

CENTURY BANCORP INC

Form 10-K

March 12, 2009

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

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to**

**Commission file number 0-15752
CENTURY BANCORP, INC.**

(Exact name of registrant as specified in its charter)

COMMONWEALTH OF MASSACHUSETTS

*(State or other jurisdiction of
incorporation or organization)*

04-2498617

*(I.R.S. Employer
Identification number)*

400 MYSTIC AVENUE, MEDFORD, MA

(Address of principal executive offices)

02155

(Zip Code)

Registrant's telephone number including area code:

(781) 391-4000

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

Class A Common Stock, \$1.00 par value

(Title of class)

Nasdaq Global Market

(Name of Exchange)

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

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

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

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

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

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

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

State the aggregate market value of the registrant's voting and nonvoting stock held by nonaffiliates, computed using the closing price as reported on Nasdaq as of June 30, 2008 was \$62,587,689.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of February 28, 2009:

Class A Common Stock, \$1.00 par value 3,511,307 Shares

Class B Common Stock, \$1.00 par value 2,027,100 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, 2008 are incorporated into Part II, Items 5-8 of this Form 10-K.
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CENTURY BANCORP INC.

FORM 10-K

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Ex-31.3 Section 302 Certification of the Chief Financial Officer

Ex-32.1 Section 906 Certification of the Co-Chief Executive Officer

Ex-32.2 Section 906 Certification of the Co-Chief Executive Officer

Ex 32.2 Section 906 Certification of the Chief Financial Officer

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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. The Company had total assets of approximately \$1.8 billion on December 31, 2008. The Company presently operates 22 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 interest paid on deposits and borrowings. The results of operations are also affected by the level of income/fees from loans, 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, non-profit 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, 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 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 supported by Linsco/Private Ledger Corp., 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 approximately 43% of the 351 cities and towns in Massachusetts.

On August 17, 2007, the Company sold the building which houses one of its branches located at 55 High Street, Medford, Massachusetts for \$1.5 million at market terms. The Bank relocated this branch to 1 Salem Street (formerly 3 Salem Street), Medford, Massachusetts. This sale resulted in a pre-tax gain of \$1,321,000. The branch opened on May 5, 2008.

On April 14, 2008, the Company opened a branch located on Riverside Avenue in Medford, Massachusetts. On November 17, 2008, the Company opened a branch located on Main Street in Winchester, Massachusetts. During October 2008, the Company received regulatory approval to close a branch on Albany Street in Boston, Massachusetts. This branch is expected to close during the first quarter of 2009.

During the fourth quarter of 2007, the Company sold the assets associated with the Sherman Union branch located on Commonwealth Avenue in Boston, Massachusetts as well as Automated Teller Machines (ATMs) located at or near Boston University. The buyer assumed the leases for the branch and ATMs. The deposits associated with the Sherman Union branch were transferred to Century's Hotel Commonwealth branch located at 512 Commonwealth Avenue in

Boston, Massachusetts. This resulted in a gain of \$115,000.

On February 7, 2006, the Company announced that it had renewed its contract with NOVA Information Systems, a wholly owned subsidiary of U.S. Bancorp, and had also sold its rights to future royalty payments for a portion of its Merchant Credit Card customer base for \$600,000, which the Bank has included as other income.

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

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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.century-bank.com.

Employees

As of December 31, 2008, the Company had 297 full-time and 83 part-time employees. The Company's employees are not represented by any collective bargaining unit. The Company believes that its employee relations are good.

Financial Services Modernization

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

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

These new 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.

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

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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 2008.

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

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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 Co-Chief Executive Officers and Chief Financial Officer are each required to certify that the Company's quarterly and annual reports do not contain any untrue statement of a material fact. This requirement has several parts, including certification that these officers are responsible for establishing, maintaining and regularly evaluating the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting; that they have made certain disclosures to the Company's auditors and the Board of Directors about the Company's disclosure controls and procedures and internal control over financial reporting, and that they have included information in the Company's quarterly and annual reports about their evaluation of the Company's disclosure controls and procedures and internal control over financial reporting, and whether there have been significant changes in the Company's internal disclosure controls and procedures or in other factors that could significantly affect such controls and procedures subsequent to the evaluation and whether there have been any significant changes in the Company's internal control over financial reporting that have materially affected or reasonably likely to materially affect the Company's internal control over financial reporting, and compliance with certain other disclosure objectives. Section 906 of the Sarbanes-Oxley Act requires an additional certification that each periodic report containing financial statements fully complies with the requirements of Section 13(a) and 15(d) of the Securities Exchange Act of 1934 and that the information in the report fairly presents, in all material respects, the financial conditions and results of operations of the Company.

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 insured deposits that it holds. The FDIC may increase or decrease the assessment rate schedule on a semi-annual basis.

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

The FDIC approved an interim rule in February 2009 that will institute a one-time special assessment of 20 cents per \$100 of domestic deposits on the banking industry in order to quickly restore its Deposit Insurance Fund. The FDIC's Deposit Insurance Fund reserve ratio is required to be maintained at 1.15%. Due to the high number of bank failures during 2008, the Deposit Insurance Fund's reserve ratio stood at 0.40% at December 31, 2008. The Company estimates that this one-time special assessment that was announced would result in approximately \$2.7 million in additional non-interest expense during 2009. Immediately following the FDIC's special assessment announcement several comments were provided by member institutions and banking industry advocates, including the American Bankers Association, recommending that the FDIC consider alternative Deposit Insurance Fund funding options including an increase in the FDIC's line of credit with the U.S. Department of Treasury. The FDIC's chairperson followed with a

public statement indicating the special assessment could be reduced to 10 basis points if an increase in the line of credit with the U.S. Treasury Department were granted. In the event, the special assessment were reduced from 20 basis points to 10 basis points, we estimate that the Company would record approximately \$1.35 million in additional non-interest expense during 2009.

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In addition, the FDIC increased the annual assessment rate to between 12 and 16 basis points for well capitalized banks, which we anticipate will increase our annual FDIC premiums by approximately \$1.2 million during 2009 as compared to 2008. The interim rule also reserves the right of the FDIC to charge up to 10 cents per \$100 of domestic deposits in the form of a special premium if the reserves continue to fall.

Competition

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

Forward-Looking Statements

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

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

ITEM 1A. RISK FACTORS

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

- (i) the Company's business is dependent upon general economic conditions in Massachusetts. Currently the national and local economies are in recession; this may adversely affect the Company's performance and results of operations;
- (ii) the Company's earnings depend to a great extent upon the level of net interest income generated by the Company, and therefore the Company's results of operations may be adversely affected by increases or decreases in interest rates or by the shape of the yield curve;
- (iii) the banking business is highly competitive and the profitability of the Company depends upon the Company's ability to attract loans and deposits in Massachusetts, where the Company competes with a variety of traditional banking companies, some of which have vastly greater resources, and nontraditional institutions such as credit unions and finance companies;
- (iv) at December 31, 2008, approximately 56.7% 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, 2008, approximately 35.1% 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

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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 market 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, 2008, our goodwill and other identifiable intangible assets were approximately \$4.0 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 21 other facilities in which its branch offices are located. The remaining offices are occupied under leases expiring on various dates from 2008 to 2026. The Company believes that its banking offices are in good condition.

On April 14, 2008, the Company opened a branch located on Riverside Avenue in Medford, Massachusetts. On November 17, 2008, the Company opened a branch located on Main Street in Winchester, Massachusetts. During October 2008, the Company received regulatory approval to close a branch on Albany Street in Boston, Massachusetts. This branch is expected to close during the first quarter of 2009.

During the fourth quarter of 2007, the Company sold the assets associated with the Sherman Union branch located on Commonwealth Avenue in Boston, Massachusetts as well as Automated Teller Machines (ATMs) located at or near

Boston University. The buyer assumed the leases for the branch and ATMs. The deposits associated with the Sherman Union branch were transferred to Century's Hotel Commonwealth branch located at 512 Commonwealth Avenue in Boston, Massachusetts. This resulted in a gain of \$115,000.

On August 17, 2007, the Company sold the building which houses one of its branches located at 55 High Street, Medford, Massachusetts for \$1.5 million at market terms. The Bank has relocated this branch to 1 Salem Street (formerly 3 Salem Street), Medford, Massachusetts. This resulted in a pre-tax gain of \$1,321,000.

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ITEM 3. *LEGAL PROCEEDINGS*

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

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

No matters were submitted to a vote of the Company's Stockholders during the fourth quarter of the fiscal year ended December 31, 2008.

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

(a) The Class A Common Stock of the Company is traded on the NASDAQ National Global Market under the symbol CNBKA. The price range of the Company's Class A common stock since January 1, 2007 is shown on page 10. The Company's Class B Common Stock is not traded on any national securities exchange or other public trading market.

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs (1)
October 1 - October 31, 2008	1,750	\$ 14.72	1,750	295,553
November 1 - November 30, 2008	200	\$ 15.98	200	295,353
December 1 - December 31, 2008	350	\$ 14.71	350	295,003

(1) On July 8, 2008, 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, 2008:

Title of Class	Approximate Number of Record Holders
Class A Common Stock	1,150
Class B Common Stock	100

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

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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
2007		
First quarter	\$.12	\$.06
Second quarter	.12	.06
Third quarter	.12	.06
Fourth quarter	.12	.06
2008		
First quarter	\$.12	\$.06
Second quarter	.12	.06
Third quarter	.12	.06
Fourth quarter	.12	.06

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

(d) The following schedule provides information with respect to the Company's equity compensation plans under which shares of Class A Common Stock are authorized for issuance as of December 31, 2008:

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	81,037	\$ 27.42	190,509
Equity compensation plans not approved by security holders			
Total	81,037	\$ 27.42	190,509

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

ITEM 6. *SELECTED FINANCIAL DATA*

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

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

The information required herein is shown on pages 13 through 34.

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

The information required herein is shown on page 30 through 31.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

The information required herein is shown on pages 35 through 69.

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

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

The Company's principal executive officers and principal financial officer have evaluated the Company's disclosure controls and procedures as of December 31, 2008. Based on this evaluation, the principal executive officers and principal financial officer have concluded that the Company's disclosure controls and procedures effectively ensure that information required to be disclosed in the Company's filings and submissions with the Securities and Exchange Commission under the Exchange Act is accumulated and reported to Company management (including the principal executive officer and principal financial officer) and is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. In addition, the Company has reviewed its internal control over financial reporting and there have been no significant changes in its internal control over financial reporting or in other factors that could significantly affect its internal control over financial reporting. Management's report on internal control over financial reporting is shown on page 72. The audit report of the registered public accounting firm is shown on page 71.

ITEM 9B. *OTHER INFORMATION*

None.

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	2008	2007	2006	2005	2004
	(Dollars in thousands, except share data)				
FOR THE YEAR					
Interest income	\$ 80,693	\$ 83,008	\$ 80,707	\$ 72,811	\$ 65,033
Interest expense	35,914	43,805	43,944	32,820	23,646
Net interest income	44,779	39,203	36,763	39,991	41,387
Provision for loan losses	4,425	1,500	825	600	300
Net interest income after provision for loan losses	40,354	37,703	35,938	39,391	41,087
Other operating income	13,975	13,948	11,365	10,973	10,431
Operating expenses	43,028	40,255	40,196	40,318	37,663
Income before income taxes	11,301	11,396	7,107	10,046	13,855
Provision for income taxes	2,255	3,532	2,419	3,166	4,974
Net income	\$ 9,046	\$ 7,864	\$ 4,688	\$ 6,880	\$ 8,881
Average shares outstanding, basic	5,541,983	5,542,461	5,540,966	5,535,202	5,526,202
Average shares outstanding, diluted	5,543,702	5,546,707	5,550,722	5,553,009	5,553,197
Shares outstanding at year-end	5,538,407	5,543,804	5,541,188	5,535,422	5,534,088
Earnings per share:					
Basic	\$ 1.63	\$ 1.42	\$ 0.85	\$ 1.24	\$ 1.61
Diluted	\$ 1.63	\$ 1.42	\$ 0.84	\$ 1.24	\$ 1.60
Dividend payout ratio	24.0%	27.6%	46.2%	31.3%	24.2%
AT YEAR-END					
Assets	\$ 1,801,566	\$ 1,680,281	\$ 1,644,290	\$ 1,728,769	\$ 1,833,701
Loans	836,065	726,251	736,773	689,645	580,003
Deposits	1,265,527	1,130,061	1,268,965	1,217,040	1,394,010
Stockholders equity	120,503	118,806	106,818	103,201	104,773
Book value per share	\$ 21.76	\$ 21.43	\$ 19.28	\$ 18.64	\$ 18.93
SELECTED FINANCIAL PERCENTAGES					
Return on average assets	0.54%	0.49%	0.28%	0.41%	0.55%
Return on average stockholders equity	7.43%	7.05%	4.45%	6.57%	8.61%
Net interest margin, taxable equivalent	3.00%	2.65%	2.40%	2.58%	2.75%
Net charge-offs as a percent of average loans	0.38%	0.22%	0.06%	0.04%	0.01%
	7.23%	6.97%	6.39%	6.31%	6.38%

Average stockholders' equity to average assets Efficiency ratio	70.6%	77.5%	83.5%	79.1%	72.7%
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Per Share Data	2008, Quarter Ended			
	December 31,	September 30,	June 30,	March 31,
Market price range (Class A)				
High	\$ 18.00	\$ 20.51	\$ 21.62	\$ 22.48
Low	11.50	12.76	17.00	18.25
Dividends Class A	0.12	0.12	0.12	0.12
Dividends Class B	0.06	0.06	0.06	0.06

Market price range (Class A)	2007, Quarter Ended			
	December 31,	September 30,	June 30,	March 31,
High	\$ 25.49	\$ 22.67	\$ 26.55	\$ 28.25
Low	19.80	19.26	21.27	26.00
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 Common Stock from December 31, 2003 to December 31, 2008 with the cumulative total return of the NASDAQ Market Index (U.S. Companies) and the NASDAQ Bank Stock Index. The lines in the table below represent monthly index levels derived from compounded daily returns that include all dividends. If the monthly interval, based on the fiscal year-end, was not a trading day, the preceding trading day was used.

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

Value of \$100 Invested on December 31, 2003 at:	2004	2005	2006	2007	2008
Century Bancorp, Inc.	\$ 84.46	\$ 85.16	\$ 80.87	\$ 61.03	\$ 49.02
NASDAQ Banks	114.44	111.80	125.47	99.45	72.51
NASDAQ U.S.	108.84	111.16	122.11	132.42	63.80

* Assumes that the value of the investment in the Company's Common Stock and each index was \$100 on December 31, 2003 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 results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, those related to the economic environment, particularly in the market areas in which the Company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset/liability management, the financial and securities markets, and the availability of and costs associated with sources of liquidity.

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

RECENT MARKET DEVELOPMENTS

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

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

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the EESA) was signed into law. The EESA authorizes the U.S. Treasury to, among other things, purchase up to \$700 billion of mortgages, mortgage-backed securities, and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. The Company does not expect to participate in the sale of any of its assets into these programs. EESA also immediately increased the FDIC deposit insurance limit from \$100,000 to \$250,000 through December 31, 2009.

On October 14, 2008, the U.S. Treasury announced that it will purchase equity stakes in a wide variety of banks and thrifts. Under this program, known as the Troubled Asset Relief Program Capital Purchase Program (the TARP Capital Purchase Program), the U.S. Treasury has made approximately \$250 billion of capital available (from the \$750 billion authorized by the EESA) to U.S. financial institutions in the form of preferred stock. In conjunction with the purchase of preferred stock, the U.S. Treasury will receive warrants to purchase common stock with an aggregate market price equal to 15% of the preferred investment. Participating financial institutions will be required to adopt the

U.S. Treasury's standards for executive compensation, dividend restrictions and corporate governance for the period during which the U.S. Treasury holds equity issued under the TARP Capital Purchase Program. The U.S. Treasury also announced that nine large financial institutions had already agreed to participate in the TARP Capital Purchase Program. Subsequently, a number of smaller institutions have participated in the TARP Capital Purchase Program. On December 18, 2008, the Company announced, in a press release, it had received preliminary approval from the U.S. Treasury to participate in the TARP Capital Purchase Program, in an amount up to

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\$30 million in the form of Century Bancorp, Inc. preferred stock and warrants to purchase Class A common stock. In light of uncertainty surrounding additional restrictions that may be imposed on participants under pending legislation, the Company, on January 14, 2009, informed the U.S. Treasury that it would not be closing on the transaction on January 16, 2009, as originally scheduled. The Company will monitor developments and may decide to close on the transaction once uncertainties are resolved if it is in the best interest of the Company to do so, though the U.S. Treasury did not commit to close at a future date.

On October 14, 2008, the U.S. Treasury and the FDIC jointly announced a new program, known as the Temporary Liquidity Guarantee Program (TLGP), to strengthen confidence and encourage liquidity in the nation's banking system. The TLGP consists of two programs: the Debt Guarantee Program (DGP) and the Transaction Account Guarantee Program (TAGP). Under the DGP, the FDIC will guarantee certain newly issued senior unsecured debt of participating banks, thrifts and certain holding companies issued from October 14, 2008 through June 30, 2009, which debt matures on or prior to June 30, 2012, up to a fixed maximum amount per participant. In addition, under the TAGP, the FDIC will fully guarantee deposits in noninterest bearing transaction accounts without dollar limitation through December 31, 2009. Institutions opting to participate in the DGP will be charged a 50-, 75- or 100-basis point fee (depending on maturity) for the guarantee of eligible debt, and a 10-basis point assessment will be applicable to deposits in noninterest bearing transaction accounts at institutions participating in the TAGP that exceed the existing deposit insurance limit of \$250,000. The Company opted to participate in both the DGP and the TAGP.

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, 2008, the Company had total assets of \$1.8 billion. Currently, the Company operates 22 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 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 Linsco/Private Ledger Corp., 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 approximately 43% of the 351 cities and towns in Massachusetts.

The Company had net income of \$9,046,000 for the year ended December 31, 2008, compared with net income of \$7,864,000 for the year ended December 31, 2007 and net income of \$4,688,000 for the year ended December 31, 2006. Diluted earnings per share were \$1.63 in 2008, compared to \$1.42 in 2007 and \$0.84 in 2006. Included in income for 2007 is a \$1,321,000 pre-tax gain on the sale of the building that houses the Company's Medford Square branch. Included in income for 2006 is a pre-tax gain of \$600,000 from the sale of the Company's rights to future royalty payments for a portion of its Merchant Credit Card customer base.

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Throughout 2007 and 2008, the Company has seen improvement in its net interest margin as illustrated in the graph below:

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

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

an increase in average loans outstanding during 2008,

the maturity of lower-yielding investment securities,

an increase in the slope of the yield curve,

an increase in the loan yield due to an increase in prepayment fees, particularly in the second quarter of 2007, and

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

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

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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.

During 2008, the U.S. economy has experienced a lower rate environment along with a steepening of the yield curve, which means that the spread between the long-term and short-term yields has increased. This has positively impacted the net interest margin. During 2007, rates fell and the yield curve steepened somewhat. This positively impacted the net interest margin. During 2006, the Company's earnings were negatively impacted primarily by a decrease in net interest income. This decrease was primarily due to the inverted yield curve during 2006 as well as increased funding costs.

Total assets were \$1,801,566,000 at December 31, 2008, an increase of 7.2% from total assets of \$1,680,281,000 on December 31, 2007.

On December 31, 2008, stockholders' equity totaled \$120,503,000, compared with \$118,806,000 on December 31, 2007. Book value per share increased to \$21.76 at December 31, 2008 from \$21.43 on December 31, 2007.

