CENTURY BANCORP INC
Form 10-Q
August 08, 2011

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2011.

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

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

(Exact name of registrant as specified in its charter)

COMMONWEALTH OF MASSACHUSETTS	**04-2498617**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
400 MYSTIC AVENUE, MEDFORD, MA	**02155**
(Address of principal executive offices)	(Zip Code)

(781) 391-4000

(Registrant s telephone number, including area code)

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.

þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

þ Yes o No

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

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

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

As of July 31, 2011, the Registrant had outstanding:

Class A Common Stock, $1.00 par value	**3,543,717 Shares**
Class B Common Stock, $1.00 par value	**1,996,880 Shares**

Century Bancorp, Inc.

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Forward Looking Statements

Except for the historical information contained herein, this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended. Investors are cautioned that forward-looking statements are inherently uncertain. Actual performance and results of operations may differ materially from those projected or suggested in the forward-looking statements due to certain risks and uncertainties, including, without limitation, (i) the fact that the Company s success is dependent to a significant extent upon general economic conditions in New England, (ii) the fact that the Company s earnings depend to a great extent upon the level of net interest income (the difference between interest income earned on loans and investments and the interest expense paid on deposits and other borrowings) generated by the Bank and thus the Bank s results of operations may be adversely affected by increases or decreases in interest rates, (iii) the fact that the banking business is highly competitive and the profitability of the Company depends upon the Bank s ability to attract loans and deposits within its market area, where the Bank competes with a variety of traditional banking and other institutions such as credit unions and finance companies, and (iv) the fact that a significant portion of the Company s loan portfolio is comprised of commercial loans, exposing the Company to the risks inherent in loans 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. Accordingly, the Company s profitability may be negatively impacted by errors in risk analyses, and by loan defaults, and the ability of certain borrowers to repay such loans may be adversely affected by any downturn in general economic conditions. These factors, as well as general economic and market conditions, may materially and adversely affect the market price of shares of the Company s common stock. Because of these and other factors, past financial performance should not be considered an indicator of future performance. The forward-looking statements contained herein represent the Company s judgment as of the date of this Form 10-Q, and the Company cautions readers not to place undue reliance on such statements.

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PART I Item 1

Century Bancorp, Inc.
Consolidated Balance Sheets (unaudited)
(In thousands, except share data)

	June 30, 2011	December 31, 2010
Assets		
Cash and due from banks	$ 40,523	$ 37,215
Federal funds sold and interest-bearing deposits in other banks	126,808	151,337
Total cash and cash equivalents	167,331	188,552
Short-term investments	94,091	113,918
Securities available-for-sale, amortized cost $1,066,255 and $903,556, respectively	1,077,478	909,391
Securities held-to-maturity, fair value $200,742 and $233,524, respectively	196,392	230,116
Federal Home Loan Bank of Boston stock, at cost	15,531	15,531
Loans, net:		
Commercial and industrial	88,619	90,654
Construction and land development	55,572	53,583
Commercial real estate	470,041	433,337
Residential real estate	232,235	207,787
Home equity	110,001	114,209
Consumer and other	6,560	6,594
Total loans, net	963,028	906,164
Less: allowance for loan losses	15,915	14,053
Net loans	947,113	892,111
Bank premises and equipment	21,723	21,228
Accrued interest receivable	7,054	6,601
Goodwill	2,714	2,714
Core deposit intangible	314	508
Other assets	68,188	61,014
Total assets	$ 2,597,929	$ 2,441,684
Liabilities		
Deposits:		
Demand deposits	$ 323,868	$ 322,002

Savings and NOW deposits	654,670	649,402
Money market accounts	570,338	513,359
Time deposits	507,330	417,260
Total deposits	2,056,206	1,902,023
Securities sold under agreements to repurchase	108,930	108,550
Other borrowed funds	213,143	222,118
Subordinated debentures	36,083	36,083
Other liabilities	28,225	27,885
Total liabilities	2,442,587	2,296,659
Stockholders Equity		
Preferred stock $1.00 par value; 100,000 shares authorized; no shares issued and outstanding		
Class A common stock, $1.00 par value per share; authorized 10,000,000 shares; issued 3,543,717 shares and 3,528,867 shares, respectively	3,544	3,529
Class B common stock, $1.00 par value per share; authorized 5,000,000 shares; issued 1,996,880 and 2,011,380 shares, respectively	1,997	2,011
Additional paid-in capital	11,542	11,537
Retained earnings	138,357	131,526
	155,440	148,603
Unrealized gains on securities available-for-sale, net of taxes	6,883	3,593
Pension liability, net of taxes	(6,981)	(7,171)
Total accumulated other comprehensive loss, net of taxes	(98)	(3,578)
Total stockholders equity	155,342	145,025
Total liabilities and stockholders equity	$ 2,597,929	$ 2,441,684

