such factors as loan status, collateral values, financial condition of the borrower, the state of the economy and other relevant information. The provision for loan losses decreased during 2011 and 2010, primarily as a result of decreased provisions related to nonaccrual loans as well as management s quantitative analysis of the loan portfolio.

The allowance for loan losses was $16,574,000 at December 31, 2011, compared with $14,053,000 at December 31, 2010. Expressed as a percentage of outstanding loans at year-end, the allowance was 1.68% in 2011 and 1.55% in 2010. This ratio increased primarily as a result of decreased levels of charge-offs, an increase in the historical loss factor on construction loans, and an increase in required specific reserves associated with impaired loans.

Nonperforming loans, which include all nonaccruing loans, totaled $5,827,000 on December 31, 2011, compared with $8,068,000 on December 31, 2010. Nonperforming loans decreased primarily as a result of $1,200,000 in charge-offs from two construction loans as well as the subsequent foreclosure of $1,300,000 of one of the construction loans.

Other Operating Income

During 2011, the Company continued to experience positive results in its fee-based services, including fees derived from traditional banking activities such as deposit-related services, its automated lockbox collection system and full-service securities brokerage supported by LPL Financial, a full-service securities brokerage business.

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

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

Total other operating income in 2011 was $16,240,000, an increase of $241,000, or 1.5%, compared to 2010. This increase followed a decrease of $471,000 or 2.9% in 2010, compared to 2009. Included in other operating income are net gains on sales of securities of $1,940,000, $1,851,000 and $2,734,000 in 2011, 2010 and 2009, respectively. Service charge income, which continues to be a major area of other operating income, totaling $7,885,000 in 2011, increased $9,000 compared to 2010. This followed a decrease of $127,000 compared to 2009. Service charges on deposit accounts increased during 2011, mainly because of increases in fees collected. The increase in fees collected was mainly attributable to an increase in overdraft fees and debit card fees, which was offset, somewhat, by a decrease in fees collected from processing activities. Service charges on deposit accounts decreased during 2010 mainly because of decreases in fees collected. The decrease in fees collected was mainly attributable to a reduction in processing activity as well as a decrease in money service business activity. Lockbox revenues totaled $2,770,000, down $141,000 in 2011 following an increase of $97,000 in 2010. Other income totaled $3,204,000, up $73,000 in 2011 following an increase of $352,000 in 2010. The increase in 2011 was mainly attributable to net gains on sales of loans of $660,000. This was offset, somewhat, by a decrease of $514,000 in the growth of cash surrender values on life insurance policies, which was attributable to lower returns on life insurance policies. The increase in 2010 was mainly attributable to an increase of $378,000 in the growth of cash surrender values on life insurance policies, which was attributable to additional earnings as a result of certain policies reaching their 20-year anniversary during the first quarter of 2010.

Operating Expenses

Total operating expenses were $48,742,000 in 2011, compared to $47,372,000 in 2010 and $46,379,000 in 2009.

Salaries and employee benefits expenses increased by $1,232,000 or 4.3% in 2011, after increasing by 5.5% in 2010. The increase in 2011 was mainly attributable to increases in staff levels, merit increases in salaries and increases in health insurance costs. The increase in 2010 was mainly attributable to $916,000 due to Jonathan G. Sloane, former Co-CEO, in accordance with his separation agreement as previously announced as well as an increase in staff levels and merit increases in salaries and increases in health insurance costs.

Occupancy expense increased by $374,000, or 9.3%, in 2011, following a decrease of $67,000, or 1.6%, in 2010. The increase in 2011 was primarily attributable to an increase in rent expense, depreciation expense and building maintenance costs associated with branch expansion. The decrease in 2010 was primarily attributable to a decrease in utility and building maintenance costs offset somewhat by an increase in rent expense and real estate taxes.

Equipment expense increased by $103,000, or 4.8%, in 2011, following a decrease of $240,000, or 10.1%, in 2010. The increase in 2011 was primarily attributable to an increase in service contracts and depreciation expense. The decrease in 2010 was primarily attributable to a decrease in depreciation expense. Other operating expenses increased by $601,000 in 2011, which followed a $192,000 increase in 2010. The increase in 2011 was primarily attributable to an increase in customer expenses, other real estate owned expense and contributions offset somewhat by decreases in marketing expense. The increase in 2010 was primarily attributable to an increase in marketing expense and software maintenance offset somewhat by decreases in legal expense.

FDIC assessments decreased by $940,000, or 31.7%, in 2011, following a decrease of $371,000, or 11.1%, in 2010. FDIC assessments decreased in 2011 mainly as a result of a decrease in the assessment rate. FDIC assessments decreased in 2010 mainly as a result of a special assessment $1,000,000 during 2009, offset somewhat by an increase in the deposit base. 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.

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Provision for Income Taxes

Income tax expense was $1,554,000 in 2011, $1,244,000 in 2010 and $1,183,000 in 2009. The effective tax rate was 8.5% in 2011, 8.4% in 2010 and 10.4% in 2009. The decreases in the effective tax rate for 2011 and 2010 were mainly attributable to an increase in tax-exempt interest income and tax credits as a percentage of taxable income. The federal tax rate was 34% in 2011, 2010 and 2009.