On August 17, 2007, the Company sold the building that houses one of its branches located at 55 High Street, Medford, Massachusetts, for \$1.5 million at market terms. The Bank relocated this branch to 1 Salem Street (formerly 3 Salem Street), Medford, Massachusetts. This sale resulted in a pre-tax gain of \$1,321,000. The branch opened on May 5, 2008.

On April 14, 2008, the Company opened a branch located on Riverside Avenue in Medford, Massachusetts. On November 17, 2008, the Company opened a branch located on Main Street in Winchester, Massachusetts. During October 2008, the Company received regulatory approval to close a branch on Albany Street in Boston, Massachusetts. This branch closed during the first quarter of 2009.

During the fourth quarter of 2007, the Company sold the assets associated with the Sherman Union branch located on Commonwealth Avenue in Boston, Massachusetts, as well as automated teller machines (ATMs) located at or near Boston University. The buyer assumed the leases for the branch and ATMs. The deposits associated with the Sherman Union branch were transferred to Century's Hotel Commonwealth branch located at 512 Commonwealth Avenue in Boston, Massachusetts. This resulted in a gain of \$115,000.

On February 7, 2006, the Company announced that it had renewed its contract with NOVA Information Systems, a wholly owned subsidiary of U.S. Bancorp, and had also sold its rights to future royalty payments for a portion of its Merchant Credit Card customer base for \$600,000, which the Bank has included as other income.

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

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

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

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

Management has identified certain risk factors, which could impact the degree of loss sustained within the portfolio. These include: (a) market risk factors, such as the effects of economic variability on the entire portfolio, and (b) unique portfolio risk factors that are inherent characteristics of the Company's loan portfolio. Market risk factors may consist of changes to general economic and business conditions that may impact the Company's loan portfolio customer base in terms of ability to repay and that may result in changes in value of underlying collateral. Unique portfolio risk factors may include industry concentrations and geographic concentrations or trends that may exacerbate losses resulting from economic events which the Company may not be able to fully diversify out of its portfolio.

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.

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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. An other-than-temporary impairment exists for debt securities if it is probable that the Company will be unable to collect all amounts due according to contractual terms of the security. 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 has the ability and intent to hold all securities with an unrealized loss until recovery of fair value, which may be maturity.

FINANCIAL CONDITION

Investment Securities

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

Securities available-for-sale consist of certain U.S. Treasury and U.S. Government Sponsored Enterprise mortgage-backed securities; state, county and municipal 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, 2008 totaled \$495,585,000 and includes gross unrealized gains of \$4,783,000 and gross unrealized losses of \$5,244,000. A year earlier, securities available-for-sale were \$388,104,000 including gross unrealized gains of \$1,728,000 and unrealized losses of \$2,077,000. In 2008, the Company recognized gross gains of \$251,000 and gross losses of \$2,000 on the sale of available-for-sale securities. The Company also recognized \$76,000 in realized losses on the writedown of two stocks. In 2007, the Company recognized gross gains of \$153,000 on the sale of one stock.

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, 2008 are carried at their amortized cost of \$184,047,000 and exclude gross unrealized gains of \$1,820,000 and gross unrealized losses of \$434,000. A year earlier, securities held-to-maturity totaled \$183,710,000 excluding gross unrealized gains of \$131,000 and gross unrealized losses of \$2,137,000.

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

Fair Value of Securities Available-for-Sale

At December 31,	2008		2007		2006	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)					
U.S. Treasury	\$ 2,028	0.4%	\$ 2,036	0.5%	\$ 1,991	0.5%
U.S. Government Sponsored Enterprise	161,292	32.5%	218,729	56.4%	221,037	54.5%
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities Privately Issued	260,132	52.5%	145,638	37.5%	148,134	36.5%
Mortgage-Backed Securities Obligations of States and Political Subdivisions	9,026	1.8%	16,524	4.3%	30,942	7.6%
Other	60,259	12.2%	1,678	0.4%		0%
	2,848	0.6%	3,499	0.9%	3,554	0.9%
Total	\$ 495,585	100.0%	\$ 388,104	100.0%	\$ 405,658	100.0%

Included in Obligations Issued by States and Political Subdivisions as of December 31, 2008, are \$33,300,000 of auction rate municipal obligations (ARSs) and \$20,000,000 of variable rate demand notes (VRDNs) with unrealized losses of \$1,254,000 for ARSs. VRDNs market value equals the carrying value. These debt securities were issued by governmental entities, but are not necessarily debt obligations of the issuing entity. Of the total of \$53,300,000 of ARSs and VRDNs, \$25,000,000 are obligations of governmental entities and the remainder are obligations of large nonprofit entities. These obligations are variable rate securities with long-term maturities whose interest rates are set periodically through an auction process for ARSs and by prevailing market rates for VRDNs. Should the auction not attract sufficient bidders, the interest rate adjusts to the default rate defined in each obligation s underlying documents. The Company increased its holdings in these types of securities during the second and third quarters of 2008 to take advantage of yields available due to market disruption. Although many of these issuers have bond insurance, the Company purchased the securities based on the creditworthiness of the underlying obligor.

In the case of a failed auction, the Company may not have access to funds as only a limited market exists for failed ARSs. As of December 31, 2008, three of the Company s ARSs were purchased subsequent to their failure with a fair value of \$12,000,000 and an amortized cost of \$13,300,000. Three securities issued by governmental entities were purchased prior to their failure with a fair value and amortized cost of \$10,000,000. The remaining securities were issued by governmental entities, and large nonprofit entities, and are the debt of nonprofit organizations which the Company believes to be creditworthy. As of December 31, 2008, the weighted average taxable equivalent yield on these securities was 5.69%.

The majority of the Company s securities AFS are classified as Level 2, as defined in footnote 1 of the Notes to Consolidated Financial Statements. The fair values of these securities are obtained from a pricing service, which provides the Company with a description of the inputs generally utilized for each type of security. These inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark

securities, bids, offers and reference data. Market indicators and industry and economic events are also monitored. The decline in fair value of \$460,000 from amortized cost for available-for-sale securities is attributable to changes in interest rates and not credit quality. Because the Company has the ability and intent to hold these investments until recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2008.

Securities available-for-sale totaling \$3,470,000, or 0.19% of assets, are classified as Level 3, as defined in footnote 1 of the Notes to Consolidated Financial Statements. These securities are generally equity investments or municipal securities with no readily determinable fair value. The securities are carried at fair value with periodic review of underlying financial statements and credit ratings to assess the appropriateness of these valuations.

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

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

Amortized Cost of Securities Held-to-Maturity

At December 31,	2008		2007		2006	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)					
U.S. Government Sponsored Enterprise	\$ 44,000	23.9%	\$ 94,987	51.7%	\$ 159,969	60.2%
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	140,047	76.1%	88,723	48.3%	105,743	39.8%
Total	\$ 184,047	100.0%	\$ 183,710	100.0%	\$ 265,712	100.0%

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

The following two tables set forth contractual maturities of the Bank's securities portfolio at December 31, 2008. 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
y ment	\$ 2,028	0.4%	4.60%	\$	0.0%	\$	0.0%	\$	0.0%		0.0%
ment	15,006	3.0%	3.00%	108,576	21.9%	4.40%	37,710	7.6%	4.47%		0.0%
cked	68,401	13.8%	4.21%	183,468	37.0%	4.10%		0.0%		8,263	1.7%
ed	3,368	0.7%	3.28%	5,658	1.1%	3.49%		0.0%			
acked											

f

and

4,715	1.0%	3.38%	3,809	0.8%	4.13%	8,233	1.7%	4.24%	44,202	8.9%
\$ 93,518	18.9%	3.95%	\$ 301,511	60.8%	4.20%	\$ 45,943	9.3%	4.43%	\$ 52,465	10.6%

	Non-Maturing	% of Total	Weighted Average Yield (Dollars in thousands)	Total	% of Total	Weighted Average Yield
U.S. Treasury	\$	0.0%		\$ 2,028	0.4%	4.60%
U.S. Government Sponsored Enterprise		0.0%		161,292	32.5%	4.28%
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities		0.0%		260,132	52.5%	4.18%
Privately Issued Mortgage-Backed Securities		0.0%		9,026	1.8%	3.43%
Obligations of States and Political Subdivisions and other	2,148	0.4%	4.11%	63,107	12.8%	3.64%
Total	\$ 2,148	0.4%	4.11%	\$ 495,585	100.0%	4.13%

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	Within One Year	% of Total	Weighted Average Yield	One Year to Five Years	% of Total	Weighted Average Yield (Dollars in thousands)	Five Years to Ten Years	% of Total	Weighted Average Yield	Total
Government Sponsored Securities	\$ 25,000	13.6%	3.92%	\$			\$ 19,000	10.3%	4.16%	\$ 44,000
	2,022	1.1%	3.90%	136,869	74.4%	4.34%	1,156	0.6%	4.68%	140,047
	\$ 27,022	14.7%	3.92%	\$ 136,869	74.4%	4.34%	\$ 20,156	10.9%	4.19%	\$ 184,047

At December 31, 2008 and 2007, the Bank had no investments in obligations of individual states, counties, municipalities or nongovernment corporate entities which exceeded 10% of stockholders' equity. Additionally, in 2008, there were sales totaling \$123,704,000 in gross proceeds in state, county or municipal securities resulting in gross gains of \$46,000 and gross losses of \$0. There were no sales of state, county or municipal securities in 2007. In 2008, sales of securities totaling \$238,894,000 in gross proceeds resulted in a net realized gain of \$249,000. One equity security was sold during 2007 with gross proceeds of \$336,000 resulting in a gain of \$153,000. The book value of two equity securities was written down \$76,000 during 2008.

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

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.

	2008		2007		2006		2005		2004	
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 development	\$ 59,511	7.1%	\$ 62,412	8.6%	\$ 49,709	6.7%	\$ 58,846	8.5%	\$ 51,918
Commercial	141,373	16.9%	117,332	16.2%	117,497	15.9%	94,139	13.7%	71,962
Industrial	332,325	39.8%	299,920	41.3%	327,040	44.4%	302,279	43.8%	258,524
State	194,644	23.3%	168,204	23.2%	167,946	22.8%	146,355	21.2%	118,223
Commercial real estate	8,246	1.0%	8,359	1.1%	7,104	1.0%	8,318	1.2%	7,653
Consumer	98,954	11.8%	68,585	9.4%	66,157	9.0%	78,369	11.4%	70,911
Equity	1,012	0.1%	1,439	0.2%	1,320	0.2%	1,339	0.2%	812
Leases									
Total	\$ 836,065	100.0%	\$ 726,251	100.0%	\$ 736,773	100.0%	\$ 689,645	100.0%	\$ 580,003

At December 31, 2008, 2007, 2006, 2005 and 2004, loans were carried net of discounts of \$2,000, \$3,000, \$3,000, \$4,000 and \$4,000, respectively. Net deferred loan fees of \$81,000, \$38,000, \$183,000, \$482,000 and \$485,000 were carried in 2008, 2007, 2006, 2005 and 2004, respectively.

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The following table summarizes the remaining maturity distribution of certain components of the Company's loan portfolio on December 31, 2008. 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, 2008

	One Year or Less	One to Five Years (Dollars in thousands)	Over Five Years	Total
Construction and land development	\$ 23,004	\$ 4,637	\$ 31,870	\$ 59,511
Commercial and industrial	74,570	38,235	28,568	141,373
Commercial real estate	135,178	50,213	146,934	332,325
Total	\$ 232,752	\$ 93,085	\$ 207,372	\$ 533,209

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

December 31, 2008	One to Five Years	Over Five Years	Total
	(Dollars in thousands)		
Predetermined interest rates	\$ 26,069	\$ 14,759	\$ 40,828
Floating or adjustable interest rates	67,016	192,613	259,629
Total	\$ 93,085	\$ 207,372	\$ 300,457

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 to 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. Loans are normally extended in amounts up to a maximum of 80% of appraised value and normally for terms between three to five years. Amortization schedules are long term and thus a balloon payment is 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 \$8,498,000 of C&I type loans secured by 1-4 family real estate. Primarily, these are small businesses with modest capital or shorter operating histories where the collateral mitigates some risk. This category of loans shares similar risk characteristics with the C&I loans, notwithstanding the collateral position.

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

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

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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, 2008, the Company was obligated to advance a total of \$16,642,000 to complete projects under construction.

The composition of nonperforming assets is as follows:

December 31,	2008	2007	2006	2005	2004
	(Dollars in thousands)				
Total nonperforming loans/loans on nonaccrual	\$ 3,661	\$ 1,312	\$ 135	\$ 949	\$ 628
Other real estate owned		452			
Total nonperforming assets	\$ 3,661	\$ 1,764	\$ 135	\$ 949	\$ 628
Restructured loans	\$	\$	\$	\$	\$
Loans past due 90 and still accruing	89	122	789		160
Nonperforming loans as a percent of gross loans	0.44%	0.18%	0.02%	0.14%	0.11%
Nonperforming assets as a percent of total assets	0.20%	0.10%	0.01%	0.05%	0.03%

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

	2008	2007	2006	2005	2004
Residential real estate, multi-family	\$ 194	\$	\$	\$	\$ 512
Commercial real estate	1,175				
Construction and land development				675	
Commercial and industrial	1,329	196	16	211	452
Total impaired loans	\$ 2,698	\$ 196	\$ 16	\$ 886	\$ 964

At December 31, 2008 and December 31, 2007, impaired loans had specific reserves of \$600,000 and \$75,000, respectively. There were no impaired loans with specific reserves from December 31, 2004 through December 31, 2006.

The Company was servicing mortgage loans sold to others without recourse of approximately \$768,000, \$559,000, \$798,000, \$1,078,000 and \$1,538,000 at December 31, 2008, 2007, 2006, 2005 and 2004, respectively. Additionally, the Company services mortgage loans sold to others with limited recourse. The outstanding balance of these loans with limited recourse was approximately \$56,000, \$65,000, \$72,000, \$80,000 and \$86,000 at December 31, 2008, 2007, 2006, 2005 and 2004, respectively.

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

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

Nonaccrual loans increased from 2007 to 2008 primarily as a result of eight consumer mortgages totaling \$1,649,000. Nonaccrual loans increased from 2006 to 2007 primarily as a result of three consumer mortgages totaling \$938,000. The relatively low level of nonperforming assets of \$135,000 in 2006 and \$949,000 in 2005

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resulted from fewer additions to nonperforming assets during the year combined with an improvement in the resolution of nonperforming assets including payments on nonperforming loans.

In addition to the above, the Company continues to monitor closely \$21,807,000 and \$14,117,000 at December 31, 2008 and 2007, 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, 2008, although such values may fluctuate with changes in the economy and the real estate market.

Allowance for Loan Losses

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

Year Ended December 31,	2008	2007	2006	2005	2004
	(Dollars in thousands)				
Year-end loans outstanding (net of unearned discount and deferred loan fees)	\$ 836,065	\$ 726,251	\$ 736,773	\$ 689,645	\$ 580,003
Average loans outstanding (net of unearned discount and deferred loan fees)	\$ 775,337	\$ 725,903	\$ 723,825	\$ 641,103	\$ 546,147
Balance of allowance for loan losses at the beginning of year	\$ 9,633	\$ 9,713	\$ 9,340	\$ 9,001	\$ 8,769
Loans charged-off:					
Commercial	2,869	1,828	386	366	1
Construction	15				
Residential real estate					194
Consumer	489	311	322	324	113
Total loans charged-off	3,373	2,139	708	690	308
Recovery of loans previously charged-off:					
Commercial	159	268	96	75	117
Real estate	5	149	49	235	103
Consumer	270	142	111	119	20
Total recoveries of loans previously charged-off:	434	559	256	429	240
Net loan charge-offs	2,939	1,580	452	261	68

Additions to allowance charged to operating expense	4,425	1,500	825	600	300
Balance at end of year	\$ 11,119	\$ 9,633	\$ 9,713	\$ 9,340	\$ 9,001
Ratio of net charge-offs during the year to average loans outstanding	0.38%	0.22%	0.06%	0.04%	0.01%
Ratio of allowance for loan losses to loans outstanding	1.33%	1.33%	1.32%	1.35%	1.55%

These provisions are the result of management's evaluation of the 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 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

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increased during 2007 and 2008 due to an increase in commercial loan charge-offs as a result of the weakening of the overall economy.

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

	2008		2007		2006		2005		2004	
	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	\$ 679	7.1%	\$ 592	8.6%	\$ 849	6.7%	\$ 1,014	8.5%	\$ 806	9.0%
Commercial and industrial	5,148	16.9	4,714	16.2	1,916	15.9	1,575	13.7	1,232	12.4
Commercial real estate	2,632	39.8	2,584	41.3	4,502	44.4	4,131	43.8	3,626	44.6
Residential real estate	782	23.3	647	23.2	512	22.8	778	21.2	628	20.4
Consumer and other	344	1.1	407	1.3	135	1.2	148	1.4	130	1.4
Home equity	1,534	11.8	689	9.4	219	9.0	625	11.4	560	12.2
Unallocated					1,580		1,069		2,019	
Total	\$ 11,119	100.0%	\$ 9,633	100.0%	\$ 9,713	100.0%	\$ 9,340	100.0%	\$ 9,001	100.0%

The shift in the allocations of the allowance for loan losses in 2007 is the result of the implementation of guidance issued by the FDIC. The current allocation is based on historical charge-off rates with additional allocations based on risk factors for each category and general economic factors. Prior to 2007, the allowance related to general economic factors was included solely in the unallocated category.

Deposits

The Company offers savings accounts, NOW accounts, demand deposits, time deposits and money market accounts. Additionally, the Company offers cash management accounts which provide either automatic transfer of funds above

a specified level from the customer's checking account to a money market account or short-term borrowings. Also, an account reconciliation service is offered whereby the Company provides a computerized report balancing the customer's checking account.

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

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

	2008		2007		2006	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)					
Demand Deposits	\$ 267,966	22.0%	\$ 278,402	23.1%	\$ 284,295	22.6%
Savings and Interest						
Checking	369,687	30.3%	314,961	26.1%	290,172	23.0%
Money Market	308,432	25.3%	277,482	23.0%	327,203	26.0%
Time Certificates of Deposit	273,925	22.4%	335,972	27.8%	359,045	28.4%
Total	\$ 1,220,010	100.0%	\$ 1,206,817	100.0%	\$ 1,260,715	100.0%

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

	2008
	(Dollars in thousands)
Three months or less	\$ 56,982
Three months through six months	44,491
Six months through 12 months	49,302
Over 12 months	31,919
	\$ 182,694

Borrowings

The Bank's borrowings consisted primarily of FHLB borrowings collateralized by a blanket pledge agreement on the Bank's FHLB stock, certain qualified investment securities, deposits at the FHLB and residential mortgages held in the Bank's portfolios. The Bank's borrowings from the FHLB totaled \$237,000,000, a decrease of \$52,250,000 from the prior year. The Bank's remaining term borrowing capacity at the FHLB at December 31, 2008 was approximately \$194,415,000. In addition, the Bank has a \$14,500,000 line of credit with the FHLB. See Note 12, Other Borrowed Funds and Subordinated Debentures, for a schedule, their interest rates and other information.

Subordinated Debentures

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

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

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

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

Securities Sold Under Agreements to Repurchase

The Bank's remaining borrowings consist primarily of securities sold under agreements to repurchase. Securities sold under agreements to repurchase totaled \$112,510,000, an increase of \$26,520,000 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 18.9% in 2008 to \$46,750,000, compared with \$39,313,000 in 2007. The increase in net interest income for 2008 was mainly due to a 13.2% or a 35 basis point increase 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

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interest income. The net interest margin on a fully taxable equivalent basis increased to 3.00% in 2008 from 2.65% in 2007, and from 2.40% in 2006.