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Consolidated Statements of Income (unaudited)
(In thousands, except share data)

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
Interest income				
Loans	$ 12,012	$ 12,068	$ 24,117	$ 24,180
Securities held-to-maturity	1,518	1,875	3,291	3,860
Securities available-for-sale	5,709	4,979	11,062	10,012
Federal funds sold and interest-bearing deposits in other banks	358	403	705	781
Total interest income	19,597	19,325	39,175	38,833
Interest expense				
Savings and NOW deposits	719	1,093	1,431	2,314
Money market accounts	777	1,089	1,482	2,313
Time deposits	2,494	1,876	4,773	3,584
Securities sold under agreements to repurchase	98	131	208	350
Other borrowed funds and subordinated debentures	1,994	1,994	3,839	4,405
Total interest expense	6,082	6,183	11,733	12,966
Net interest income	13,515	13,142	27,442	25,867
Provision for loan losses	1,200	1,450	2,400	3,025
Net interest income after provision for loan losses	12,315	11,692	25,042	22,842
Other operating income				
Service charges on deposit accounts	1,936	1,952	3,823	3,875
Lockbox fees	734	748	1,471	1,448
Net gain on sales of investments	198	649	362	1,027
Other income	973	756	1,720	2,014
Total other operating income	3,841	4,105	7,376	8,364
Operating expenses				
Salaries and employee benefits	7,250	7,850	14,591	14,775
Occupancy	975	998	2,226	2,066

Equipment	534	533	1,092	1,083
FDIC assessments	464	740	1,199	1,390
Other	2,552	2,477	4,877	4,850
Total operating expenses	11,775	12,598	23,985	24,164
Income before income taxes	4,381	3,199	8,433	7,042
Provision for income taxes	184	238	511	659
Net income	$ 4,197	$ 2,961	$ 7,922	$ 6,383
Share data:				
Weighted average number of shares outstanding, basic	5,540,597	5,530,297	5,540,590	5,530,297
Weighted average number of shares outstanding, diluted	5,541,595	5,532,980	5,541,743	5,533,025
Net income per share, basic	$ 0.76	$ 0.54	$ 1.43	$ 1.15
Net income per share, diluted	$ 0.76	$ 0.54	$ 1.43	$ 1.15
Cash dividends paid:				
Class A common stock	$ 0.12	$ 0.12	$ 0.24	$ 0.24
Class B common stock	$ 0.06	$ 0.06	$ 0.12	$ 0.12

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Consolidated Statements of Changes in Stockholders Equity (unaudited)
For the Six Months Ended June 30, 2011 and 2010

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
				(In thousands)		
Balance at December 31, 2009	$ 3,516	$ 2,014	$ 11,376	$ 120,125	$ (4,301)	$ 132,730
Net income				6,383		6,383
Other comprehensive income, net of tax:						
Unrealized holding losses arising during period, net of $1,527 in taxes and $378 in realized net gains					4,762	4,762
Pension liability adjustment, net of $81 in taxes					244	244
Comprehensive income						11,389
Conversion of class B common stock to class A common stock, 3,150 shares	3	(3)				
Cash dividends paid, Class A common stock, $.24 per share				(844)		(844)
Cash dividends paid, Class B common stock, $.12 per share				(241)		(241)
Balance at June 30, 2010	$ 3,519	$ 2,011	$ 11,376	$ 125,423	$ 705	$ 143,034
Balance at December 31, 2010	$ 3,529	$ 2,011	$ 11,537	$ 131,526	$ (3,578)	$ 145,025
Net income				7,922		7,922
Other comprehensive income, net of tax:						
Unrealized holding gains arising during period, net of $2,098 in taxes and					3,290	3,290

$362 in realized net gains						
Pension liability adjustment, net of $126 in taxes					190	190
Comprehensive income						11,402
Conversion of class B common stock to class A common stock, 14,500 shares	14	(14)				
Stock options exercised, 350 shares	1		5			6
Cash dividends paid, Class A common stock, $.24 per share				(850)		(850)
Cash dividends paid, Class B common stock, $.12 per share				(241)		(241)
Balance at June 30, 2011	$ 3,544	$ 1,997	$ 11,542	$ 138,357	$ (98)	$ 155,342