On July 3, 2008, the Commonwealth of Massachusetts enacted a law that included reducing the tax rates on net income applicable to financial institutions. The rate drops from 10.5% to 10% for tax years beginning on or after January 1, 2010, to 9.5% for tax years beginning on or after January 1, 2011, and to 9% for tax years beginning on or after January 1, 2012, and thereafter.

Market Risk and Asset Liability Management

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

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

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

Change in Interest Rates (in Basis Points)	Percentage Change in Net Interest Income(1)
+400	(6.2) %
+300	(4.1) %
+200	(3.1) %
+100	(2.0) %
100	0.4 %
200	5.7 %

(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 $226,117,000 on December 31, 2011, compared with $302,470,000 on December 31, 2010. In each of these two years, deposit and borrowing activity has generally been adequate to support asset activity.

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

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Capital Adequacy

Total stockholders equity was $160,649,000 at December 31, 2011, compared with $145,025,000 at December 31, 2010. The increase in 2011 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 $4,726,000 in the net unrealized gains on the Company s available-for-sale portfolio, net of taxes, offset by an increase of $3,667,000 in the additional 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 14.73% and 12.84%, respectively, and total capital-to-risk assets ratio of 15.98% and 14.09%, respectively, at December 31, 2011. 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, 2011, the Company and the Bank exceeded this requirement with leverage ratios of 7.12% and 6.20%, respectively.

Contractual Obligations, Commitments, and Contingencies

The Company has entered into contractual obligations and commitments. The following tables summarize the Company s contractual cash obligations and other commitments at December 31, 2011.

Contractual Obligations and Commitments by Maturity (dollars in thousands)

		Payments Due By Period			
Contractual Obligations	**Total**	**Less Than One Year**	**One to Three Years**	**Three to Five Years**	**After Five Years**
FHLBB advances	**$ 244,000**	**$ 81,500**	**$ 41,000**	**$ 74,500**	**$ 47,000**
Subordinated debentures	**36,083**				**36,083**
Retirement benefit obligations	**30,626**	**2,305**	**4,787**	**5,425**	**18,109**
Lease obligations	**9,809**	**1,890**	**3,013**	**2,091**	**2,815**
Customer repurchase agreements	**143,320**	**143,320**			
Total contractual cash obligations	**$ 463,838**	**$ 229,015**	**$ 48,800**	**$ 82,016**	**$ 104,007**

		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	**$ 195,181**	**$ 110,081**	**$ 16,207**	**$ 1,892**	**$ 67,001**
Standby and commercial letters of credit	**4,645**	**3,514**	**1,131**		
Other commitments	**34,062**	**16,383**	**12**	**510**	**17,157**
Total commitments	**$ 233,888**	**$ 129,978**	**$ 17,350**	**$ 2,402**	**$ 84,158**

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 notional 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

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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 Notional Amount	2011	2010
	(Dollars in thousands)	
Financial instruments whose contract amount represents credit risk:		
Commitments to originate 1 4 family mortgages	**$ 12,638**	$ 14,635
Standby and commercial letters of credit	**4,645**	4,935
Unused lines of credit	**195,181**	169,862
Unadvanced portions of construction loans	**16,819**	22,337
Unadvanced portions of other loans	**4,605**	3,337

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 $39,000 and $68,000 for 2011 and 2010, respectively.

Recent Accounting Developments

In July 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-20, Receivables (Topic 310), *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.* This Update requires an entity to provide disclosures that facilitate financial statement users evaluation of (1) the nature of credit risk inherent in the entity s loan portfolio (2) how that risk is analyzed and assessed in arriving at the allowance for loan and lease losses and (3) the changes and reasons for those changes in the allowance for loan and lease losses. The disclosures as of the end of a reporting period were effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The Company has provided the required disclosures in Note 6.

In December 2010, the FASB issued ASU 2010-29, Business Combinations (Topic 805), *Disclosure of Supplementary Pro Forma Information for Business Combinations* to address diversity in practice in interpreting the pro forma revenue and earnings disclosure requirements for business combinations. This ASU specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the current year business combination(s) had occurred as of the beginning of the comparable prior annual reporting period. This update is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this update did not have a material impact on the Company s financial condition or results of operations.

In April 2011, the FASB issued ASU 2011-02, Receivables (Topic 310), *A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring.* This Update provides additional guidance and clarification to help creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring (TDR). This Update is effective for the first interim or annual period beginning on or after June 15, 2011, with retrospective application to the beginning of the annual period of adoption. The measurement of impairment should be done prospectively in the period of adoption for loans that are newly identified as TDRs upon adoption of this Update. In addition, the TDR disclosures required by ASU 2010-20, Receivables (Topic 310), Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses are required beginning in the period of adoption of this Update. The Company adopted this Update in the second quarter of 2011. The Company has provided the disclosures required in Note 6.