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

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

Ended December 31,	Average Balance	2008		Average Balance	2007		Average Balance	2006	
		Interest Income/ Expense(1)	Rate Earned/ Paid(1)		Interest Income/ Expense(1)	Rate Earned/ Paid(1)		Interest Income/ Expense(1)	Rate Earned/ Paid(1)
ASSETS									
Earning assets:	\$ 775,337	\$ 50,199	6.47%	\$ 725,903	\$ 52,902	7.29%	\$ 723,825	\$ 51,466	
Available-for-sale:(3)	411,938	18,183	4.41	372,878	14,466	3.88	497,113	17,182	
Mortgage	61,406	3,204	5.24	330	17	5.21	354	18	
Held-to-maturity:									
Mortgage	193,584	8,265	4.27	248,338	9,065	3.65	275,897	10,112	
Other	99,784	2,442	2.45	131,737	6,661	5.06	37,511	1,955	
Interest-bearing deposits in savings	14,478	371	2.56	163	7	4.29	217	9	
Interest-earning assets	1,556,527	82,664	5.31%	1,479,349	83,118	5.62%	1,534,917	80,742	
Non-interest-earning assets	136,830			130,652			123,601		
Provision for loan losses	(9,997)			(9,719)			(9,608)		
Total Assets	\$ 1,683,360			\$ 1,600,282			\$ 1,648,910		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest-bearing deposits:									
Savings accounts	\$ 203,678	\$ 3,076	1.51%	\$ 202,761	\$ 4,235	2.09%	\$ 205,645	\$ 3,936	
Checking accounts	166,009	2,929	1.76	112,200	2,477	2.21	84,527	1,013	
Money market accounts	308,432	7,260	2.35	277,482	8,901	3.21	327,203	9,804	
Certificates of deposit	273,925	9,744	3.56	335,972	15,640	4.66	359,045	16,026	
Interest-bearing deposits sold under repurchase agreements	952,044	23,009	2.42	928,415	31,253	3.37	976,420	30,779	
Repurchase agreements	94,526	1,393	1.47	89,815	3,193	3.56	70,862	2,681	
Other	225,743	11,512	5.10	168,535	9,359	5.55	192,143	10,484	

Borrowed funds and
 related debentures

Interest-bearing liabilities	1,272,313	35,914	2.82%	1,186,765	43,805	3.69%	1,239,425	43,944
Interest-bearing liabilities								
Deposits	267,966			278,402			284,295	
Liabilities	21,363			23,565			19,801	
Liabilities	1,561,642			1,488,732			1,543,521	
Shareholders' equity	121,718			111,550			105,389	
Liabilities and shareholders' equity	\$ 1,683,360			\$ 1,600,282			\$ 1,648,910	
Net interest income on a fully equivalent basis		\$ 46,750			\$ 39,313			\$ 36,798
Non-interest-bearing equivalent assets		(1,971)			(110)			(35)
Net interest income		\$ 44,779			\$ 39,203			\$ 36,763
Net interest spread			2.49%			1.93%		
Net interest margin			3.00%			2.65%		

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- (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.

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

Year Ended December 31,	2008 Compared with 2007 Increase/(Decrease) Due to Change in			2007 Compared with 2006 Increase/(Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(Dollars in thousands)					
Interest income:						
Loans	\$ 3,450	\$ (6,153)	\$ (2,703)	\$ 148	\$ 1,288	\$ 1,436
Securities available-for-sale:						
Taxable	1,606	2,111	3,717	(4,647)	1,931	(2,716)
Tax-exempt	3,187		3,187	(1)		(1)
Securities held-to-maturity:						
Taxable	(2,190)	1,390	(800)	(1,006)	(41)	(1,047)
Federal funds sold	(1,349)	(2,870)	(4,219)	4,766	(60)	4,706
Interest-bearing deposits in other banks	368	(4)	364	(2)		(2)
Total interest income	5,072	(5,526)	(454)	(742)	3,118	2,376
Interest expense:						
Deposits:						
NOW accounts	19	(1,178)	(1,159)	(56)	355	299
Savings accounts	1,020	(568)	452	410	1,054	1,464
Money market accounts	915	(2,556)	(1,641)	(1,562)	659	(903)
Time deposits	(2,589)	(3,307)	(5,896)	(1,056)	670	(386)
Total interest-bearing deposits	(635)	(7,609)	(8,244)	(2,264)	2,738	474
Securities sold under agreements to repurchase	159	(1,959)	(1,800)	682	(170)	512
Other borrowed funds and subordinated debentures	2,968	(815)	2,153	(1,308)	183	(1,125)
Total interest expense	2,492	(10,383)	(7,891)	(2,890)	2,751	(139)
Change in net interest income	\$ 2,580	\$ 4,857	\$ 7,437	\$ 2,148	\$ 367	\$ 2,515

Average earning assets were \$1,556,527,000 in 2008, an increase of \$77,178,000 or 5.2% from the average in 2007, which was 3.6% lower than the average in 2006. Total average securities, including securities available-for-sale and securities held-to-maturity, were \$666,928,000, an increase of 7.3% from the average in 2007. The increase in securities volume was mainly attributable to an increase in tax-exempt securities. Investments in tax-exempt securities increased to take advantage of increased yields in this market. An increase in securities balances resulted in higher securities income, which increased 25.9% to \$29,652,000 on a fully tax equivalent basis. Total average loans increased 6.8% to \$775,337,000 after increasing \$2,078,000 in 2007. The primary reason for the increase in loans was due in large part to an increase in residential first and second mortgage lending as well as an increase in commercial real estate lending. The increase in loan volume partially offset by decreases in loan rates resulted in lower loan income, which decreased by 5.1% or \$2,703,000 to \$50,199,000. Total loan income was \$51,466,000 in 2006.

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The Company's sources of funds include deposits and borrowed funds. On average, deposits showed an increase of 1.1% or \$13,193,000 in 2008 after decreasing by 4.3% or \$53,898,000 in 2007. Deposits increased in 2008 primarily as a result of increases in savings and money market accounts, which increased by 21.8% or \$84,759,000, somewhat offset by decreases in time deposits, which decreased by 18.5% or \$62,047,000. During 2007, deposits decreased primarily as a result of decreases in money market accounts, which decreased by 15.2% or \$49,721,000 and time deposits, which decreased by 6.4% or \$23,073,000. Borrowed funds and subordinated debentures increased by 33.9% in 2008 following a decrease of 12.3% in 2007. The majority of the Company's borrowed funds are borrowings from the FHLB and retail repurchase agreements. Borrowings from the FHLB increased by approximately \$57,208,000, and retail repurchase agreements increased by \$4,711,000. Interest expense totaled \$35,914,000 in 2008, a decrease of \$7,891,000 or 18.0% from 2007 when interest expense decreased 0.3% from 2006. 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 \$4,425,000 in 2008, compared with \$1,500,000 in 2007 and \$825,000 in 2006. These provisions are the result of management's evaluation of the amounts and quality of the loan portfolio considering such factors as loan status, collateral values, financial condition of the borrower, the state of the economy and other relevant information. The provision increased during 2008 primarily as a result of growth in the loan portfolio, nonperforming loans and an increase in net charge-offs during the year as well as management's quantitative analysis of the loan portfolio.

The allowance for loan losses was \$11,119,000 at December 31, 2008, compared with \$9,633,000 at December 31, 2007. Expressed as a percentage of outstanding loans at year-end, the allowance was 1.33% in 2008 and 2007. This ratio remained stable as a result of management's evaluation of the loan portfolio.

Nonperforming loans, which include all nonaccruing loans, totaled \$3,661,000 on December 31, 2008, compared with \$1,312,000 on December 31, 2007. Nonperforming loans increased primarily as a result of an increase in both nonperforming consumer mortgages and commercial loans.

Other Operating Income

During 2008, the Company continued to experience positive results in its fee-based services, including fees derived from traditional banking activities such as deposit-related services, its automated lockbox collection system and full-service securities brokerage offered through Linsco/Private Ledger Corp. (LPL), an unaffiliated registered securities broker-dealer and investment advisor.

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

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

Total other operating income in 2008 was \$13,975,000, an increase of \$27,000 or 0.2% compared to 2007. This increase followed an increase of \$2,583,000 or 22.7% in 2007, compared to 2006. Included in 2007 is the \$1,321,000

pre-tax gain on the sale of the building that houses the Company's Medford Square branch. Service charge income, which continues to be a major area of other operating income totaling \$8,190,000 in 2008, increased \$611,000 compared to 2007. This followed an increase of \$877,000 compared to 2006. Service charges on deposit accounts increased mainly because of increases in fees. Lockbox revenues totaled \$2,953,000, down \$3,000 in 2008 following an increase of \$184,000 in 2007. Other income totaled \$2,479,000, up \$792,000 in 2007 following a

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decrease of \$55,000 in 2007. The increase in 2008 was mainly attributable to an increase of \$420,000 in the growth of cash surrender values on life insurance policies which was attributable to higher returns on life insurance policies, an increase of \$143,000 in foreign ATM surcharges and an increase of \$138,000 in royalty payments on the merchant and credit card customer base. The decrease in 2007 was mainly attributable to an increase of \$217,000 in foreign ATM surcharges and an increase of \$183,000 in the growth of cash surrender values on life insurance policies that was attributable to higher returns on life insurance policies offset by a pre-tax gain of \$600,000 from the sale of rights to future royalty payments for a portion of the Company's Merchant Credit Card customer base during 2006. Foreign ATM surcharges increased because of an increase in rates charged and the addition of ATMs.

Operating Expenses

Total operating expenses were \$43,028,000 in 2008, compared to \$40,255,000 in 2007 and \$40,196,000 in 2006.

Salaries and employee benefits expenses increased by \$1,072,000 or 4.4% in 2008, after increasing by 3.1% in 2007. The increase in 2008 and 2007 was mainly attributable to an increase in staff levels, merit increases in salaries and increases in health insurance costs. Pension expense for 2009 is expected to increase.

Occupancy expense increased by \$394,000 or 10.2% in 2008, following a decrease of \$55,000 or 1.4% in 2007. The increase in 2008 was primarily attributable to an increase in rent expense associated with general rent escalations as well as retail branch expansion, depreciation and real estate taxes. The decrease in 2007 was primarily attributable to an increase in rental income.

Equipment expense decreased by \$83,000 or 2.8% in 2008, following a decrease of \$86,000 or 2.8% in 2007. The decrease in 2008 and 2007 was primarily attributable to a decrease in depreciation expense. Other operating expenses increased by \$1,390,000 in 2008, which followed a \$528,000 decrease in 2007. The increase in 2008 was primarily attributable to an increase in FDIC assessments, legal expense, consulting expense and contributions to charitable organizations. The decrease in 2007 was primarily attributable to a decrease in bank processing charges and legal expense.

Currently, the Company pays approximately 5.3 basis points for FDIC deposit insurance. Under a proposal by the FDIC, the assessment rate schedule would be raised uniformly by 7 basis points (annualized) beginning on January 1, 2009. Beginning with the second quarter of 2009, changes would be made to the deposit insurance assessment system to make the increase in assessments fairer by requiring riskier institutions to pay a larger share. As discussed in the Recent Market Developments section, the Company has elected to participate in the TAGP. The annual impact to the Company of raising the deposit insurance rate by seven basis points and participating in the TAGP will be approximately \$1.2 million in FDIC insurance premiums.

Provision for Income Taxes

Income tax expense was \$2,255,000 in 2008, \$3,532,000 in 2007 and \$2,419,000 in 2006. The effective tax rate was 20.0% in 2008, 31.0% in 2007 and 34.0% in 2006. The decrease in the effective tax rate for 2008 and 2007 was mainly attributable to an increase in tax-exempt interest income as a percentage of taxable income. The federal tax rate was 34% in 2008, 2007 and 2006.

On July 3, 2008, the Commonwealth of Massachusetts enacted a law that included reducing the tax rates on net income applicable to financial institutions. The rate drops from the current rate of 10.5% to 10% for tax years beginning on or after January 1, 2010; to 9.5% for tax years beginning on or after January 1, 2011; and to 9% for tax years beginning on or after January 1, 2012 and thereafter. The Company has analyzed the impact of this law and as a result of revaluing its net deferred tax assets, we calculated the impact to be additional tax expense of approximately

\$80,000. This charge was recognized during the third quarter of 2008.

Market Risk and Asset Liability Management

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

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

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

Change in Interest Rates (in Basis Points)	Percentage Change in Net Interest Income(1)
+300	(2.0)%
+200	(1.8)%
+100	(1.2)%
-100	1.5%
-200	3.1%
-300	(5.9)%

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

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

Liquidity and Capital Resources

Liquidity is provided by maintaining an adequate level of liquid assets that include cash and due from banks, federal funds sold and other temporary investments. Liquid assets totaled \$199,982,000 on December 31, 2008, compared with \$299,901,000 on December 31, 2007. In each of these two years, deposit and borrowing activity has generally been adequate to support asset activity.

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

Capital Adequacy

Total stockholders' equity was \$120,503,000 at December 31, 2008, compared with \$118,806,000 at December 31, 2007. The increase in 2008 was primarily the result of earnings offset by an increase in accumulated other comprehensive loss, net of taxes and dividends paid. The increase in accumulated other comprehensive loss was mainly attributable to an increase of \$4,723,000 in the pension liability, net of taxes, and an increase of \$81,000 in the net unrealized loss on the Company's available-for-sale portfolio, net of taxes.

Federal banking regulators have issued risk-based capital guidelines, which assign risk factors to asset categories and off-balance-sheet items. The current guidelines require a Tier 1 capital-to-risk assets ratio of at least 4.00% and a total capital-to-risk assets ratio of at least 8.00%. The Company and the Bank exceeded these requirements with a Tier 1 capital-to-risk assets ratio of 15.30% and 12.10%, respectively, and total capital-to-risk assets ratio of 16.38% and 13.19%, respectively, at December 31, 2008. 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, 2008, the Company and the Bank exceeded this requirement with leverage ratios of 9.05% and 7.15%, respectively.

Table of Contents**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, 2008.

Contractual Obligations and Commitments by Maturity

Contractual Obligations	Total	Payments Due by Period			
		Less Than One Year	One to Three Years	Three to Five Years	After Five Years
		(Dollars in thousands)			
FHLB advances	\$ 237,000	\$ 104,500	\$ 70,000	\$ 20,500	\$ 42,000
Subordinated debentures	36,083				36,083
Retirement benefit obligations	21,622	1,754	3,617	3,940	12,311
Lease obligations	5,601	1,439	2,069	618	1,475
Other					
Treasury, tax and loan	1,413	1,413			
Customer repurchase agreements	112,510	112,510			
Total contractual cash obligations	\$ 414,229	\$ 221,616	\$ 75,686	\$ 25,058	\$ 91,869

Other Commitments	Total	Amount of Commitment Expiring by Period			
		Less Than One Year	One to Three Years	Three to Five Years	After Five Years
Lines of credit	\$ 144,653	\$ 82,296	\$ 5,412	\$ 4,564	\$ 52,381
Standby and commercial letters of credit	14,225	12,248	1,727	250	
Other commitments	24,425	7,063	12,646	903	3,813
Total commitments	\$ 183,303	\$ 101,607	\$ 19,785	\$ 5,717	\$ 56,194

Financial Instruments with Off-Balance-Sheet Risk

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

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

Contract or Notational Amount	2008	2007
	(Dollars in thousands)	
Financial instruments whose contract amount represents credit risk:		
Commitments to originate 1-4 family mortgages	\$ 1,225	\$ 2,442
Standby and commercial letters of credit	14,225	13,498
Unused lines of credit	144,653	155,378
Unadvanced portions of construction loans	16,642	27,294
Unadvanced portions of other loans	6,558	8,746

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Commitments to originate loans, unadvanced portions of construction loans and unused letters of credit are generally agreements to lend to a customer provided there is no violation of any condition established in the contract.

Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The fair market value of standby letters of credit was \$117,000 and \$109,000 for 2008 and 2007, respectively.

Recent Accounting Developments

Statement of Financial Accounting Standard No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities. In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS 159, which gives entities the option to measure eligible financial assets, and financial liabilities at fair value on an instrument by instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability. Subsequent changes in fair value must be recorded in earnings. This statement is effective as of the beginning of a company's first fiscal year after November 15, 2007. The Company adopted SFAS 159 on January 1, 2008 and did not elect to apply the fair value to any existing financial instruments.

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

SFAS No. 162 (SFAS 162), The Hierarchy of Generally Accepted Accounting Principles. In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement shall be effective 60 days following the Security and Exchange Commission's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting

Principles. The Company has not yet determined the impact of the adoption of SFAS 162 to the Company's statement of financial position or results of operations.

FASB Staff Position FAS 142-3 (FSP FAS 142-3), Determination of the Useful Life of Intangible Assets. In April 2008, the FASB issued FSP FAS 142-3, Determination of the Useful Life of Intangible Assets. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the

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useful life of a recognized intangible asset under FASB Statement No. 142 (SFAS 142), Goodwill and Other Intangible Assets. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141 (revised 2007) (SFAS 141R), Business Combinations, and other U.S. generally accepted accounting principles (GAAP). This Statement is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those years. Early application is not permitted. The Company has not yet determined the impact of the adoption of FSP FAS 142-3 to the Company s statement of financial position or results of operations.

FSP EITF 03-6-01, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. This FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128 (SFAS 128), Earnings per Share. The guidance in this FSP applies to the calculation of EPS under SFAS 128 for share-based payment awards with rights to dividends or dividend equivalents. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method. This Statement is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those years. All prior-period EPS data presented shall be adjusted retrospectively (including interim financial statements, summaries of earnings and selected financial data) to conform with the provisions of this FSP. Early application is not permitted. The Company has determined that the impact of the adoption of FSP EITF 03-6-1 to the Company s statement of financial position or results of operations is immaterial.

FSP FAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets. In December 2008, the FASB issued FSP FAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets. The FSP requires disclosure of additional information about investment allocation, fair values of major asset categories of assets, the development of fair value measurements, and concentrations of risk. The FSP is effective for fiscal years ending after December 15, 2009; however, earlier application is permitted. The Company will adopt the FSP upon its effective date and will report the required disclosures in our Form 10-K for the period ending December 31, 2009.