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.
Consolidated Statements of Cash Flows (unaudited)
(In thousands)

	Six months ended June 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 7,922	$ 6,383
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gain on sales of investments	(362)	(1,027)
Net gain on sale of loans	(95)	
Provision for loan losses	2,400	3,025
Deferred income taxes	(875)	(1,050)
Net depreciation and amortization	2,626	2,487
(Increase) decrease in accrued interest receivable	(453)	30
Increase in other assets	(8,572)	(5,889)
Increase (decrease) in other liabilities	235	(314)
Net cash provided by operating activities	2,826	3,645
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of short-term investments	41,192	43,518
Purchase of short-term investments	(21,365)	(165,999)
Proceeds from maturities of securities available-for-sale	250,729	322,556
Proceeds from sales of securities available-for-sale	20,516	34,625
Purchase of securities available-for-sale	(434,375)	(452,239)
Proceeds from maturities of securities held-to-maturity	33,546	101,982
Purchase of securities held-to-maturity		(63,342)
Proceeds from sales of loans	7,318	
Net (increase) decrease in loans	(64,601)	7,753
Capital expenditures	(1,510)	(1,541)
Net cash used in investing activities	(168,550)	(172,687)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in time deposits	90,070	63,912
Net increase in demand, savings, money market and NOW deposits	64,113	62,537
Net proceeds from exercise of stock options	6	
Cash dividends	(1,091)	(1,085)
Net increase in securities sold under agreements to repurchase	380	5,335
Net decrease in other borrowed funds	(8,975)	(4,030)
Net cash provided by financing activities	144,503	126,669
Net decrease in cash and cash equivalents	(21,221)	(42,373)
Cash and cash equivalents at beginning of period	188,552	398,642

Cash and cash equivalents at end of period	$ 167,331	$ 356,269
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 11,704	$ 13,126
Income taxes	1,785	2,532
Change in unrealized gains on securities available-for-sale, net of taxes	3,290	4,762
Pension liability adjustment, net of taxes	190	244

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.
Notes to Unaudited Consolidated Interim Financial Statements
Six Months Ended June 30, 2011 and 2010

Note 1. 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); and Century Subsidiary Investments, Inc. III (CSII III). CSII, CSII II, CSII III are engaged in buying, selling and holding investment securities. 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 consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and to general practices within the banking industry. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial statements, primarily consisting of normal recurring adjustments, have been included. 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. The Company s Quarterly report on Form 10-Q should be read in conjunction with the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as filed with the Securities and Exchange Commission.

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.

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Whenever necessary prior period amounts were reclassified to conform with the current period presentation.

Note 2. Recent Market Developments

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

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

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the EESA) was signed into law. The EESA authorizes the U.S. Treasury to, among other things, purchase up to $750 billion of mortgages, mortgage-backed securities, and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets.

On October 14, 2008, the U.S. Treasury announced that it would purchase equity stakes in a wide variety of banks and thrifts. Under this program, known as the Troubled Assets Relief Program Capital Purchase Program (the TARP Capital Purchase Program), the U.S. Treasury made $250 billion of capital available (from the $750 billion authorized by the EESA) to U.S. financial institutions in the form of preferred stock. In conjunction with the purchase of preferred stock, the U.S. Treasury received warrants to purchase common stock with an aggregate market price equal to 15% of the preferred investment. Participating financial institutions were required to adopt the U. S. Treasury s standards for executive compensation, dividend restrictions and corporate governance for the period during which the Treasury holds equity issued under the TARP Capital Purchase Program. The U.S. Treasury also announced that nine large financial institutions had already agreed to participate in the TARP Capital Purchase Program. Subsequently, a number of smaller institutions had participated in the TARP Capital Purchase Program. On December 18, 2008, the Company announced in a press release, it had received preliminary approval from the U.S. Treasury to participate in the TARP Capital Purchase Program, in an amount up to $30 million in the form of Century Bancorp, Inc. preferred stock and warrants to purchase Class A common stock. In light of uncertainty surrounding additional restrictions that may be imposed on participants under pending legislation, the Company, on January 14, 2009, informed the U.S. Treasury that it would not be closing on the transaction on January 16, 2009, as originally scheduled. The Company subsequently withdrew its application.