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In April 2011, the FASB issued ASU No. 2011-03, Transfers and Servicing (Topic 860), *Reconsideration of Effective Control for Repurchase Agreements.* This update revises the criteria for assessing effective control for repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The determination of whether the transfer of a financial asset subject to a repurchase agreement is a sale is based, in part, on whether the entity maintains effective control over the financial asset. This update removes from the assessment of effective control: the criterion requiring the transferor to have the ability to repurchase or redeem the financial asset on substantially the agreed terms, even in the event of default by the transferee, and the related requirement to demonstrate that the transferor possesses adequate collateral to fund substantially all the cost of purchasing replacement financial assets. The amendments in this update will be effective for interim and annual reporting periods beginning on or after December 15, 2011. The amendments will be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date and early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company s financial condition or results of operations.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS.* The guidance clarifies and expands the disclosures pertaining to unobservable inputs used in Level 3 fair value measurements, including the disclosure of quantitative information related to (1) the valuation processes used, (2) the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, and (3) use of a nonfinancial asset in a way that differs from the asset s highest and best use. The guidance also requires, for public entities, disclosure of the level within the fair value hierarchy for assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed. The amendments in this Update are to be applied prospectively. The amendments are effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted. The Company does not expect this pronouncement to have a material effect on its consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220), *Presentation of Comprehensive Income.* This ASU amends the disclosure requirements for the presentation of comprehensive income. The amended guidance eliminates the option to present components of other comprehensive income (OCI) as part of the consolidated statement of changes in stockholders equity. Under the amended guidance, all changes in OCI are to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive financial statements. The changes are effective for fiscal years, and interim periods within those years, ending after December 15, 2011, with retrospective application required. Early application is permitted. There will be no impact on the Company s consolidated financial results as the amendments relate only to changes in financial statement presentation. In December 2011, the FASB elected to defer the effective date of those changes in ASU 2011-05 that relate only to the presentation of reclassification adjustments in the statement of income by issuing ASU 2011-12, Comprehensive Income (Topic 220), *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income* in Accounting Standards Update No. 2011-05.

In September 2011, the FASB issued ASU 2011-08, Intangibles Goodwill and Other (Topic 350), *Testing Goodwill for Impairment.* This ASU is intended to reduce the complexity and cost of performing an evaluation of impairment of goodwill. Under the new guidance, an entity will have the option of first assessing qualitative factors (events and circumstances) to determine whether it is more likely than not (meaning a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If, after considering all relevant events and circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test will be unnecessary. The amendments will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company will implement the provisions of ASU 2011-08 as of January 1, 2012.

In September 2011, the FASB issued ASU 2011-09, Compensation Retirement Benefits Multiemployer Plans (Subtopic 715-80), *Disclosures about an Employer s Participation in a Multiemployer Plan.* This ASU requires new and expanded disclosures for individually material multiemployer pension plans. The changes are effective for fiscal years ending after December 15, 2011. Early application is permitted. There will be no impact to the consolidated financial results as the Company does not participate in any multiemployer retirement plans.

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CENTURY BANCORP, INC.

Consolidated Balance Sheets

	December 31, 2011	December 31, 2010
	(Dollars in thousands except share data)	
ASSETS		
Cash and due from banks (Note 2)	**$ 50,187**	$ 37,215
Federal funds sold and interest-bearing deposits in other banks	**157,579**	151,337
Total cash and cash equivalents	**207,766**	188,552
Short-term investments	**18,351**	113,918
Securities available-for-sale, amortized cost $1,244,972 in 2011 and $903,556 in 2010 (Notes 3 and 9)	**1,258,676**	909,391
Securities held-to-maturity, fair value $184,822 in 2011 and $233,524 in 2010 (Notes 4 and 11)	**179,368**	230,116
Federal Home Loan Bank of Boston, stock at cost	**15,531**	15,531
Loans, net (Note 5)	**984,492**	906,164
Less: allowance for loan losses (Note 6)	**16,574**	14,053
Net loans	**967,918**	892,111
Bank premises and equipment (Note 7)	**21,757**	21,228
Accrued interest receivable	**6,022**	6,601
Prepaid FDIC assessments	**4,335**	6,129
Other assets (Notes 8 and 14)	**63,501**	58,107
Total assets	**$ 2,743,225**	$ 2,441,684
LIABILITIES AND STOCKHOLDERS EQUITY		
Demand deposits	**$ 365,854**	$ 322,002
Savings and NOW deposits	**708,988**	649,402
Money market accounts	**616,241**	513,359
Time deposits (Note 10)	**433,501**	417,260
Total deposits	**2,124,584**	1,902,023
Securities sold under agreements to repurchase (Note 11)	**143,320**	108,550
Other borrowed funds (Note 12)	**244,143**	222,118
Subordinated debentures (Note 12)	**36,083**	36,083
Other liabilities	**34,446**	27,885
Total liabilities	**2,582,576**	2,296,659