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

	December 31,	
	2008	2007
	(Dollars in thousands except share data)	
ASSETS		
Cash and due from banks (Note 2)	\$ 61,195	\$ 66,974
Federal funds sold and interest-bearing deposits in other banks	94,973	232,927
Total cash and cash equivalents	156,168	299,901
Short-term investments	43,814	
Securities available-for-sale, amortized cost \$496,046 in 2008 and \$388,453 in 2007 (Notes 3 and 9)	495,585	388,104
Securities held-to-maturity, fair value \$185,433 in 2008 and \$181,704 in 2007 (Notes 4 and 11)	184,047	183,710
Federal Home Loan Bank of Boston, stock at cost	15,531	15,531
Loans, net (Note 5)	836,065	726,251
Less: allowance for loan losses (Note 6)	11,119	9,633
Net loans	824,946	716,618
Bank premises and equipment (Note 7)	22,054	21,985
Accrued interest receivable	6,723	6,590
Other assets (Notes 8 and 14)	52,698	47,842
Total assets	\$ 1,801,566	\$ 1,680,281
LIABILITIES AND STOCKHOLDERS EQUITY		
Demand deposits	\$ 277,217	\$ 289,526
Savings and NOW deposits	353,261	310,858
Money market accounts	308,177	234,099
Time deposits (Note 10)	326,872	295,578
Total deposits	1,265,527	1,130,061
Securities sold under agreements to repurchase (Note 11)	112,510	85,990
Other borrowed funds (Note 12)	238,558	289,885
Subordinated debentures (Note 12)	36,083	36,083
Other liabilities	28,385	19,456
Total liabilities	1,681,063	1,561,475
Commitments and contingencies (Notes 7, 16 and 17)		
Stockholders' equity (Note 13):		
Common stock, Class A, \$1.00 par value per share; authorized 10,000,000 shares; issued 3,511,307 shares in 2008 and 3,516,704 shares in 2007	3,511	3,517

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Common stock, Class B, \$1.00 par value per share; authorized 5,000,000 shares; issued 2,027,100 shares in 2008 and 2,027,100 shares in 2007	2,027	2,027
Additional paid-in capital	11,475	11,553
Retained earnings	112,135	105,550
	129,148	122,647
Unrealized losses on securities available-for-sale, net of taxes	(292)	(211)
Pension liability, net of taxes	(8,353)	(3,630)
Total accumulated other comprehensive loss, net of taxes (Notes 3 and 13)	(8,645)	(3,841)
Total stockholders' equity	120,503	118,806
Total liabilities and stockholders' equity	\$ 1,801,566	\$ 1,680,281

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2008	2007	2006
	(Dollars in thousands except share data)		
INTEREST INCOME			
Loans, taxable	\$ 47,521	\$ 52,589	\$ 51,332
Loans, non-taxable	1,782	207	105
Securities available-for-sale, taxable	17,680	13,815	16,449
Securities available-for-sale, non-taxable	2,101	12	12
Federal Home Loan Bank of Boston dividends	531	651	733
Securities held-to-maturity	8,265	9,065	10,112
Federal funds sold, interest-bearing deposits in other banks and short-term investments	2,813	6,669	1,964
Total interest income	80,693	83,008	80,707
INTEREST EXPENSE			
Savings and NOW deposits	6,005	6,712	4,950
Money market accounts	7,260	8,901	9,804
Time deposits (Note 8)	9,744	15,640	16,026
Securities sold under agreements to repurchase	1,393	3,191	2,681
Other borrowed funds and subordinated debentures	11,512	9,361	10,483
Total interest expense	35,914	43,805	43,944
Net interest income	44,779	39,203	36,763
Provision for loan losses (Note 6)	4,425	1,500	825
Net interest income after provision for loan losses	40,354	37,703	35,938
OTHER OPERATING INCOME			
Service charges on deposit accounts	8,190	7,579	6,702
Lockbox fees	2,953	2,956	2,772
Brokerage commissions	180	135	149
Net gains on sales of securities	249	153	
Writedown of certain investments to fair value (Note 3)	(76)		
Net gains on sales of fixed assets		1,438	
Other income	2,479	1,687	1,742
Total other operating income	13,975	13,948	11,365
OPERATING EXPENSES			
Salaries and employee benefits (Note 15)	25,615	24,543	23,815
Occupancy	4,246	3,852	3,907
Equipment	2,874	2,957	3,043
Other (Note 18)	10,293	8,903	9,431

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Total operating expenses	43,028	40,255	40,196
Income before income taxes	11,301	11,396	7,107
Provision for income taxes (Note 14)	2,255	3,532	2,419
Net income	\$ 9,046	\$ 7,864	\$ 4,688
SHARE DATA (Note 13)			
Weighted average number of shares outstanding, basic	5,541,983	5,542,461	5,540,966
Weighted average number of shares outstanding, diluted	5,543,702	5,546,707	5,550,722
Net income per share, basic	\$ 1.63	\$ 1.42	\$ 0.85
Net income per share, diluted	1.63	1.42	0.84

See accompanying Notes to Consolidated Financial Statements.

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

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders Equity
(Dollars in thousands except share data)						
BALANCE, DECEMBER 31, 2005	\$ 3,453	\$ 2,082	\$ 11,416	\$ 97,338	\$ (11,088)	\$ 103,201
Net income				4,688		4,688
Other comprehensive income, net of tax:						
Unrealized holding gains arising during period, net of \$2,156 in taxes					3,159	3,159
Comprehensive income						7,847
Adjustment to initially apply SFAS 158, net of \$1,421 in taxes					(2,158)	(2,158)
Conversion of Class B Common Stock to Class A Common Stock, 39,790 shares	40	(40)				
Stock options exercised, 5,746 shares	6		89			95
Cash dividends, Class A Common Stock, \$0.48 per share				(1,674)		(1,674)
Cash dividends, Class B Common Stock, \$0.24 per share				(493)		(493)
BALANCE, DECEMBER 31, 2006	\$ 3,499	\$ 2,042	\$ 11,505	\$ 99,859	\$ (10,087)	\$ 106,818
Net income				7,864		7,864
Other comprehensive income, net of tax:						
Unrealized holding gains arising during period, net of \$2,977 in taxes					4,900	4,900
Pension liability adjustment, net of \$934 in taxes					1,346	1,346
Comprehensive income						14,110
Conversion of Class B Common Stock to Class A Common Stock, 15,350 shares	15	(15)				

Stock options exercised, 2,616 shares	3		48				51
Cash dividends, Class A Common Stock, \$0.48 per share				(1,685)			(1,685)
Cash dividends, Class B Common Stock, \$0.24 per share				(488)			(488)
BALANCE, DECEMBER 31, 2007	\$ 3,517	\$ 2,027	\$ 11,553	\$ 105,550	\$ (3,841)	\$ 118,806	
Net income				9,046			9,046
Other comprehensive income, net of tax:							
Unrealized holding losses arising during period, net of \$32 in taxes						(81)	(81)
Pension liability adjustment, net of \$3,054 in taxes						(4,754)	(4,754)
Comprehensive income							4,211
Effects of changing pension plans measurement date pursuant to SFAS 158, net of \$177 in taxes				(287)	31		(256)
Stock repurchased, 5,397 shares	(6)		(78)				(84)
Cash dividends, Class A Common Stock, \$0.48 per share				(1,687)			(1,687)
Cash dividends, Class B Common Stock, \$0.24 per share				(487)			(487)
BALANCE, DECEMBER 31, 2008	\$ 3,511	\$ 2,027	\$ 11,475	\$ 112,135	\$ (8,645)	\$ 120,503	

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2008	2007	2006
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 9,046	\$ 7,864	\$ 4,688
Adjustments to reconcile net income to net cash provided by operating activities:			
Mortgage loans originated for sales	(512)		
Proceeds from mortgage loans sold	515		
Gain on sale of loans	(3)		
Gain on sale of building		(1,321)	
Gain on sale of fixed assets		(117)	
Gain on sales of securities	(249)	(153)	
Writedown of certain investments to fair value	76		
Provision for loan losses	4,425	1,500	825
Deferred tax (benefit) expense	(1,094)	111	(713)
Net depreciation and amortization	3,229	3,443	3,595
(Increase) decrease in accrued interest receivable	(133)	782	(245)
Loss on sales of other real estate owned	33		
Writedown of other real estate owned	77		
Increase in other assets	(1,415)	(5,809)	(2,644)
Increase (decrease) in other liabilities	737	(656)	1,202
Net cash provided by operating activities	14,732	5,644	6,708
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturities of short-term investments	3,717		
Purchase of short-term investments	(47,531)		
Proceeds from calls/maturities of securities available-for-sale	282,705	197,322	123,013
Proceeds from sales of securities available-for-sale	238,894	160	
Purchase of securities available-for-sale	(593,958)	(177,870)	(498)
Proceeds from calls/maturities of securities held-to-maturity	56,123	82,074	20,965
Purchase of securities held-to-maturity	(91,431)		
Loan acquired, net of discount	(4,099)		
Net (increase) decrease in loans	(108,950)	8,489	(47,580)
Proceeds from sales of other real estate owned	673		
Proceeds from sale of building		1,500	
Proceeds from sales of fixed assets		300	
Capital expenditures	(3,009)	(2,252)	(723)
Net cash (used in) provided by investing activities	(266,866)	109,723	95,177
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in time deposit accounts	31,294	(114,519)	8,324
	104,172	(24,385)	43,601

Net increase (decrease) in demand, savings, money market and NOW deposits			
Net payments for the repurchase of stock	(84)		
Net proceeds from the exercise of stock options		51	95
Cash dividends	(2,174)	(2,173)	(2,167)
Net increase (decrease) in securities sold under agreements to repurchase	26,520	(970)	36,950
Net (decrease) increase in other borrowed funds	(51,327)	166,862	(181,699)
Net cash provided by (used in) financing activities	108,401	24,866	(94,896)
Net (decrease) increase in cash and cash equivalents	(143,733)	140,233	6,989
Cash and cash equivalents at beginning of year	299,901	159,668	152,679
Cash and cash equivalents at end of year	\$ 156,168	\$ 299,901	\$ 159,668

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 35,997	\$ 44,787	\$ 42,887
Income taxes	2,750	3,942	2,713
Change in unrealized losses on securities available-for-sale, net of taxes	\$ (81)	\$ 4,900	\$ 3,159
Pension liability adjustment, net of taxes	(4,754)	1,346	(2,158)
Effects of changing pension plans measurement date pursuant to SFAS 158, net of taxes	(256)		
Transfer of loans to other real estate owned	330	453	

See accompanying Notes to Consolidated Financial Statements.

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of Century Bancorp, Inc. (the Company) and its wholly owned subsidiary, Century Bank and Trust Company (the Bank). The consolidated financial statements also include the accounts of the Bank's wholly owned subsidiaries, Century Subsidiary Investments, Inc. (CSII), Century Subsidiary Investments, Inc. II (CSII II), Century Subsidiary Investments, Inc. III (CSII III) and Century Financial Services Inc. (CFSI). CSII, CSII II, and CSII III are engaged in buying, selling and holding investment securities. CFSI has the power to engage in financial agency, securities brokerage, and investment and financial advisory services and related securities credit.

The Company also owns 100% of Century Bancorp Capital Trust II (CBCT II). The entity is an unconsolidated subsidiary of the Company.

All significant intercompany accounts and transactions have been eliminated in consolidation. The Company provides a full range of banking services to individual, business and municipal customers in Massachusetts. As a bank holding company, the Company is subject to the regulation and supervision of the Federal Reserve Board. The Bank, a state chartered financial institution, is subject to supervision and regulation by applicable state and federal banking agencies, including the Federal Reserve Board, the Federal Deposit Insurance Corporation (the FDIC) and the Commonwealth of Massachusetts Commissioner of Banks. The Bank is also subject to various requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be granted and the interest that may be charged thereon, and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of the Bank. In addition to the impact of regulation, commercial banks are affected significantly by the actions of the Federal Reserve Board as it attempts to control the money supply and credit availability in order to influence the economy. All aspects of the Company's business are highly competitive. The Company faces aggressive competition from other lending institutions and from numerous other providers of financial services. The Company has one reportable operating segment.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and general practices within the banking industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates.

Material estimates that are susceptible to change in the near term relate to the allowance for loan losses. Management believes that the allowance for loan losses is adequate based on independent appraisals and review of other factors associated with the loans. While management uses available information to recognize loan losses, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, regulatory agencies periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination.

Certain reclassifications are made to prior-year amounts whenever necessary to conform with the current-year presentation.

FAIR VALUE MEASUREMENTS

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS 157, Fair Value Measurements, which, among other things, requires enhanced disclosures about assets and liabilities carried at fair value. SFAS 157 is effective for fiscal years beginning after November 15, 2007. FASB Staff Position 157-2 delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. SFAS 157 establishes a hierarchical disclosure framework associated with the level of pricing observability utilized in measuring financial instruments at fair value. The three broad levels defined by the SFAS 157 hierarchy are as follows:

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

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

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

In October 2008, the FASB issued FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. FSP No. FAS 157-3 clarifies the application of SFAS No. 157 in an inactive market, without changing its existing principles. The FSP was effective immediately upon issuance. The adoption of FSP No. FAS 157-3 did not have an effect on our financial condition, results of operations or cash flows.

CASH AND CASH EQUIVALENTS

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

SHORT-TERM INVESTMENTS

As of December 31, 2008, short-term investments include highly liquid certificates of deposit with original maturities of greater than 90 days but less than one year.

INVESTMENT SECURITIES

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost; debt and equity securities that are bought and held principally for the purpose of selling are classified as trading and reported at fair value, with unrealized gains and losses included in earnings; and debt and equity securities not classified as either held-to-maturity or trading are classified as

available-for-sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity, net of estimated related income taxes. The Company has no securities held for trading.

Premiums and discounts on investment securities are amortized or accreted into income by use of the level-yield method. If a decline in fair value below the amortized cost basis of an investment is judged to be other-than-temporary,

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

the cost basis of the investment is written down to fair value. The amount of the writedown is included as a charge to earnings. Gains and losses on the sale of investment securities are recognized on the trade date on a specific identification basis.

The Company owns Federal Home Loan Bank of Boston (FHLBB) stock which is considered a restricted equity security. As a voluntary member of the FHLBB, the Company is required to invest in stock of the FHLBB in an amount equal to 4.5% of its outstanding advances from the FHLBB. Stock is purchased at par value. As and when such stock is redeemed, the Company would receive from the FHLBB an amount equal to the par value of the stock. At its discretion, the FHLBB may declare dividends on the stock. On February 26, 2009, the FHLBB Boston advised its members that, while it currently meets all its regulatory capital requirements, it is focusing on preserving capital in response to ongoing market volatility, and accordingly, has suspended its quarterly dividend and has extended the moratorium on excess stock repurchases. It also announced that it had taken a write-down of \$339.1 million in other-than-temporary impairment charges on its private-label mortgage-backed securities. In the future, if additional unrealized losses are deemed to be other-than-temporary, the associated impairment charges could exceed the FHLBB's current level of retained earnings and possibly put into question whether the fair value of the FHLBB stock owned by the Company was less than par value. The FHLBB has stated that it expects and intends to hold its private-label mortgage-backed securities to maturity. The Company will continue to monitor its investment in FHLBB stock.

LOANS

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

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

The Bank accounts for impaired loans at lower of cost or fair value, by either the present value of the expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. This method applies to all loans, uncollateralized as well as collateralized, except large groups of smaller-balance homogeneous loans such as residential real estate and consumer loans that are collectively evaluated for impairment and loans that are measured at fair value. Management considers the payment status, net worth and earnings potential of the borrower, and the value and cash flow of the collateral as factors to determine if a loan will be paid in accordance with its contractual terms. Management does not set any minimum delay of payments as a factor in reviewing for impaired classification. Loans are charged-off when management believes that the collectibility of the loan's principal is not probable. In addition, criteria for classification of a loan as in-substance foreclosure has

been modified so that such classification need be made only when a lender is in possession of the collateral. The Bank measures the impairment of troubled debt restructurings using the pre-modification rate of interest.

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

ACQUIRED LOANS

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

Loans which, at acquisition, do not have evidence of deterioration of credit quality since origination are outside the scope of SOP No. 03-3. For such loans, the discount, if any, representing the excess of the amount of reasonably estimable and probable discounted future cash collections over the purchase price, is accreted into interest income using the interest method over the term of the loan. Prepayments are not considered in the calculation of accretion income. Additionally, discount is not accreted on nonperforming loans.

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

NONPERFORMING ASSETS

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

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is based on management's evaluation of the quality of the loan portfolio and is used to provide for losses resulting from loans which ultimately prove uncollectible. In determining the level of the allowance, periodic evaluations are made of the loan portfolio which take into account such factors as the character of the loans, loan status, financial posture of the borrowers, value of collateral securing the loans and other relevant information sufficient to reach an informed judgment. The allowance is increased by provisions charged to income and reduced by loan charge-offs, net of recoveries. Management maintains an allowance for loan losses to absorb losses inherent in the loan portfolio. The allowance is based on assessments of the probable estimated losses inherent

in the loan portfolio. Management's methodology for assessing the appropriateness of the allowance consists of several key elements, which include the formula allowance, specific allowances, if appropriate, for identified problem loans and the unallocated allowance.

While management uses available information in establishing the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

the evaluations. Loans are charged-off in whole or in part when, in management's opinion, collectibility is not probable.

BANK PREMISES AND EQUIPMENT

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

GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

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

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

STOCK OPTION ACCOUNTING

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

During 2000 and 2004, common stockholders of the Company approved stock option plans (the Option Plans) that provide for granting of options to purchase up to 150,000 shares of Class A common stock per plan. Under the Option Plans, all officers and key employees of the Company are eligible to receive nonqualified or incentive stock options to purchase shares of Class A common stock. The Option Plans are administered by the Compensation Committee of the Board of Directors, whose members are ineligible to participate in the Option Plans. Based on management's recommendations, the Committee submits its recommendations to the Board of Directors as to persons to whom

options are to be granted, the number of shares granted to each, the option price (which may not be less than 85% of the fair market value for nonqualified stock options, or the fair market value for incentive stock options, of the shares on the date of grant) and the time period over which the options are exercisable (not more than ten years from the date of grant). There were options to purchase an aggregate of 81,037 shares of Class A common stock exercisable at December 31, 2008.

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

On December 30, 2005, the Board of Directors approved the acceleration and immediate vesting of all unvested options with an exercise price of \$31.60 or greater per share. As a consequence, options to purchase 23,950 shares of Class A common stock became exercisable immediately. The average of the high and low price at which the Class A common stock traded on December 30, 2005, the date of the acceleration and vesting, was \$29.28 per share. In connection with this acceleration, the Board of Directors approved a technical amendment to each of the Option Plans to eliminate the possibility that the terms of any outstanding or future stock option would require a cash settlement on the occurrence of any circumstance outside the control of the Company. Effective as of January 1, 2006, the Company adopted SFAS 123R for all share-based payments. The Company estimates that, as a result of this accelerated vesting, approximately \$190,000 of 2006 noncash compensation expense was eliminated that would otherwise have been recognized in the Company's earnings.

The Company decided to accelerate the vesting of certain stock options primarily to reduce the noncash compensation expense that would otherwise be expected to be recorded in conjunction with the Company's required adoption of SFAS 123R in 2006. There was no earnings impact for 2006 due to the Company's adoption of SFAS 123R.

The Company uses the fair value method to account for stock options. All of the Company's stock options are vested, and there were no options granted during 2008.

INCOME TAXES

The Company uses the asset and liability method in accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Under this method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In July 2006, the FASB issued Financial Accounting Standards Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. The Company adopted FIN 48 on January 1, 2007. The adoption of FIN 48 did not have a material impact on the Company's results of operations or its financial position.

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

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

TREASURY STOCK

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

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

PENSION

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

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

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

Effective December 31, 2006, the Company adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)*, which requires the Company to recognize the overfunded or underfunded status of a single employer defined benefit pension or postretirement plan as an asset or liability on its balance sheet and to recognize changes in the funded status in comprehensive income in the year in which the change occurred. However, gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in net periodic benefit cost as of the end of 2006, the fiscal year in which the Statement is initially applied, are to be recognized as components of the ending balance of accumulated other comprehensive income, net of tax. The Company recorded an additional \$2,158,000 pension liability adjustment, net of tax, through stockholders' equity, as a result of the adoption of SFAS 158. SFAS 158 also required the Company to measure plan assets and benefit obligations as of December 31, 2008, the date of the Company's fiscal year-end.

RECENT ACCOUNTING DEVELOPMENTS

Statement of Financial Accounting Standard No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities*. In February 2007, the FASB issued SFAS 159, which gives entities the option to measure eligible financial assets, and financial liabilities at fair value on an instrument by instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability. Subsequent changes in fair value must be recorded in earnings. This statement is effective as of the beginning of a company's first fiscal year after November 15, 2007. The Company adopted SFAS 159 on January 1, 2008 and did not elect to apply the fair value to any existing financial instruments.

SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R) and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51* (SFAS 160). In December 2007, the FASB issued SFAS 141R and SFAS 160. These statements require significant changes in the accounting and reporting for business acquisitions and the reporting of non-controlling interests in subsidiaries. Among many changes under SFAS 141R, an acquirer will record 100% of all assets and liabilities at fair value for partial acquisitions, contingent consideration will be recognized at fair value at the acquisition date with changes possibly recognized in earnings, and

acquisition-related costs will be expensed rather than capitalized. SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary. Key changes under the standard are that noncontrolling interests in a subsidiary will be reported as part of equity, losses allocated to a noncontrolling interest can result in a deficit balance, and changes in ownership interests that do not result in a change of control are accounted for as equity transactions and, upon a loss of control, gain or loss is recognized and the remaining interest is remeasured at fair value on the date control is lost. SFAS 141R applies prospectively to business combinations for which the acquisition is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The effective date for applying SFAS 160 is also the first annual reporting

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

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

SFAS No. 162 (SFAS 162), The Hierarchy of Generally Accepted Accounting Principles. In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement shall be effective 60 days following the Security and Exchange Commission's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The Company has not yet determined the impact of the adoption of SFAS 162 to the Company's statement of financial position or results of operations.

FASB Staff Position FAS 142-3 (FSP FAS 142-3), Determination of the Useful Life of Intangible Assets. In April 2008, the FASB issued FSP FAS 142-3, Determination of the Useful Life of Intangible Assets. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142 (SFAS 142), Goodwill and Other Intangible Assets. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141 (revised 2007) (SFAS 141R), Business Combinations, and other U.S. generally accepted accounting principles (GAAP). This Statement is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those years. Early application is not permitted. The Company has not yet determined the impact of the adoption of FSP FAS 142-3 to the Company's statement of financial position or results of operations.

FSP EITF 03-6-01, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. This FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128 (SFAS 128), Earnings per Share. The guidance in this FSP applies to the calculation of EPS under SFAS 128 for share-based payment awards with rights to dividends or dividend equivalents. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method. This Statement is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those years. All prior-period EPS data presented shall be adjusted retrospectively (including interim financial statements, summaries of earnings and selected financial data) to conform with the provisions of this FSP. Early application is not permitted. The Company has determined that the impact of the adoption of FSP EITF 03-6-1 to the Company's statement of financial position or results of operations is immaterial.

FSP FAS 132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets. In December 2008, the FASB issued FSP FAS 132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets. The FSP requires disclosure of additional information about investment allocation, fair values of major asset categories of assets, the development of fair value measurements, and concentrations of risk. The FSP is effective for fiscal years ending after

December 15, 2009; however, earlier application is permitted. The Company will adopt the FSP upon its effective date and will report the required disclosures in our Form 10-K for the period ending December 31, 2009.

2. Cash and Due from Banks

The Company is required to maintain a portion of its cash and due from banks as a reserve balance under the Federal Reserve Act. Such reserve is calculated based upon deposit levels and amounted to \$1,020,000 at December 31, 2008 and \$1,909,000 at December 31, 2007.

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

3. Securities Available-for-Sale

	December 31, 2008				December 31, 2007			
	Amortized Cost*	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury	\$ 1,999	\$ 29	\$	\$ 2,028	\$ 1,997	\$ 39	\$	\$ 2,036
U.S. Government Sponsored Enterprise	159,100	2,216	24	161,292	218,168	982	421	218,729
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	259,264	2,427	1,559	260,132	146,630	400	1,392	145,638
Privately Issued Mortgage-Backed Securities	10,972		1,946	9,026	16,693	2	171	16,524
Obligations of States and Political Subdivisions	61,532	38	1,311	60,259	1,678			1,678
Other	3,179	73	404	2,848	3,287	305	93	3,499
Total	\$ 496,046	\$ 4,783	\$ 5,244	\$ 495,585	\$ 388,453	\$ 1,728	\$ 2,077	\$ 388,104

* Amortized cost is net of impairment writedown.

Included in U.S. Government Sponsored Enterprise Securities and U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities are securities at fair value pledged to secure public deposits and repurchase agreements amounting to \$113,259,000 and \$80,260,000 at December 31, 2008 and 2007, respectively. Also included in securities available-for-sale at fair value are securities pledged for borrowing at the Federal Home Loan Bank amounting to \$244,409,000 and \$233,544,000 at December 31, 2008 and 2007, respectively. The Company realized gross gains of \$251,000 and gross losses of \$2,000 from the proceeds of \$238,894,000 from the sales of available-for-sale securities for the year ended December 31, 2008. The Company realized gross gains of \$153,000 in 2007 from gross proceeds of \$336,000 on the sale of one stock. The Company did not realize any gains or losses in 2006.

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

The following table shows the estimated maturity distribution of the Company's securities available-for-sale at December 31, 2008.

	Amortized Cost*	Fair Value
	(Dollars in thousands)	
Within one year	\$ 93,598	\$ 93,518
After one but within five years	300,874	301,511
After five but within ten years	45,397	45,943
More than ten years	53,698	52,465
Nonmaturing	2,479	2,148
Total	\$ 496,046	\$ 495,585

* Amortized cost is net of impairment writedown.

The weighted average remaining life of investment securities available-for-sale at December 31, 2008 and 2007 was 4.8 and 2.2 years, respectively. Excluding auction rate municipal obligations (ARSs) and variable rate demand notes

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

(VRDNs), which have maturities up to 30 years, but reprice more frequently, the estimated average remaining life is 2.9 years for 2008. ARSs and VRDNs are included in Obligations of States and Political Subdivisions above. There were no holdings of ARSs and VRDNs during 2007. Included in the weighted average remaining life calculation at December 31, 2008 and 2007 were \$126,145,000 and \$113,160,000, respectively, of U.S. Government Sponsored Enterprise obligations that are callable at the discretion of the issuer. These call dates were not utilized in computing the weighted average remaining life. The contractual maturities, which were used in the table above, of mortgage-backed securities will differ from the actual maturities, due to the ability of the issuers to prepay underlying obligations.

The following table shows the temporarily impaired securities of the Company's available-for-sale portfolio at December 31, 2008. This table shows the unrealized loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 44 and 17 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 260 holdings at December 31, 2008.

As of December 31, 2008, management has concluded that the unrealized losses below its investment securities are temporary in nature since they are not related to the underlying credit quality of the issuers, and the Company has the intent and ability to hold these investments for the time necessary to recover its cost which for debt securities may be at maturity. In making its other-than-temporary impairment evaluation, the Company considered the fact that the principal and interest on these securities are from issuers that are investment grade. The change in the unrealized losses on the state and municipal securities and the nonagency mortgage-backed securities were caused by changes in credit spreads and liquidity issues in the marketplace.

In evaluating the underlying credit quality of a security, management considers several factors such as the credit notary of the obligor and the issuer, if applicable. Internal reviews of issuer financial statements are performed as deemed necessary. In the case of privately issued mortgage-backed securities, the performance of the underlying loans is analyzed as deemed necessary.

	December 31, 2008					
	Less Than 12 Months		12 Months or		Total	
	Fair	Unrealized	Longer	Unrealized	Fair	Unrealized
Temporarily Impaired Investments*	Value	Losses	Fair	Losses	Value	Losses
(Dollars in thousands)						
U.S. Government Sponsored Enterprise	\$ 4,976	\$ 24	\$	\$	\$ 4,976	\$ 24
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	80,873	1,351	15,793	208	96,666	1,559
Privately Issued Mortgage-Backed Securities	1,716	569	7,310	1,377	9,026	1,946

Obligations of States and Political

Subdivisions	13,645	1,311			13,645	1,311
Other	482	266	1,569	125	2,051	391
Total temporarily impaired securities	\$ 101,692	\$ 3,521	\$ 24,672	\$ 1,710	\$ 126,364	\$ 5,231

* The decline in fair value is attributable to change in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2008. Excluded from the table above are two stocks that were written down by \$76,000. The fair value is \$96,000 with an unrealized loss of \$13,000. These stocks were deemed to be impaired based on the extent of the decline in value and the length of time the stocks had been trading below cost.

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

The following table shows the temporarily impaired securities of the Company's available-for-sale portfolio at December 31, 2007. This table shows the unrealized market loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 5 and 63 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 174 holdings at December 31, 2007. The Company believes that the investments are temporarily impaired.

	December 31, 2007					
	Less Than 12 Months Unrealized		12 Months or Longer Unrealized		Total Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Temporarily Impaired Investments*	(Dollars in thousands)					
U.S. Government Sponsored Enterprise	\$	\$	\$ 89,570	\$ 421	\$ 89,570	\$ 421
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	7,186	24	83,553	1,368	90,739	1,392
Privately Issued Mortgage-Backed Securities	3,218	58	12,560	113	15,778	171
Other	198	28	1,985	65	2,183	93
Total temporarily impaired securities	\$ 10,602	\$ 110	\$ 187,668	\$ 1,967	\$ 198,270	\$ 2,077

* The decline in fair value is attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2007.

4. Investment Securities Held-to-Maturity

	December 31, 2008				December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Sponsored Enterprise	\$ 44,000	\$ 506	\$	\$ 44,506	\$ 94,987	\$ 59	\$ 251	\$ 94,795

U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	140,047	1,314	434	140,927	88,723	72	1,886	86,909
Total	\$ 184,047	\$ 1,820	\$ 434	\$ 185,433	\$ 183,710	\$ 131	\$ 2,137	\$ 181,704

Included in U.S. Government and Agency Securities are securities pledged to secure public deposits and repurchase agreements at fair value amounting to \$35,000,000 and \$93,000,000 at December 31, 2008 and 2007, respectively. Also included are securities pledged for borrowing at the Federal Home Loan Bank at fair value amounting to \$114,103,000 and \$86,987,000 at December 31, 2008 and 2007, respectively.

At December 31, 2008 and 2007, all mortgage-backed securities are obligations of U.S. Government Sponsored Enterprises. Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and Freddie Mac. Control of these enterprises was directly taken over by the U.S. Government in the third quarter of 2008.

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

The following table shows the maturity distribution of the Company's securities held-to-maturity at December 31, 2008.

	Amortized Cost (Dollars in thousands)	Fair Value
Within one year	\$ 27,022	\$ 27,245
After one but within five years	136,869	137,745
After five but within ten years	20,156	20,443
Total	\$ 184,047	\$ 185,433

The weighted average remaining life of investment securities held-to-maturity at December 31, 2008 and 2007 was 2.4 and 1.8 years, respectively. Included in the weighted average remaining life calculation at December 31, 2008 were \$19,000,000 of U.S. Government Sponsored Enterprise obligations that are callable at the discretion of the issuer. The contractual maturities, which were used in the table above, of mortgage-backed securities will differ from the actual maturities, due to the ability of the issuers to prepay underlying obligations.

The following table shows the temporarily impaired securities of the Company's held-to-maturity portfolio at December 31, 2008. This table shows the unrealized market loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 9 and 12 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 80 holdings at December 31, 2008.

As of December 31, 2008, management has concluded that the unrealized losses below its investment securities are temporary in nature since they are not related to the underlying credit quality of the issuers, and the Company has the intent and ability to hold these investments for the time necessary to recover its cost which for debt securities may be at maturity. In making its other-than-temporary impairment evaluation, the Company considered the fact that the principal and interest on these securities are from issuers that are investment grade.

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

	Less Than 12 Months		December 31, 2008 12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Temporarily Impaired Investments*						

(Dollars in thousands)

U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	\$ 12,995	\$ 111	\$ 19,821	\$ 323	\$ 32,816	\$ 434
Total temporarily impaired securities	\$ 12,995	\$ 111	\$ 19,821	\$ 323	\$ 32,816	\$ 434

* The decline in fair value is attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2008.

The following table shows the temporarily impaired securities of the Company's held-to-maturity portfolio at December 31, 2007. This table shows the unrealized market loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 63

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

securities that are temporarily impaired for 12 months or longer, out of a total of 78 holdings at December 31, 2007. The Company believes that the investments are temporarily impaired.

Temporarily Impaired Investments*	December 31, 2007					
	Less Than 12 Months Unrealized		12 Months or Longer Unrealized		Total Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
	(Dollars in thousands)					
U.S. Government Sponsored Enterprise U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	\$	\$	\$ 74,737	\$ 251	\$ 74,737	\$ 251
			82,667	1,886	82,667	1,886
Total temporarily impaired securities	\$	\$	\$ 157,404	\$ 2,137	\$ 157,404	\$ 2,137

* The decline in fair value is attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2007.

5. Loans

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

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

	December 31,	
	2008	2007
	(Dollars in thousands)	
Construction and land development	\$ 59,511	\$ 62,412
Commercial and industrial	141,373	117,332
Commercial real estate	332,325	299,920
Residential real estate	194,644	168,204
Consumer	8,246	8,359
Home equity	98,954	68,585

Overdrafts	1,012	1,439
Total	\$ 836,065	\$ 726,251

Net deferred fees included in loans at December 31, 2008 and December 31, 2007 were \$81,000 and \$38,000, respectively.

The Company was servicing mortgage loans sold to others without recourse of approximately \$768,000 and \$559,000 at December 31, 2008 and December 31, 2007, respectively. Additionally, the Company was servicing mortgage loans sold to others with limited recourse. The outstanding balance of these loans with limited recourse was approximately \$56,000 and \$65,000 at December 31, 2008 and at December 31, 2007, respectively.

As of December 31, 2008 and 2007, the Bank recorded investment in impaired loans was \$2,698,000 and \$196,000, respectively.

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

At December 31, 2008, there were \$1,460,000 of impaired loans with a specific reserve of \$600,000. At December 31, 2007, there were \$75,000 of impaired loans with a specific reserve of \$75,000.

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

	December 31,		
	2008	2007	2006
	(Dollars in thousands)		
Loans on nonaccrual	\$ 3,661	\$ 1,312	\$ 135
Loans 90 days past due and still accruing	89	122	789
Impaired loans on nonaccrual included above	1,511	196	16
Total recorded investment in impaired loans	2,698	196	16
Average recorded value of impaired loans	1,194	332	278
Interest income on nonaccrual loans according to their original terms	121	52	3
Interest income on nonaccrual loans actually recorded			
Interest income recognized on impaired loans	24		

During the first quarter of 2008, the Company purchased a loan for \$4,823,000 with a discount of \$724,000. The entire discount is classified as an accretable discount. The Company accreted \$34,000 of the discount during 2008.

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

The following table shows the aggregate amount of loans to directors and officers of the Company and their associates during 2008.

Balance at December 31, 2007	Additions	Repayments and Deletions	Balance at December 31, 2008
(Dollars in thousands)			
\$ 2,396	\$ 303	\$ 127	\$ 2,572

6. Allowance for Loan Losses

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

An analysis of the total allowances for loan losses for each of the three years ending December 31, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
	(Dollars in thousands)		
Allowance for loan losses, beginning of year	\$ 9,633	\$ 9,713	\$ 9,340
Loans charged-off	(3,373)	(2,139)	(708)
Recoveries on loans previously charged-off	434	559	256
Net charge-offs	(2,939)	(1,580)	(452)
Provision charged to expense	4,425	1,500	825
Allowance for loan losses, end of year	\$ 11,119	\$ 9,633	\$ 9,713

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

	2008	December 31, 2007	Estimated Useful Life (Dollars in thousands)
Land	\$ 3,478	\$ 3,478	
Bank premises	17,846	17,710	30-39 years
Furniture and equipment	25,357	23,889	3-10 years
Leasehold improvements	6,558	5,114	30-39 years or lease term
	53,239	50,191	
Accumulated depreciation and amortization	(31,185)	(28,206)	
Total	\$ 22,054	\$ 21,985	

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

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

The Company and its subsidiaries are obligated under a number of noncancelable operating leases for premises and equipment expiring in various years through 2026. Total lease expense approximated \$1,533,000, \$1,349,000 and \$1,113,000 for the years ended December 31, 2008, 2007 and 2006, respectively. Rental income approximated \$399,000, \$351,000 and \$69,000 in 2008, 2007 and 2006, respectively.

Future minimum rental commitments for noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2008 were as follows:

Year	Amount (Dollars in thousands)
2009	\$ 1,439

2010	1,179
2011	890
2012	323
2013	295
Thereafter	1,475
	\$ 5,601

8. Goodwill and Identifiable Intangible Assets

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

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

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

The changes in goodwill and identifiable intangible assets for the years ended December 31, 2008 and 2007 are shown in the table below.

Carrying Amount of Goodwill and Intangibles	Goodwill	Core Deposit Intangibles	Total
	(Dollars in thousands)		
Balance at December 31, 2006	\$ 2,714	\$ 2,059	\$ 4,773
Amortization Expense		(388)	(388)
Balance at December 31, 2007	2,714	1,671	4,385
Amortization Expense		(388)	(388)
Balance at December 31, 2008	\$ 2,714	\$ 1,283	\$ 3,997

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

Core Deposit Intangibles Year	Amount
	(Dollars in thousands)
2009	\$ 388
2010	388
2011	388
2012	119
	\$ 1,283

9. Fair Value Measurements

The Company has evaluated SFAS 157, and the results of the fair value hierarchy required by SFAS 157 as of December 31, 2008 are as follows:

Fair Value Measurements Using

	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Financial Instruments Measured at Fair Value on a Recurring Basis:				
Securities AFS	\$ 495,585	\$ 578	\$ 491,537	\$ 3,470
Financial Instruments Measured at Fair Value on a Nonrecurring Basis:				
Impaired Loans	\$ 1,460		\$ 1,460	

Impaired loan balances in the table above represent those collateral-dependent loans where management has estimated the credit loss by comparing the loan's carrying value against the expected realizable fair value of the collateral, in accordance with SFAS 114 (as amended). Specific provisions related to impaired loans recognized for 2008 for credit losses amounted to \$2,519,000.

There were purchases of \$13,367,000 and maturities of \$9,897,000 for a net increase of \$3,470,000 in the fair value of available-for-sale securities valued using significant unobservable inputs (Level 3), between January 1,

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2008 and December 31, 2008. The increase was attributable to an increase in certain municipal securities without readily available fair values. The securities in this category are generally equity investments or municipal securities with no readily determinable fair value. In the judgment of management, the fair value of these securities was considered to approximate their carrying value because they were deemed to be fully collectible and the rates paid on the securities were at least equal to rates paid on securities with similar maturities.

10. Deposits

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

	2008	Percent	2007	Percent
	(Dollars in thousands)			
Within one year	\$ 254,314	78%	\$ 255,983	87%
Over one year to two years	23,517	7%	27,945	9%
Over two years to three years	36,576	11%	5,849	2%
Over three years to five years	12,465	4%	5,801	2%
Total	\$ 326,872	100%	\$ 295,578	100%

Time deposits of \$100,000 or more totaled \$182,694,000 and \$172,592,000 in 2008 and 2007, respectively.

11. Securities Sold Under Agreements to Repurchase

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

	2008	2007	2006
	(Dollars in thousands)		
Amount outstanding at December 31,	\$ 112,510	\$ 85,990	\$ 86,960
Weighted average rate at December 31,	1.08%	2.95%	3.71%
Maximum amount outstanding at any month end	\$ 112,510	\$ 102,110	\$ 139,460
Daily average balance outstanding during the year	\$ 94,526	\$ 89,815	\$ 70,862
Weighted average rate during the year	1.47%	3.56%	3.78%

Amounts outstanding at December 31, 2008, 2007 and 2006 carried maturity dates of the next business day. U.S. Government Sponsored Enterprise securities with a total amortized cost of \$112,072,000, \$86,760,000 and \$89,114,000 were pledged as collateral and held by custodians to secure the agreements at December 31, 2008, 2007 and 2006, respectively. The approximate fair value of the collateral at those dates was \$112,990,000, \$86,692,000 and \$87,249,000, respectively.