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

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

On September 29, 2009, the FDIC adopted a Notice of Proposed Rulemaking (NPR) that would require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The FDIC Board voted to adopt a uniform three-basis point increase in assessment rates effective on January 1, 2011, and extend the restoration period from seven to eight years. This rule was finalized on November 2, 2009. As a result, the Company is carrying a prepaid asset of $5.1 million as of June 30, 2011. The Company s quarterly risk-based deposit insurance assessments will be paid from this amount until the amount is exhausted or until December 30, 2014, when any amount remaining would be returned to the Company.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act became law. The Act was intended to address many issues arising in the recent financial crisis and is exceedingly broad in scope affecting many aspects of bank and financial market regulation. The Act requires, or permits by implementing regulation, enhanced prudential standards for banks and bank holding companies inclusive of capital, leverage, liquidity, concentration and exposure measures. In addition, traditional bank regulatory principles such as restrictions on transactions with affiliates and insiders were enhanced. The Act also contains reforms of consumer mortgage lending practices and creates a Bureau of Consumer Financial Protection which is granted broad authority over consumer financial practices of banks and others. It is expected as the specific new or incremental requirements applicable to the company become effective that the costs and difficulties of remaining compliant with all such requirements will increase. The Act broadens the base for FDIC assessments to average consolidated assets less tangible equity of financial institutions and also permanently raises the current standard maximum FDIC deposit insurance amount to $250,000. The Act extends unlimited deposit insurance on non-interest bearing transaction accounts through December 31, 2013.

Note 3. Stock Option Accounting

Stock option activity under the Company s stock option plan for the six months ended June 30, 2011 is as follows:

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	Amount	Weighted Average Exercise Price
Shares under option:		
Outstanding at beginning of year	38,712	$ 28.36
Exercised	(350)	15.06
Cancelled	(200)	15.06
Outstanding at end of period	38,162	$ 28.55
Exercisable at end of period	38,162	$ 28.55
Available to be granted at end of period	223,084	

On June 30, 2011, the outstanding options to purchase 38,162 shares of Class A common stock have exercise prices between $22.50 and $35.01, with a weighted average exercise price of $28.55 and a weighted average remaining contractual life of 2.3 years. The intrinsic value of options exercisable at June 30, 2011 had an aggregate value of $31,728. The intrinsic value of options exercised at June 30, 2011 had an aggregate value of $4,085.

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 the first six months of 2011.

Note 4. Securities Available-for-Sale

	June 30, 2011				December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)							
U.S. Treasury	**$ 1,998**	**$ 9**	**$**	**$ 2,007**	$ 2,000	$ 5	$	$ 2,005
U.S. Government Sponsored Enterprises	**324,771**	**518**	**288**	**325,001**	175,842	386	565	175,663
Small Business Administration	**9,165**	**39**		**9,204**	9,735	1	4	9,732
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	**700,549**	**13,221**	**2,030**	**711,740**	674,481	11,842	5,425	680,898
Privately Issued Residential Mortgage Backed Securities	**3,869**		**136**	**3,733**	4,247		279	3,968
Privately Issued Commercial Mortgage Backed Securities	**81**			**81**	285	2		287

Obligations Issued by States and Political Subdivisions	**23,127**	**97**	**288**	**22,936**	34,271	98	295	34,074
Other Debt Securities	**2,300**		**45**	**2,255**	2,300		47	2,253
Equity Securities	**395**	**126**		**521**	395	116		511
Total	**$ 1,066,255**	**$ 14,010**	**$ 2,787**	**$ 1,077,478**	$ 903,556	$ 12,450	$ 6,615	$ 909,391

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 $396,911,000 and $363,240,000 at June 30, 2011 and December 31, 2010, respectively. Also included in securities available-for-sale are securities pledged for borrowing at the Federal Home Loan Bank amounting to $390,480,000 and $124,189,000 at June 30, 2011 and December 31, 2010, respectively. The Company realized gross gains of $362,000 from the proceeds of $20,516,000 from the sales of available-for-sale securities for the six months ended June 30, 2011. The Company realized gross gains of $1,027,000 from the proceeds of $34,625,000 from the sales of available-for-sale securities for the six months ended June 30, 2010.

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The following table shows the maturity distribution of the Company s securities available-for-sale at June 30, 2011.