12. Other Borrowed Funds and Subordinated Debentures

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

	2008	2007	2006
	(Dollars in thousands)		
Amount outstanding at December 31,	\$ 274,641	\$ 325,968	\$ 159,106
Weighted average rate at December 31,	4.22%	4.94%	5.54%
Maximum amount outstanding at any month end	\$ 293,668	\$ 325,968	\$ 339,858
Daily average balance outstanding during the year	\$ 225,743	\$ 168,535	\$ 192,143
Weighted average rate during the year	5.10%	5.55%	5.46%

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)*****FEDERAL HOME LOAN BANK BORROWINGS***

Federal Home Loan Bank (FHLB) borrowings are collateralized by a blanket pledge agreement on the Bank's FHLB stock, certain qualified investment securities, deposits at the FHLB and residential mortgages held in the Bank's portfolios. The Bank's remaining term borrowing capacity at the FHLB at December 31, 2008 was approximately \$194,415,000. In addition, the Bank has a \$14,500,000 line of credit with the FHLB. A schedule of the maturity distribution of FHLB advances with the weighted average interest rates is as follows:

	2008		December 31, 2007		2006	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
			(Dollars in thousands)			
Within one year	\$ 104,500	2.80%	\$ 124,750	4.65%	\$ 2,750	3.80%
Over one year to two years	59,000	5.17%	54,500	4.67%	19,500	5.38%
Over two years to three years	11,000	4.05%	59,000	5.17%	32,000	5.17%
Over three years to five years	20,500	4.18%	9,000	4.14%	40,500	5.80%
Over five years	42,000	4.55%	42,000	4.53%	27,000	4.44%
Total	\$ 237,000	3.88%	\$ 289,250	4.73%	\$ 121,750	5.22%

SUBORDINATED DEBENTURES

Subordinated debentures totaled \$36,083,000 at December 31, 2008 and 2007. In May 1998, the Company consummated the sale of a trust preferred securities offering, in which it issued \$29,639,000 of subordinated debt securities due 2029 to its newly formed unconsolidated subsidiary Century Bancorp Capital Trust.

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

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

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

OTHER BORROWED FUNDS

There were no overnight federal funds purchased at December 31, 2008 and 2007.

The Bank serves as a Treasury Tax and Loan depository under a note option with the Federal Reserve Bank of Boston. This open-ended interest-bearing borrowing carries an interest rate equal to the daily federal funds rate less 0.25%. This amount totaled \$1,413,000 and \$489,000 at December 31, 2008 and 2007, respectively.

The Bank also has an outstanding loan in the amount of \$145,000 and \$146,000 at December 31, 2008 and 2007, respectively, borrowed against the cash value of a whole life insurance policy for a key executive of the Bank.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)****13. Stockholders Equity*****DIVIDENDS***

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

EARNINGS PER SHARE (EPS)

Diluted EPS includes the dilutive effect of common stock equivalents; basic EPS excludes all common stock equivalents. The only common stock equivalents for the Company are the stock options discussed below. The dilutive effect of these stock options for 2008, 2007 and 2006 was an increase of 1,719, 4,246 and 9,756 shares, respectively.

STOCK OPTION PLAN

During 2000 and 2004, common stockholders of the Company approved stock option plans (the Option Plans) that provide for granting of options for not more than 150,000 shares of Class A common stock per plan. Under the Option Plans, all officers and key employees of the Company are eligible to receive nonqualified and incentive stock options to purchase shares of Class A common stock. The Option Plans are administered by the Compensation Committee of the Board of Directors, whose members are ineligible to participate in the Option Plans. Based on management's recommendations, the Committee submits its recommendations to the Board of Directors as to persons to whom options are to be granted, the number of shares granted to each, the option price (which may not be less than 85% of the fair market value for nonqualified stock options, or the fair market value for incentive stock options, of the shares on the date of grant) and the time period over which the options are exercisable (not more than ten years from the date of grant). There were 81,037 options exercisable at December 31, 2008.

Stock option activity under the plan is as follows:

	December 31, 2008		December 31, 2007		December 31, 2006	
	Amount	Weighted Average Exercise Price	Amount	Weighted Average Exercise Price	Amount	Weighted Average Exercise Price
Shares under option:						
Outstanding at beginning of year	94,787	\$ 27.66	122,737	\$ 27.20	130,133	\$ 26.74
Granted						

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Forfeited	(13,750)	29.07	(25,334)	26.32	(1,650)	28.05
Exercised			(2,616)	19.20	(5,746)	16.54
Outstanding at end of year	81,037	\$ 27.42	94,787	\$ 27.66	122,737	\$ 27.20
Exercisable at end of year	81,037	\$ 27.42	94,787	\$ 27.66	122,737	\$ 27.20
Available to be granted at end of year	190,509		176,759		151,425	

At December 31, 2008, 2007 and 2006, the options outstanding have exercise prices between \$15,063 and \$35,010, and a weighted average remaining contractual life of four years for 2008, four years for 2007 and five years for 2006. The weighted average intrinsic value of options exercised for the period ended December 31, 2007 and

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

2006 was \$4.90 and \$10.76 per share with an aggregate value of \$61,805 and \$16,857, respectively. The average intrinsic value of options exercisable at December 31, 2008, 2007 and 2006 had an aggregate value of \$7,331, \$54,805 and \$271,511, respectively.

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank and the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulation) to risk-weighted assets (as defined), and Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2008, that the Bank and the Company meet all capital adequacy requirements to which they are subject.

As of December 31, 2008, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes would cause a change in the Bank's categorization.

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

	Actual Amount	Ratio	For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
			Amount	Ratio	Amount	Ratio
As of December 31, 2008						
Total Capital (to Risk-Weighted Assets)	\$ 134,990	13.19%	\$ 81,904	8.00%	\$ 102,380	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	123,871	12.10%	40,952	4.00%	61,428	6.00%
Tier 1 Capital (to 4th Qtr. Average Assets)	123,871	7.15%	69,264	4.00%	86,580	5.00%
As of December 31, 2007						

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Total Capital (to Risk-Weighted Assets)	\$ 128,405	14.08%	\$ 72,960	8.00%	\$ 91,200	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	118,772	13.02%	36,480	4.00%	54,720	6.00%
Tier 1 Capital (to 4th Qtr. Average Assets)	118,772	7.56%	62,846	4.00%	78,557	5.00%

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

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

	Actual Amount	Ratio	For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
			Amount	Ratio	Amount	Ratio
As of December 31, 2008						
Total Capital (to Risk-Weighted Assets)	\$ 168,121	16.38%	\$ 82,114	8.00%	\$ 102,643	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	157,002	15.30%	41,057	4.00%	61,586	6.00%
Tier 1 Capital (to 4th Qtr. Average Assets)	157,002	9.05%	69,404	4.00%	86,755	5.00%
As of December 31, 2007						
Total Capital (to Risk-Weighted Assets)	\$ 160,076	17.51%	\$ 73,130	8.00%	\$ 91,413	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	150,443	16.46%	36,565	4.00%	54,848	6.00%
Tier 1 Capital (to 4th Qtr. Average Assets)	150,443	9.56%	62,966	4.00%	78,708	5.00%

14. Income Taxes

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

	2008	2007	2006
	(Dollars in thousands)		
Current expense:			
Federal	\$ 3,117	\$ 3,137	\$ 2,968
State	232	284	164
Total current expense	3,349	3,421	3,132
Deferred expense (benefit):			
Federal	(954)	50	(592)
State	(140)	61	(121)
Total deferred expense (benefit)	(1,094)	111	(713)

Provision for income taxes	\$ 2,255	\$ 3,532	\$ 2,419
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Included in income tax expense for the year ended December 31, 2008, 2007, and 2006 is interest of \$0, \$0 and \$24,000, respectively. There were no penalties during these periods.

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

	2008	2007
	(Dollars in thousands)	
Currently (payable) receivable	\$ (9)	\$ 589
Deferred income tax asset, net	12,822	8,465
Total	\$ 12,813	\$ 9,054

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

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

	2008	2007	2006
	(Dollars in thousands)		
Federal income tax expense at statutory rates	\$ 3,842	\$ 3,875	\$ 2,417
State income tax, net of federal income tax benefit	62	225	108
Insurance income	(353)	(210)	(109)
Effect of tax-exempt interest	(1,307)	(105)	(4)
Other	11	(253)	7
Total	\$ 2,255	\$ 3,532	\$ 2,419
Effective tax rate	20.0%	31.0%	34.0%

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

	2008	2007
	(Dollars in thousands)	
Deferred income tax assets:		
Allowance for loan losses	\$ 4,495	\$ 3,943
Deferred compensation	4,151	4,132
Unrealized loss on securities available-for-sale	169	137
Pension and SERP liability	5,745	2,514
Acquisition premium	519	515
Depreciation	64	
Investments writedown	27	27
Deferred gain	91	112
Other	65	2
Gross deferred income tax asset	15,326	11,382
Deferred income tax liabilities:		
Depreciation		(360)
Limited partnerships	(2,401)	(2,415)
Other	(103)	(142)
Gross deferred income tax liability	(2,504)	(2,917)

Deferred income tax asset net	\$ 12,822	\$ 8,465
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Based on the Company's historical and current pre-tax earnings, management believes it is more likely than not that the Company will realize the deferred income tax asset existing at December 31, 2008. Management believes that existing net deductible temporary differences which give rise to the deferred tax asset will reverse during periods in which the Company generates net taxable income. In addition, gross deductible temporary differences are expected to reverse in periods during which offsetting gross taxable temporary differences are expected to reverse. Factors beyond management's control, such as the general state of the economy and real estate values, can affect future levels of taxable income, and no assurance can be given that sufficient taxable income will be generated to fully absorb gross deductible temporary differences.

The Company and its subsidiaries file a consolidated federal tax return and separate state income tax return. For years before 2005, the Company is no longer subject to federal or state income tax examinations.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)****15. Employee Benefits**

The Company has a Qualified Defined Benefit Pension Plan (the Plan), which had been offered to all employees reaching minimum age and service requirements. In 2006, the Bank became a member of the Savings Bank Employees Retirement Association (SBERA) within which it then began maintaining the Qualified Defined Benefit Pension Plan. SBERA offers a common and collective trust as the underlying investment structure for pension plans participating in SBERA. The Trustees of SBERA, through SBERA's Investment Committee, select investment managers for the common and collective trust portfolio. A professional advisory firm is retained by the Investment Committee to provide allocation analysis and performance measurement and to assist with manager searches. The target allocation mix calls for an equity-based investment deployment range from 55% to 75% of total portfolio assets. The remainder of the portfolio is allocated to fixed income. The overall investment objective is to diversify equity investments across a spectrum of investment types (e.g., small cap, large cap, international, etc.) and styles (e.g., growth, value, etc.). The Company closed the plan to employees hired after March 31, 2006.

Prior to 2008, the measurement date for the Plan was September 30 for each year. Beginning in 2008, the measurement date was changed to December 31 in accordance with SFAS No. 158. The benefits expected to be paid in each year from 2009 to 2013 are \$720,000, \$752,000, \$774,000, \$910,000 and \$934,000, respectively. The aggregate benefits expected to be paid in the five years from 2014 to 2018 are \$5,830,000. The Company plans to contribute \$1,275,000 to the Plan in 2009.

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

Asset Category	December 31, 2008	September 30, 2007
Fixed income	35%	38%
Domestic equity	53%	46%
International equity	12%	16%
Total	100%	100%

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

The Company has a Supplemental Executive Insurance/Retirement Plan (the Supplemental Plan), which is limited to certain officers and employees of the Company. The Supplemental Plan is voluntary and participants are required to contribute to its cost. Under the Supplemental Plan, each participant will receive a retirement benefit based on compensation and length of service. Individual life insurance policies, which are owned by the Company, are purchased covering the lives of each participant. Effective December 31, 2006, the Company adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106 and 132(R)*. The Company recorded an additional \$2,158,000 net pension liability adjustment, through stockholders' equity, as a result of this adoption.

Prior to 2008, the measurement date for the Supplemental Plan was September 30 for each year. Beginning in 2008, the measurement date was changed to December 31 in accordance with SFAS No. 158. The benefits expected to be paid in each year from 2009 to 2013 are \$1,034,000, \$1,042,000, \$1,049,000, \$1,051,000 and \$1,045,000, respectively. The aggregate benefits expected to be paid in the five years from 2014 to 2018 are \$6,481,000.

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CENTURY BANCORP, INC.

Notes to Consolidated Financial Statements (Continued)

	Defined Benefit Pension Plan		Supplemental Insurance/ Retirement Plan	
	2008	2007	2008	2007
	(Dollars in thousands)			
Change projected in benefit obligation				
Benefit obligation at beginning of year	\$ 19,139	\$ 18,795	\$ 13,462	\$ 13,740
Service cost	1,026	867	336	107
Interest cost	1,436	1,081	1,008	758
Actuarial (gain)/loss	459	(1,116)	2,255	(111)
Benefits paid	(647)	(488)	(1,293)	(1,032)
Projected benefit obligation at end of year	\$ 21,413	\$ 19,139	\$ 15,768	\$ 13,462
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 16,660	\$ 13,873		
Actual (loss) return on plan assets	(3,731)	1,735		
Employer contributions	1,777	1,540		
Benefits paid	(647)	(488)		
Fair value of plan assets at end of year	\$ 14,059	\$ 16,660		
(Unfunded) Funded status	\$ (7,534)	\$ (2,479)	\$ (15,768)	\$ (13,462)
Accumulated benefit obligation	\$ 19,468	\$ 17,375	\$ 14,165	\$ 12,584
Weighted-average assumptions as of December 31				
Discount rate Liability	5.75%	6.00%	5.75%	6.00%
Discount rate Expense	6.00%	5.75%	6.00%	5.75%
Expected return on plan assets	8.00%	8.00%	NA	NA
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%
Components of net periodic benefit cost				
Service cost	\$ 821	\$ 867	\$ 308	\$ 107
Interest cost	1,148	1,081	814	758
Expected return on plan assets	(1,333)	(1,110)		
Recognized prior service cost	(116)	(116)	108	64
Recognized net losses	211	398	49	81
Net periodic cost	\$ 731	\$ 1,120	\$ 1,279	\$ 1,010
Other changes in plan assets and benefit obligations recognized in other comprehensive income				

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Amortization of prior service cost	\$ 116	\$ 116	\$ (108)	\$ (64)
Net (gain) loss	5,623	(2,140)	2,177	(192)
Total recognized in other comprehensive income	5,739	(2,024)	2,069	(256)
Total recognized in net periodic benefit cost and other comprehensive income	\$ 6,470	\$ (904)	\$ 3,348	\$ 754

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

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

	December 31, 2008			December 31, 2007		
	Plan	Supplemental Plan	Total	Plan	Supplemental Plan	Total
Prior service cost	\$ 1,045	\$ (1,513)	\$ (468)	\$ 1,190	\$ (964)	\$ 226
Net actuarial loss	(9,817)	(3,666)	(13,483)	(4,225)	(2,146)	(6,371)
Total	\$ (8,772)	\$ (5,179)	\$ (13,951)	\$ (3,035)	\$ (3,110)	\$ (6,145)

The following table summarizes the amounts included in Accumulated Other Comprehensive Loss at December 31, 2008 expected to be recognized as components of net periodic benefit cost in the next year:

	Plan	Supplemental Plan
Amortization of prior service cost to be recognized in 2009	\$ (116)	\$ 110
Amortization of loss to be recognized in 2009	684	139

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

The Company offers a 401(k) defined contribution plan for all employees reaching minimum age and service requirements. The plan is voluntary and employee contributions are matched by the Company at a rate of 33.3% for the first 6% of compensation contributed by each employee. The Company's match totaled \$265,000 for 2008, \$229,000 for 2007 and \$210,000 for 2006. Administrative costs associated with the plan are absorbed by the Company.

The Company has a cash incentive plan that is designed to reward our executives and officers for the achievement of annual financial performance goals of the Company as well as business line, department and individual performance. The plan supports the philosophy that management be measured for their performance as a team in the attainment of these goals. There were no payments under this plan for 2006, 2007 and 2008. Discretionary bonus expense amounted to \$348,000, \$154,000, and \$0, in 2008, 2007, and 2006, respectively.

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

16. Commitments and Contingencies

A number of legal claims against the Company arising in the normal course of business were outstanding at December 31, 2008. Management, after reviewing these claims with legal counsel, is of the opinion that their resolution will not have a material adverse effect on the Company's consolidated financial position or results of operations.

17. Financial Instruments with Off-Balance-Sheet Risk

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

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

in the consolidated balance sheet. The contract or notational amounts of those instruments reflect the extent of involvement the Company has in these particular classes of financial instruments.

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

Contract or Notational Amount

	2008	2007
	(Dollars in thousands)	
Financial instruments whose contract amount represents credit risk:		
Commitments to originate 1-4 family mortgages	\$ 1,225	\$ 2,442
Standby and commercial letters of credit	14,225	13,498
Unused lines of credit	144,653	155,378
Unadvanced portions of construction loans	16,642	27,294
Unadvanced portions of other loans	6,558	8,746

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.

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

	Year Ended December 31,		
	2008	2007	2006
	(Dollars in thousands)		
Marketing	\$ 1,482	\$ 1,540	\$ 1,515
Processing services	921	876	1,326
Legal and audit	994	776	894
Postage and delivery	922	867	849
Software maintenance/amortization	807	721	717
Supplies	698	759	684
Consulting	832	639	642
Telephone	626	546	524
Core deposit tangible amortization	388	388	388
Insurance	322	380	368
Director's fees	229	232	219
FDIC assessment	613	148	154
Capital expense amortization	12	12	12
Other	1,447	1,019	1,139
Total	\$ 10,293	\$ 8,903	\$ 9,431

19. Fair Values of Financial Instruments

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

CASH AND CASH EQUIVALENTS

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

SHORT-TERM INVESTMENTS

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

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

The fair value of these securities is estimated based on prices published in financial newspapers or received from pricing services, or bid quotations received from securities dealers.

LOANS

For variable-rate loans, which reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair value of other loans is estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Incremental credit risk for nonperforming loans has been considered.

Table of Contents**CENTURY BANCORP, INC.****Notes to Consolidated Financial Statements (Continued)*****ACCRUED INTEREST RECEIVABLE AND PAYABLE***

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

DEPOSITS

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

REPURCHASE AGREEMENTS AND OTHER BORROWED FUNDS

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

SUBORDINATED DEBENTURES

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

OFF-BALANCE-SHEET INSTRUMENTS

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

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

	2008		2007	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
	(Dollars in thousands)			
Financial assets:				
Cash and cash equivalents	\$ 156,168	\$ 156,168	\$ 299,901	\$ 299,901
Short-term investments	43,814	43,978		
Securities available-for-sale	495,585	495,585	388,104	388,104
Securities held-to-maturity	184,047	185,433	183,710	181,704

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Net loans	824,946	837,064	716,618	711,611
Accrued interest receivable	6,723	6,723	6,590	6,590
Financial liabilities:				
Deposits	1,265,527	1,271,404	1,130,061	1,131,503
Repurchase agreement and other borrowed funds	351,068	357,927	375,875	379,229
Subordinated debentures	36,083	41,908	36,083	36,694
Accrued interest payable	1,488	1,488	1,678	1,678
Standby letters of credit		117		109

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

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

20. Quarterly Results of Operations (unaudited)

	2008 Quarters			
	Fourth	Third	Second	First
	(In thousands, except share data)			
Interest income	\$ 20,570	\$ 20,891	\$ 19,470	\$ 19,762
Interest expense	8,638	8,932	8,814	9,530
Net interest income	11,932	11,959	10,656	10,232
Provision for loan losses	1,450	1,350	925	700
Net interest income after provision for loan losses	10,482	10,609	9,731	9,532
Other operating income	3,499	3,577	3,477	3,422
Operating expenses	10,850	11,051	10,743	10,384
Income before income taxes	3,131	3,135	2,465	2,570
Provision for income taxes	320	576	589	770
Net income	\$ 2,811	\$ 2,559	\$ 1,876	\$ 1,800
Share data:				
Average shares outstanding, basic	5,539,043	5,541,345	5,543,781	5,543,804
Average shares outstanding, diluted	5,539,092	5,542,404	5,546,128	5,546,700
Earnings per share, basic	\$ 0.51	\$ 0.46	\$ 0.34	\$ 0.32
Earnings per share, diluted	\$ 0.51	\$ 0.46	\$ 0.34	\$ 0.32

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

	2007 Quarters			
	Fourth	Third	Second	First
	(In thousands, except share data)			
Interest income	\$ 20,481	\$ 20,944	\$ 20,837	\$ 20,746
Interest expense	10,378	10,835	11,048	11,544
Net interest income	10,103	10,109	9,789	9,202
Provision for loan losses	600	300	300	300
Net interest income after provision for loan losses	9,503	9,809	9,489	8,902
Other operating income	3,591	4,416	3,092	2,849
Operating expenses	9,765	9,940	10,247	10,302
Income before income taxes	3,329	4,285	2,334	1,449
Provision for income taxes	955	1,421	711	445
Net income	\$ 2,374	\$ 2,864	\$ 1,623	\$ 1,004
Share data:				
Average shares outstanding, basic	5,543,804	5,542,483	5,542,304	5,541,225
Average shares outstanding, diluted	5,547,234	5,545,915	5,548,105	5,550,653
Earnings per share, basic	\$ 0.43	\$ 0.52	\$ 0.29	\$ 0.18
Earnings per share, diluted	\$ 0.43	\$ 0.52	\$ 0.29	\$ 0.18

21. Parent Company Financial Statements

The balance sheets of Century Bancorp, Inc. (Parent Company) as of December 31, 2008 and 2007 and the statements of income and cash flows for each of the years in the three-year period ended December 31, 2008 are presented below. The statements of changes in stockholders' equity are identical to the consolidated statements of changes in stockholders' equity and are therefore not presented here.

Balance Sheets

	December 31,	
	2008	2007
	(Dollars in thousands)	
ASSETS:		
Cash	\$ 31,588	\$ 30,399

Investment in subsidiary, at equity	122,324	122,085
Other assets	2,786	2,512
Total assets	\$ 156,698	\$ 154,996
 LIABILITIES AND STOCKHOLDERS EQUITY:		
Liabilities	\$ 112	\$ 107
Subordinated debentures	36,083	36,083
Stockholders equity	120,503	118,806
Total liabilities and stockholders equity	\$ 156,698	\$ 154,996

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

	Year Ended December 31,		
	2008	2007	2006
	(Dollars in thousands)		
Income:			
Dividends from subsidiary	\$ 4,778	\$ 3,611	\$ 2,891
Interest income from deposits in bank	884	1,442	1,381
Other income	72	72	72
Total income	5,734	5,125	4,344
Interest expense	2,400	2,400	2,400
Operating expenses	165	130	158
Income before income taxes and equity in undistributed income of subsidiary	3,169	2,595	1,786
Benefit from income taxes	(547)	(345)	(375)
Income before equity in undistributed income of subsidiary	3,716	2,940	2,161
Equity in undistributed income of subsidiary	5,330	4,924	2,527
Net income	\$ 9,046	\$ 7,864	\$ 4,688

Statements of Cash Flows

	December 31,		
	2008	2007	2006
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 9,046	\$ 7,864	\$ 4,688
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed income of subsidiary	(5,330)	(4,924)	(2,527)
Depreciation and amortization	12	12	12
Increase in other assets	(286)	(495)	(490)
Increase (decrease) in liabilities	5	(39)	34
Net cash provided by operating activities	3,447	2,418	1,717
CASH FLOWS FROM FINANCING ACTIVITIES:			

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Stock repurchases	(84)		
Net proceeds from the exercise of stock options		51	95
Cash dividends paid	(2,174)	(2,173)	(2,167)
Net cash used in financing activities	(2,258)	(2,122)	(2,072)
Net increase (decrease) in cash	1,189	296	(355)
Cash at beginning of year	30,399	30,103	30,458
Cash at end of year	\$ 31,588	\$ 30,399	\$ 30,103

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Report of Independent Registered Public Accounting Firm

KPMG LLP

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

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

We have audited the accompanying consolidated balance sheets of Century Bancorp, Inc. and its subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Bancorp, Inc. and its subsidiary as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Century Bancorp, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 24, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Boston, Massachusetts
February 24, 2009

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Report of Independent Registered Public Accounting Firm

KPMG LLP

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

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

We have audited Century Bancorp, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Century Bancorp, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Century Bancorp, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Century Bancorp, Inc. as of December 31, 2008 and 2007, and the related

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consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2008, and our report dated February 24, 2009 expressed an unqualified opinion on those consolidated financial statements.

Boston, Massachusetts
February 24, 2009

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Management's Report on Internal Control Over Financial Reporting

CENTURY BANCORP, INC.

400 Mystic Avenue
Medford, Massachusetts 02155

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

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

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*. Based on our assessment, we believe that, as of December 31, 2008, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. Their report appears on page 71.

Marshall M. Sloane
Chairman of the Board

Jonathan G. Sloane
Co-President & Co-CEO

Barry R. Sloane
Co-President & Co-CEO

William P. Hornby, CPA
Chief Financial Officer &
Treasurer

February 24, 2009

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

Name	Age	Position
George R. Baldwin	65	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Roger S. Berkowitz	56	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Marshall I. Goldman, Ph.D.	78	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Russell B. Higley, Esquire	69	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Jackie Jenkins-Scott	59	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Linda Sloane Kay	47	Director, Century Bancorp, Inc.; Director and Senior Vice President, Century Bank and Trust Company
Fraser Lemley	68	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Joseph J. Senna, Esquire	69	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Barry R. Sloane	53	Director, Co-President and Co-Chief Executive Officer, Century Bancorp, Inc.; Director, Co-President and Co-Chief Executive Officer, Century Bank and Trust Company
Jonathan G. Sloane	50	Director, Co-President and Co-Chief Executive Officer, Century Bancorp, Inc.; Director, Co-President and Co-Chief Executive Officer, Century Bank and Trust Company
Marshall M. Sloane	82	Chairman of the Board, Century Bancorp, Inc. and Century Bank and Trust Company
Stephanie Sonnabend	55	Director, Century Bancorp, Inc., and Century Bank and Trust Company
George F. Swansburg	66	Director, Century Bancorp, Inc., and Century Bank and Trust Company
Jon Westling	66	Director, Century Bancorp, Inc., and Century Bank and Trust Company

Mr. Baldwin became a director of the Company in 1996. He has been a director of Century Bank and Trust Company since 1995. Mr. Baldwin is President and CEO of Baldwin & Co., which is a financial services firm. He was formerly President and Chief Executive Officer of Kaler Carney Liffler & Co., a regional insurance company.

Mr. Berkowitz became a director of the Company in 1996. He was elected a director of Century Bank/Suffolk in 1989 and has been a director of Century Bank and Trust Company since the banks merged in 1992. Mr. Berkowitz is President and CEO of Legal Sea Foods, Inc.

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

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Mr. Higley became a director of the Company in 1996. He has been a director of Century Bank and Trust Company since 1986. Mr. Higley is an attorney in private practice.

Ms. Jenkins-Scott became a director of the Company and of Century Bank and Trust Company in 2006. Ms. Jenkins-Scott is President of Boston's Wheelock College.

Ms. Kay became a director of the Company in 2005. Ms. Kay joined Century Bank and Trust Company in 1983 as Assistant Vice President of Marketing and currently serves as Senior Vice President for Business Development in Chestnut Hill.

Mr. Lemley became a director of the Company in 1996. He has been a director of Century Bank and Trust Company since 1988. Mr. Lemley is Chairman of the Board and CEO of Sentry Auto Group.

Mr. Senna became a director of the Company in 1986. He has been a director of Century Bank and Trust Company since 1979. Mr. Senna is an attorney and managing partner of C&S Capital Properties, LLC, a real estate management and development firm.

Mr. Barry R. Sloane has been a director of the Company and Century Bank and Trust Company since 1997. Mr. Sloane is Co-President and Co-CEO of Century Bancorp and Co-President and Co-CEO of Century Bank and Trust Company. Formerly, he was Managing Director of Steinberg, Priest & Sloane Capital Management, LLC, which is an investment advisory firm. Mr. Sloane is also a director of BGC Partners, Inc.

Mr. Jonathan G. Sloane has been employed by the Company or one of its subsidiaries for 27 years and became a director of the Company in 1986. He has been a director of Century Bank and Trust Company since 1992. Mr. Sloane is currently Co-President and Co-CEO of Century Bancorp Inc. and Co-President and Co-CEO of Century Bank and Trust Company.

Mr. Marshall M. Sloane is the founder of the Company and is currently the Chairman of the Board. He founded Century Bank and Trust Company in 1968 and is currently the Chairman of the Board.

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

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

Mr. Westling became a director of the Company in 1996. He has been a director of Century Bank and Trust Company since 1995. Mr. Westling is President Emeritus and Professor of History and Humanities of Boston University.

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

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

Marshall M. Sloane	Chairman of the Board of the Company and Century Bank and Trust Company. Mr. Sloane is 82 years old.
Barry R. Sloane	Director, Co-President and Co-CEO; Director, Co-President and Co-CEO, Century Bank and Trust Company. Mr. Sloane is 53 years old.
Jonathan G. Sloane	Director, Co-President and Co-CEO; Director, Co-President and Co-CEO, Century Bank and Trust Company. Mr. Sloane is 50 years old.
William P. Hornby	Chief Financial Officer and Treasurer; Chief Financial Officer and Treasurer, Century Bank and Trust Company. Mr. Hornby is 42 years old. He joined the Company in 2007. Formerly he was Senior Vice President at Capital Crossing Bank.
Paul A. Evangelista	Executive Vice President, Century Bank and Trust Company with responsibility for retail, operations and marketing. Mr. Evangelista is 45 years old. He joined the Company in 1999.
Brian J. Feeney	Executive Vice President, Century Bank and Trust Company, Head of Institutional Services Group. Mr. Feeney is 48 years old.
David B. Woonton	Executive Vice President, Century Bank and Trust Company with responsibility for lending. Mr. Woonton is 53 years old. He joined the Company in 1999.
Linda Sloane Kay	Senior Vice President, Century Bank and Trust Company with responsibility for business development in Chestnut Hill. Ms. Kay is 47 years old. She joined the Company in 1983.

The Audit Committee

The Audit Committee meets with KPMG LLP, the Company's independent registered public accounting firm, in connection with the annual audit and quarterly reviews of the Company's financial statements. The Audit Committee is composed of four directors, Joseph J. Senna, Chair, George R. Baldwin, Stephanie Sonnabend, and Jon Westling, each of whom the Board of Directors has determined is independent under current FINRA listing standards. The Board of Directors has determined that Mr. Senna qualifies as an audit committee financial expert, as that term is defined in Item 401(h) of Regulation S-K promulgated by the SEC. The Audit Committee reviews the findings and recommendations of the FRB, FDIC, and Massachusetts Bank Commissioner's staff in connection with their examinations and the internal audit reports and procedures for the Company and its subsidiaries. The Audit Committee met five times during 2008.

Audit Committee Report

The Audit Committee of the Company's Board of Directors is responsible for providing independent, objective oversight of the Company's accounting functions and internal controls. The Audit Committee operates under a written

charter first adopted and approved by the Board of Directors in 2000. The Audit Committee has reviewed and reassessed its Charter. A copy of the Audit Committee Charter was last published in the 10-K for the period ending December 31, 2006.

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

The Audit Committee has reviewed and discussed the audited financial statements with management and the independent registered public accounting firm. The Audit Committee has also discussed with KPMG LLP, the independent registered public accounting firm for the Company, the matters required to be discussed by Codification of Statements on Auditing Standards No. 61 (The Auditor's Communication With Those Charged With Governance). The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). Additionally, the Audit Committee has discussed with KPMG LLP the firm's independence.

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

/s/ Joseph J. Senna, Chair

/s/ George R. Baldwin

/s/ Stephanie Sonnabend

/s/ Jon Westling

Nominating Committee

The Company's Nominating Committee has three director members, Marshall I. Goldman, Stephanie Sonnabend and Jon Westling, each of whom the Board of Directors has determined to be independent under the NASDAQ current listing standards. The Nominating Committee operates pursuant to a written policy. The Committee has developed criteria for the selection of new directors to the Board, including but not limited to, diversity, age, skills, experience, time availability (including the number of other boards a director candidate sits on), NASDAQ listing standards, applicable federal and state laws and regulations, Board and Company needs and such other criteria as the Committee shall determine to be relevant.

Code of Ethics

The Company has adopted a Code of Ethics that applies to its principal executive officers, principal financial officer, principal accounting officer or persons performing similar functions. A copy of the Company's Code of Ethics may be obtained upon written request to Investor Relations, Century Bancorp, Inc., 400 Mystic Avenue, Medford, Massachusetts 02155.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely on a review of the copies of Forms 3, 4 and 5 and amendments thereto, if any, and any written representations furnished to the Company, none of the Company's officers, Directors or beneficial owners of more than 10% of the Company's Class A Common Stock failed to file on a timely basis reports required by Section 16 of the Securities Exchange Act of 1934 during the fiscal year ended December 31, 2008, or in prior fiscal years.

ITEM 11. EXECUTIVE COMPENSATION

The following is a discussion and analysis of our executive compensation policies and practices with respect to compensation reported for fiscal year 2008.

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Introduction

The following discussion and analysis includes separate sections on:

The Composition and Responsibilities of the Compensation Committee

The Company's Executive Compensation Conclusion

Compensation Discussion and Analysis

Philosophy and Objectives of the Company

Compensation Process

Compensation Consultant

Compensation Components

Post-Employment Compensation

Chief Executive Officer Compensation

Executive Officer Compensation

Consulting Services Agreements

Employment Agreements

Report of the Compensation Committee

Composition and Responsibilities of the Compensation Committee

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

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

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

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

The Company's Executive Compensation Conclusion

Based upon review, the Compensation Committee and the Board of Directors found the Company's Co-Chief Executive Officers, the Chief Financial Officer's and the other Named Executive Officers' total compensation to be reasonable. In addition to the other factors noted, the Committee and the Board considered that the Company does not currently maintain severance contracts, maintains only one change of control provision and did not award cash or stock incentive awards for fiscal year 2008. It should be noted that when the Committee and the Board considers any component of executive compensation, the mix and aggregate amounts of all components are taken into consideration.

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Compensation Discussion and Analysis

Philosophy and Objectives of Company

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

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

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

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

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

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

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

Compensation Process

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

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

The Compensation Committee's process incorporates the following:

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

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

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

Our independent compensation consultant attends Committee meetings as requested.

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

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

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

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

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

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

Compensation Consultant

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

The Compensation Committee and the Board of Directors took his recommendations into consideration when setting base salaries for fiscal 2008.

Compensation Components

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

Base Salary Compensation:

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

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

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

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

The difficulty of achieving desired results;

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

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

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

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

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

Cash Incentive Plan:

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

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

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

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

Upon recommendation of the Compensation Committee, the Board of Directors determines the amounts, if any, to be awarded. In recognition of the Company's improving performance, a select number of discretionary awards were granted for fiscal 2008. Those for the Co-Chief Executive Officers and the other Named Executive Officers are noted on the Summary Compensation Table.

Stock Option Plans:

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

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

Option grants were not awarded in 2008.

Post-Employment Compensation

Defined Benefit Pension Plan:

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

analysis, performance measurement and to assist with manager searches. The overall investment objective is to diversify equity investments across a spectrum of investment types. (e.g. small cap, large cap, international, etc) and styles (e.g. growth, value, etc.). The Company has closed the plan to employees hired after March 31, 2006.

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Benefits under the plan are based upon an employee's years of service and career average compensation. The 2008 increase in the actuarial present value of each Named Executive Officer's accumulated benefit under the plan is set forth in the Summary Compensation Table which appears below and the actuarial present value of each Named Executive Officer is set forth in the Pension Benefits Table which appears below.

401(k) Plan:

Our executives are eligible to participate in the Company's 401(k) contributory defined contribution plan. The Company contributes a matching contribution equal to 33.33% on the first 6% of the participant's compensation that has been contributed to the plan. Both Co-Chief Executive Officers and four of the Named Executive Officers participated in the 401(k) plan during fiscal 2008 and received matching contributions up to a maximum of \$4,600.

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

Supplemental Executive Insurance/Retirement Income Plan:

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

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

Benefits under the Supplemental Plan are based upon an employee's years of service and highest three year average compensation. The 2007 increase in the actuarial present value of each Named Executive Officer's accumulated benefit under the Supplemental Plan is set forth in the Summary Compensation Table which appears below and the actuarial present value of each Named Executive Officer is set forth in the Supplemental Executive Insurance/Retirement Benefits Table which appears below.

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

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

The Company has entered into an agreement with Mr. Marshall Sloane to freeze his Supplemental Executive/Insurance Retirement Income Plan benefit. In consideration of this frozen benefit, the Company has acquired a life insurance policy providing a death benefit of \$25,000,000 upon the death of the survivor of Mr. Sloane or Mrs. Sloane. Mr. Sloane has elected 50% joint and survivor annuity. Under this plan he received \$523,639 in 2008.

Co-Chief Executive Officers Compensation

The Company granted the Co-Chief Executive Officers a 3% increase in 2008. Additionally, based on the Company's improved performance during 2008, the Company determined that a \$30,000 cash bonus would also be payable to these officers. Total compensation granted to the Co-Chief Executive Officers during 2008 is described in the Summary Compensation Table in this statement.

Executive Officer Compensation

The Company also determined base salary increases for the Named Executive Officers other than that of the Co-Chief Executive Officers. Mr. David Woonton and Mr. Paul Evangelista were each awarded a 3% increase in base salary. In recognition of the results of the Institutional Services Department under Mr. Brian Feeney's

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leadership, Mr. Feeney was awarded a 7.1% increase. To reward Mr. William Hornby's contributions to the Company since his employment in 2007, Mr. Hornby, already named Treasurer, was also named Chief Financial Officer and awarded a 16.875% increase. During 2008, Linda Sloane Kay became a member of the Executive Management Committee. Ms. Kay's base salary at year end December 2008 was \$105,000. Additionally, in recognition of the Company's financial performance in 2008, cash bonuses were awarded to the above Named Executive Officers as noted in the Summary Compensation Table.

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

Executive Benefits

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

Consulting Services Agreements

Marshall M. Sloane

In May 2008, the Company renewed its consulting agreement with Marshall M. Sloane to provide the Company advice on strategic planning and operational management, assist with business development efforts and clients, participate in public relations and community outreach efforts and provides other services as may be requested by the Board of Directors. The Company agreed to pay Mr. Sloane an annual contract fee of \$275,000 per year with provisions to reimburse Mr. Sloane for all related business expenses and the expense of obtaining health insurance comparable to that which the Company provided while he was Chief Executive Officer.

Paul V. Cusick, Jr.