	Amortized Cost	Fair Value
	(In thousands)	
Within one year	**$ 42,434**	**$ 43,130**
After one but within five years	**776,797**	**787,257**
After five but within ten years	**228,010**	**228,236**
More than 10 years	**17,119**	**16,879**
Non-maturing	**1,895**	**1,976**
Total	**$ 1,066,255**	**$ 1,077,478**

The weighted average remaining life of investment securities available-for-sale at June 30, 2011 was 4.4 years. Included in the weighted average remaining life calculation at June 30, 2011 was $324,771,000 of U.S. Government Sponsored Enterprises 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.

As of June 30, 2011 and December 31, 2010, management concluded that the unrealized losses of its investment securities are temporary in nature since they are not related to the underlying credit quality of the issuers, and the Company does not intend to sell these debt securities and it is not likely that it will be required to sell these debt securities before the anticipated recovery of its remaining amortized cost. In making its other-than-temporary impairment evaluation, the Company considered the fact that the principal and interest on these securities are from issuers that are investment grade.

The unrealized loss on U.S. Government Sponsored Enterprises and U.S. Government Sponsored Enterprises Mortgage Backed Securities related primarily to interest rates and not credit quality and because the Company has the ability and intent to hold these investments until recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired. The change in the unrealized losses on the state and municipal securities and the nonagency mortgage-backed securities were primarily 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 rating of the obligor and the issuer, if applicable. Internal reviews of issuer financial statements are performed as deemed necessary. In the case of privately issued mortgage-backed securities, the performance of the underlying loans is analyzed as deemed necessary to determine the estimated future cash flows of the securities. Factors considered include the level of subordination, current and estimated future default rates, current and estimated prepayment rates, estimated loss severity rates, geographic concentrations and origination dates of underlying loans. In the case of marketable equity securities, the severity of the unrealized loss, the length of time the unrealized loss has existed, and the issuer s financial performance are considered.

The following table shows the temporarily impaired securities of the Company s available-for-sale portfolio at June 30, 2011. 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 40 and 5 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 380 holdings at June 30, 2011.

	June 30, 2011					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Temporarily Impaired Investments						
U.S. Government Sponsored Enterprises	**$ 103,547**	**$ 288**	**$**	**$**	**$ 103,547**	**$ 288**
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	**122,108**	**2,030**			**122,108**	**2,030**
Privately Issued Residential Mortgage Backed Securities	**1,393**	**14**	**2,341**	**122**	**3,734**	**136**
Obligations Issued by States and Political Subdivisions	**4,108**	**2**	**4,393**	**286**	**8,501**	**288**
Other Debt Securities			**1,455**	**45**	**1,455**	**45**
Total temporarily impaired securities	**$ 231,156**	**$ 2,334**	**$ 8,189**	**$ 453**	**$ 239,345**	**$ 2,787**

The following table shows the temporarily impaired securities of the Company s available-for-sale portfolio at December 31, 2010. This table shows the unrealized market loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 59 and 5 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 345 holdings at December 31, 2010.

	December 31, 2010					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Temporarily Impaired Investments						
U.S. Government Sponsored Enterprises	$ 74,290	$ 565	$	$	$ 74,290	$ 565
SBA Backed Securities	2,246	4			2,246	4
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	191,155	5,425			191,155	5,425
Privately Issued Residential Mortgage Backed Securities	1,503	52	2,465	227	3,968	279
Obligations Issued by States and Political	9,257	11	4,393	284	13,650	295

Subdivisions						
Other Debt Securities			1,454	47	1,454	47
Equity Securities						
Total temporarily impaired securities	$ 278,451	$ 6,057	$ 8,312	$ 558	$ 286,763	$ 6,615

Note 5. Investment Securities Held-to-Maturity

	June 30, 2011				December 31, 2010			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)							
U.S. Government Sponsored Enterprises	**$ 69,527**	**$ 65**	**$ 94**	**$ 69,498**	$ 84,534	$ 148	$ 488	$ 84,194
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	**126,865**	**4,865**	**486**	**131,244**	145,582	5,246	1,498	149,330
Total	**$ 196,392**	**$ 4,930**	**$ 580**	**$ 200,742**	$ 230,116	$ 5,394	$ 1,986	$ 233,524

Included in U.S. Government and Agency Securities are securities pledged to secure public deposits and repurchase agreements at fair value amounting to $9,368,000 and $10,000,000 at June 30, 2011 and December 31, 2010, respectively. Also included are securities pledged for borrowing at the Federal Home Loan Bank of Boston at fair

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value amounting to $64,469,000 and $79,844,000 at June 30, 2011 and December 31, 2010, respectively.
At June 30, 2011 and December 31, 2010, all mortgage-backed securities are obligations of U.S. Government Agencies and Government Sponsored Enterprises. Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and Freddie Mac.
The following table shows the maturity distribution of the Company s securities held-to-maturity at June 30, 2011.