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

Employment Agreement

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

Report of the Compensation Committee

The Compensation Committee has reviewed and discussed the foregoing Report of the Compensation Committee with management. In reliance on the reviews and discussions referred to above, the Compensation Committee recommended to the Board, and the Board has approved, that the CD&A be included in the proxy statement for the year ended December 31, 2008 for filing with the SEC.

/s/ Jon Westling, Chairman

/s/ Fraser Lemley

/s/ Roger S. Berkowitz

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

The following table sets forth information for the two year period ended December 31, 2008 concerning the compensation for services in all capacities to Century Bancorp, Inc. and its subsidiaries of our principal executive officers and our principal financial officer as well as our other four most highly compensated executive officers (or executive officers of our subsidiaries). We refer to these individuals throughout this 10-K statement as the Named Executive Officers .

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Change in Pension Value and Nonqualified Deferred Compensation	All Other - Compensation (\$)(1)	Total (\$)
						September 30, (\$)		
Marshall M. Sloane (2) <i>Chairman of the Board, Century Bancorp, Inc. Century Bank and Trust Company</i>	2008						427,630	427,630
	2007					98,409	406,473	504,882
	2006	283,101					237,181	520,282
Jonathan G. Sloane <i>Co-President and Co-CEO, Century Bancorp, Inc. Co-President and Co- CEO, Century Bank and Trust Company</i>	2008	442,412	30,000			243,623	16,281	732,316
	2007	429,527	15,000				15,288	459,815
	2006	417,016				134,360	10,548	561,924
Barry R. Sloane <i>Co-President and Co-CEO, Century Bancorp, Inc. Co-President and Co- CEO, Century Bank and Trust Company</i>	2008	442,412	30,000			695,092	35,581	1,203,085
	2007	429,527	15,000			8,395	14,346	467,268
	2006	417,016				9,925	7,476	434,417
David B. Wootton <i>Executive Vice President, Century Bank and Trust Company</i>	2008	276,706	15,000			182,072	10,332	484,110
	2007	268,646	7,000			85,099	9,781	370,526
	2006	257,460				128,213	9,295	394,968
Paul A. Evangelista <i>Executive Vice President, Century Bank and Trust Company</i>	2008	276,706	15,000			109,783	8,285	409,774
	2007	260,575	7,000			41,910	7,881	317,366
	2006	225,319				69,473	7,457	302,249
Brian J. Feeny <i>Executive Vice President,</i>	2008	200,008	15,000			29,158	4,397	248,563
	2007	185,857	5,000			9,290	3,814	203,961

<i>Century Bank and Trust Company</i>	2006	146,282		11,347	1,567	159,196
William P. Hornby (3)	2008	187,007	15,000		5,700	207,707
<i>Chief Financial Officer and Treasurer, Century Bancorp, Inc. and Century Bank and Trust Company</i>	2007	110,480	5,000		1,948	117,428
	2006					
Linda Sloane Kay	2008	105,005	10,000	7,801	2,889	125,695
<i>Senior Vice President Century Bank and Trust Company</i>	2007	96,889	4,750	3,928	13,317	118,884
	2006	62,529		3,145	405	66,079

- (1) The amount listed in all other compensation includes amounts attributable to term insurance premiums paid for Supplemental Executive Insurance/Retirement Plan, matching contribution for the 401(k) plan, excess group life insurance premiums and long-term disability premiums and, as applicable, country club membership dues and taxable expense reimbursements.
- (2) This amount, for 2008, includes \$275,000 for consulting services, \$105,691 amounts attributable to term insurance premiums for Supplemental Executive Insurance /Retirement Plan, \$26,000 for Director fees as well as country club membership dues, health insurance premiums and Medicare reimbursements.

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

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning outstanding equity awards held by each Named Executive Officer as of December 31, 2008. No stock awards are unvested.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Awards	Option Exercise Price (\$)	Option Expiration Date
			Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) Unearned		
Marshall M. Sloane <i>Chairman of the Board</i>	12,000			35.01	09/17/09
Jonathan G. Sloane <i>Co-President and Co-CEO</i>	6,000			15.063	01/16/11
	6,000			22.50	04/01/12
	6,000			26.68	01/21/13
	7,000			31.83	09/17/14
Barry R. Sloane <i>Co-President and Co-CEO</i>	7,000			31.83	09/17/14
David B. Woonton <i>Executive Vice President</i>	2,000			15.063	01/16/11
<i>Century Bank and Trust Company</i>	2,000			22.50	04/01/12
	2,000			26.68	01/21/13
	2,500			31.83	09/17/14
Paul A. Evangelista <i>Executive Vice President</i>	2,000			22.50	04/01/12
<i>Century Bank and Trust Company</i>	2,000			26.68	01/21/13
	2,500			31.83	09/17/14
Brian J. Feeney <i>Executive Vice President</i>	500			15.063	01/16/11
<i>Century Bank and Trust Company</i>	500			22.50	04/01/12
	500			26.68	01/21/13
	600			31.83	09/17/14
William P. Hornby <i>Chief Financial Officer and Treasurer</i>					
Linda Sloane Kay <i>Senior Vice President</i>	100			22.50	04/01/12
<i>Century Bank and Trust</i>	250			26.68	01/21/13
	350			31.83	09/17/14

Table of Contents**Pension Benefits**

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

PENSION BENEFITS TABLE

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit	Payments During Last Fiscal Year
			9/30/2008 (\$ (1))	9/30/2008 (\$)
Marshall M. Sloane <i>Chairman of the Board</i>	Defined Benefit Pension Plan	33	686,024	94,261
Jonathan G. Sloane <i>Co-President and Co-CEO</i>	Defined Benefit Pension Plan	28	410,217	
Barry R. Sloane <i>Co-President and Co-CEO</i>	Defined Benefit Pension Plan	5	46,789	
David B. Woonton <i>Executive Vice President, Century Bank and Trust Company</i>	Defined Benefit Pension Plan	9	159,296	
Paul A. Evangelista <i>Executive Vice President, Century Bank and Trust Company</i>	Defined Benefit Pension Plan	9	104,915	
Brian J. Feeney <i>Executive Vice President, Century Bank and Trust Company</i>	Defined Benefit Pension Plan	19	125,844	
William P. Hornby(2) <i>Chief Financial Officer and Treasurer</i>	Defined Benefit Pension Plan			
Linda Sloane Kay <i>Senior Vice President Century Bank and Trust Company</i>	Defined Benefit Pension Plan	8	21,487	

(1) The present value of accumulated benefits was calculated with the assumption that retirement occurs at age 65. The benefit is calculated using an interest rate of 5.75% for 9/30/08 and 6.00% for 9/30/07 and the Mortality Table used is the 2007 Mortality Table.

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

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

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated	Payments During Last Fiscal
			Benefit- 9/30/2008 (\$)(1)	Year- 9/30/2008 (\$)
Marshall M. Sloane (2) <i>Chairman of the Board</i>	Supplemental Executive Insurance/Retirement Plan	33	3,554,455	523,639
Jonathan G. Sloane (2) <i>Co-President and Co-CEO</i>	Supplemental Executive Insurance/Retirement Plan	28	1,493,212	
Barry R. Sloane <i>Co-President and Co-CEO</i>	Supplemental Executive Insurance/Retirement Plan	7	695,731	
David B. Woonton (2) <i>Executive Vice President, Century Bank and Trust Company</i>	Supplemental Executive Insurance/Retirement Plan	9	627,074	
Paul A. Evangelista (2) <i>Executive Vice President, Century Bank and Trust Company</i>	Supplemental Executive Insurance/Retirement Plan	9	330,588	
Brian J. Feeney (3) <i>Executive Vice President, Century Bank and Trust Company</i>	Supplemental Executive Insurance/Retirement Plan			
William P. Hornby (3) <i>Chief Financial Officer and Treasurer</i>	Supplemental Executive Insurance/Retirement Plan			
Linda Sloane Kay (3) <i>Senior Vice President</i>	Supplemental Executive Insurance/Retirement Plan			

- (1) The present value of accumulated benefits was calculated with the assumption that retirement occurs at age 65. The benefit is calculated using an interest rate of 5.75% and the Mortality Table used is the 2007 Mortality Table.
- (2) As of January 1, 2008, Messrs. Marshall M. Sloane, Jonathan G. Sloane, Barry R. Sloane, Paul A. Evangelista and David B. Woonton were 100%, 100%, 40%, 55% and 55% vested, respectively, under the Supplemental Executive Insurance/Retirement Plan.
- (3) Not a member of the Supplemental Executive Insurance/Retirement Plan.

Director Compensation

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

Table of Contents**DIRECTOR COMPENSATION TABLE 2008**

Name	Fees Earned or Paid in Cash (\$)	All Other Compensation (\$)	Total (\$)
George R. Baldwin	28,000		28,000
Roger S. Berkowitz	18,250		18,250
Marshall I. Goldman	19,250		19,250
Russell B. Higley	23,500		23,500
Jackie Jenkins-Scott	22,000		22,000
Linda Sloane Kay			
Fraser Lemley	25,250		25,250
Joseph J. Senna	30,000		30,000
Barry R. Sloane			
Jonathan G. Sloane			
Marshall M. Sloane(1)			
Stephanie Sonnabend	22,000		22,000
George F. Swansburg(2)	22,250	14,500	36,750
Jon Westling	20,000		20,000

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

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

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

The following table sets forth certain information as to the number and percentage of shares of Class A and Class B Common Stock beneficially owned as of December 31, 2008, (i) by each person known by the Company to own beneficially more than 5% of the Company's outstanding shares of Class A or Class B Common Stock, (ii) by each of the Company's directors and executive officers; and (iii) by all directors and executive officers as a group. As of December 31, 2008, there were 3,511,307 shares of Class A Common Stock and 2,027,100 shares of Class B Common Stock outstanding.

Name and Address of Beneficial Owner	Class A Owned	% A Owned	Class B Owned	% B Owned
Sandler O'Neill Asset Management, LLC(12) 780 Third Avenue, New York, NY 10017	367,950	10.48%		
Wellington Management Company, LLP(9) 75 State Street, Boston, MA 02109	347,847	9.91%		
Jacobs Asset Management(10) One Fifth Avenue, New York, NY 10003	298,000	8.49%		
Castine Capital Management, LLC(11) One International Place, Suite 2401, Boston, MA 02110	236,981	6.75%		
Marshall M. Sloane(a) 400 Mystic Avenue, Medford, MA 02155	30,848(1)	0.88%	1,695,930(2)	83.66%
George R. Baldwin(a)	6,420	0.18%		
Roger S. Berkowitz(a)	5,095	0.15%		
Paul A. Evangelista(b)	1,226	0.03%		
Brian J. Feeney(b)		0.00%		
Marshall I. Goldman(a)	3,966(3)	0.11%	30,000(4)	1.48%
Russell B. Higley, Esquire(a)	4,698	0.13%		
William P. Hornby(b)		0.00%		
Jackie Jenkins-Scott(a)	40	0.00%		
Linda Sloane Kay(a)(b)	8,954(6)	0.26%	60,000	2.96%
Fraser Lemley(a)	12,645	0.36%		
Joseph J. Senna(a)	47,639(5)	1.36%		
Barry R. Sloane(a)(b)	3,379(8)	0.10%		
Jonathan G. Sloane(a)(b)	3,750(7)	0.11%	60,000	2.96%
Stephanie Sonnabend(a)	3,178	0.09%		
George F. Swansburg(a)	30,040	0.86%		
Jon Westling(a)	4,532	0.13%		
David B. Woonton(b)		0.00%		
All directors and officers as a group (18 in number) (iii)	166,410	4.74%	1,845,930	91.06%

(a) Denotes director of the Company.

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

(1)

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Includes 2,500 shares owned by Mr. Sloane's spouse and also includes 21,652 shares held in trust for Mr. Sloane's grandchildren.

- (2) Includes 1,500 shares owned by Mr. Sloane's spouse, 1,694,430 shares held by Sloane Family Enterprises LP, and does not include 120,000 shares owned by Mr. Sloane's children. Mr. Sloane disclaims beneficial ownership of such 120,000 shares and 1,694,430 shares held by Sloane Family Enterprises LP.
- (3) Does not include 9,000 shares held of record by Mr. Goldman's children; Mr. Goldman disclaims beneficial ownership of such shares.

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- (4) Does not include 9,000 shares held of record by Mr. Goldman's children; Mr. Goldman disclaims beneficial ownership of such shares.
- (5) Includes 34,800 shares owned by Mr. Senna's spouse.
- (6) Includes 8,820 shares owned by Ms. Kay's spouse and 10 shares owned by Ms. Kay's children.
- (7) Includes 81.39 shares owned by Mr. Jonathan Sloane's spouse and includes 384 shares owned by Mr. Jonathan Sloane's children.
- (8) Includes 40 shares owned by Mr. Barry Sloane's children and 72 shares owned by Mr. Barry Sloane's spouse.
- (9) The Company has relied upon the information set forth in the Form 13F filed with the SEC by the Wellington Management Company, LLP on February 17, 2009.
- (10) The Company has relied upon the information set forth in the Form 13F filed with the SEC by Sy Jacobs, c/o Jacobs Asset Management, L.L.C. on February 17, 2009.
- (11) The Company has relied upon the information set forth in the Form 13F filed with the SEC by the Castine Capital Management, LLC on February 13, 2009.
- (12) The Company has relied upon the information set forth in the Form 13F filed with the SEC by the Sandler O'Neill Asset Management, LLC on February 12, 2009.

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

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

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

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

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

Table of Contents**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The Audit Committee separately pre-approves each of the following services, in compliance with the requirements of the Sarbanes-Oxley Act and SEC regulations, before they are rendered by the auditor: financial statement audit, attestation, preparation of tax returns and audit of 401(k) and pension plans. The Audit Committee's pre-approval procedures, in compliance with the requirements of the Sarbanes-Oxley Act and SEC regulations, allow the Company's auditors to perform certain services without specific permission from the Audit Committee, as long as these services comply with the following requirements: (a) the services consist of special projects relating to strategic tax savings initiatives, corporate tax structure engagements or merger and acquisition consulting; (b) aggregate special project services cannot exceed \$50,000 during the calendar year; and (c) the Audit Committee must be informed about each service at its next scheduled meeting. All other services provided by the Company's auditor must be separately pre-approved before they are rendered.

Description of Fees	Fiscal 2008 Amount	Fiscal 2007 Amount
Audit fees(1)	\$ 341,750	\$ 327,000
Audit-related fees(2)	13,400	51,750
Tax fees(3)	38,600	38,600
Other fees(4)		
	\$ 393,750	\$ 417,350

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

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

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

(4) includes fees for executive compensation disclosure review.

PART IV**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a)(1) *Financial Statements.*

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

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets December 31, 2008 and 2007

Consolidated Statements of Income Years Ended December 31, 2008, 2007 and 2006

Consolidated Statements of Changes in Stockholders' Equity - Years ended December 31, 2008, 2007 and 2006

Consolidated Statements of Cash Flows-Years Ended December 31, 2008, 2007, and 2006

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

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

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(3) Exhibits

- 3.1 Certificate of Incorporation of Century Bancorp, Inc., incorporated by reference previously filed with registrant's initial registration statement on Form S-1 dated May 20, 1987 (Registration No. 33-13281).
- 3.2 Bylaws of Century Bancorp, Inc., Amended October 9, 2007, incorporated by reference previously filed with the September 30, 2007 10Q.
- 4.1 Form of Common Stock Certificate of the Company, incorporated by reference previously filed with registrant's initial registration statement on Form S-1 dated May 20, 1987 (Registration No. 33-13281).
- 4.2 Century Bancorp, Inc. 401(K) Plan, incorporated by reference previously filed with the registrant's Form S-8 filed on June 25, 1997.
- 4.3 Registration Statement relating to the 8.30% Junior Subordinated Debentures issued by Century Bancorp Capital Trust, incorporated by reference previously filed with the registrant's Form S-2 filed on April 23, 1998.
- 10.1 2000 Stock Option Plan, as amended on December 30, 2005, incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 16, 2006.
- 10.2 Supplemental Executive Retirement Benefit with Marshall M. Sloane, incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 26, 2003.
- 10.3 Supplemental Executive Retirement and Insurance Plan, as amended on December 1, 2008.
- 10.4 2004 Stock Option Plan, as amended on December 30, 2005, incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 16, 2006.
- 10.6 Century Bancorp Capital Trust II Purchase Agreement dated November 30, 2004, between Century Bancorp Capital Trust II and the Company and Sandler O'Neill Partners, L.P., First Tennessee Bank National Association and Keefe, Bruyette and Woods, Inc., incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 15, 2005.
- 10.7 Century Bancorp Capital Trust II Indenture, dated December 2, 2004, between the Company and Wilmington Trust Company, incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 15, 2005.
- 10.8 Century Bancorp Capital Trust II Amended and Restated Declaration of Trust, dated December 2, 2004, between the Trustees of Century Bancorp Capital Trust II, the Administrator, the Company and Sponsors, incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 15, 2005.
- 10.9 Century Bancorp, Inc. Guarantee Agreement, dated December 2, 2004, between the Century Bancorp, Inc. and Wilmington Trust Company, incorporated by reference previously filed with the registrant's Annual Report on Form 10-K filed on March 15, 2005.
- 10.10 Consulting Services Agreement among Century Bancorp, Inc., Century Bank and Trust Company and Marshall M. Sloane dated as of April 14, 2006, incorporated by reference previously filed with an 8-K filed on April 17, 2006.
- 10.11 Consulting Services Agreement among Century Bancorp, Inc., Century Bank and Trust Company and Paul V. Cusick, Jr. dated as of June 28, 2007, incorporated by reference previously filed with an 8-K filed on June 29, 2007.
- 10.12 Purchase and Sale Agreement, dated as of August 14, 2007, with C&S Capital Properties, LLC, incorporated by reference previously filed with an 8-K filed on August 17, 2007.
- 10.13 Commercial Lease, dated as of August 14, 2007, with C&S Capital Properties, LLC, incorporated by reference previously filed with an 8-K filed on August 17, 2007.
- 14 Code of ethics, amended February 12, 2008, incorporated by reference previously filed with an 8-K filed on February 19, 2008.
- 21 Subsidiaries of the Registrant.
- 23.1 Consent of Independent Registered Public Accounting Firm.

- 31.1 Certification of Co-Chief Executive Officer of the Company Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14.

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- 31.2 Certification of Co-Chief Executive Officer of the Company Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14.
- 31.3 Certification of Chief Financial Officer of the Company Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14
- 32.1 Certification of Co-Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Co-Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.3 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

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

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

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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 10th day of March, 2009.

Century Bancorp, Inc.

By: /s/ Marshall M. Sloane

Marshall M. Sloane, Chairman

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

/s/ George R. Baldwin

George R. Baldwin, Director

/s/ Roger S. Berkowitz

Roger S. Berkowitz, Director

/s/ Marshall I. Goldman

Marshall I. Goldman, Ph.D., Director

/s/ Russell B. Higley

Russell B. Higley, Esquire, Director

/s/ Jackie Jenkins-Scott

Jackie Jenkins-Scott, Director

/s/ Linda Sloane Kay

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

/s/ Fraser Lemley, Director

Fraser Lemley, Director

/s/ Stephanie Sonnabend

Stephanie Sonnabend, Director

/s/ George F. Swansburg

George F. Swansburg, Director

/s/ Jon Westling

Jon Westling, Director

/s/ Marshall M. Sloane

Marshall M. Sloane, Chairman

/s/ Jonathan G. Sloane

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

/s/ Barry R. Sloane

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

/s/ William P. Hornby

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

/s/ Joseph Senna

Joseph Senna, Director

/s/ Anthony C. LaRosa

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