	Amortized Cost	**Fair Value**
	(In thousands)	
Within one year	**$ 5,435**	**$ 5,550**
After one but within five years	**101,194**	**105,906**
After five but within ten years	**89,473**	**88,993**
More than ten years	**290**	**293**
Total	**$ 196,392**	**$ 200,742**

The weighted average remaining life of investment securities held-to-maturity at June 30, 2011 was 5.1 years. Included in the weighted average remaining life calculation at June 30, 2011 were $69,527,000 of U.S. Government Sponsored Enterprises obligations that are callable at the discretion of the issuer. The actual maturities, which were used in the table above, of mortgage-backed securities, will differ from the contractual maturities, due to the ability of the issuers to prepay underlying obligations.
The following table shows the temporarily impaired securities of the Company s held-to-maturity portfolio at June 30, 2011. 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 0 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 98 holdings at June 30, 2011.

			June 30, 2011			
	Less Than 12 Months		**12 Months or Longer**		**Total**	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
			(Dollars in thousands)			
Temporarily Impaired Investments						
U.S. Government Sponsored Enterprises	**$ 9,897**	**$ 94**	**$**	**$**	**$ 9,897**	**$ 94**
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	**24,514**	**486**			**24,514**	**486**
Total temporarily impaired securities	**$ 34,411**	**$ 580**	**$**	**$**	**$ 34,411**	**$ 580**

As of June 30, 2011 and December 31, 2010, management concluded that the unrealized losses of its investment securities are temporary in nature since they are not related to the underlying credit quality of the issuers, and the Company does not intend to sell these debt securities and it is not likely that it will be required to sell these debt securities before the anticipated recovery of its remaining amortized cost. In making its other-than-temporary impairment evaluation, the Company considered the fact that the principal and interest on 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 rating of the obligor and the issuer, if applicable. Internal reviews of issuer financial statements are performed as deemed necessary.

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The unrealized loss on U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities related primarily to interest rates and not credit quality, and because the Company does not intend to sell any of these securities and it is not likely that it will be required to sell these securities before the anticipated recovery of the remaining amortized cost, the Company does not consider these investments to be other-than-temporarily impaired. The following table shows the temporarily impaired securities of the Company s held-to-maturity portfolio at December 31, 2010. This table shows the unrealized market loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 11 and 0 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 101 holdings at December 31, 2010.

	December 31, 2010					
	Less Than 12 Months		12 Months or Longer		Total	
Temporarily Impaired Investments	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government Sponsored Enterprises	$ 29,491	$ 488	$	$	$ 29,491	$ 488
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	37,628	1,498			37,628	1,498
Total temporarily impaired securities	$ 67,119	$ 1,986	$	$	$ 67,119	$ 1,986

Note 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 periods indicated.

	Three months ended June 30,		**Six months ended June 30,**	
	2011	**2010**	**2011**	**2010**
	(In thousands)			
Allowance for loan losses, beginning of period	**$ 14,958**	$ 13,229	**$ 14,053**	$ 12,373
Loans charged off	**(380)**	(451)	**(969)**	(1,283)
Recoveries on loans previously charged-off	**137**	122	**431**	235
Net charge-offs	**(243)**	(329)	**(538)**	(1,048)
Provision charged to expense	**1,200**	1,450	**2,400**	3,025
Allowance for loan losses, end of period	**$ 15,915**	$ 14,350	**$ 15,915**	$ 14,350

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Further information pertaining to the allowance for loan losses for three months ending June 30, 2011 follows:

	Construction and Land Development	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer	Home Equity	Unallocated	Total
	(Dollars in thousands)							
Allowance for loan losses:								
Balance at March 31, 2011	$ 1,978	$ 3,632	$ 6,021	$ 1,801	$ 286	$ 707	$ 533	$ 14,958
Charge-offs		(228)		(1)	(150)	(1)		(380)
Recoveries		30			107			137
Provision	594	141	300	(55)	48	69	103	1,200
Balance at June 30, 2011	$ 2,572	$ 3,575	$ 6,321	$ 1,745	$ 291	$ 775	$ 636	$ 15,915

Further information pertaining to the allowance for loan losses for six months ending June 30, 2011 follows:

	Construction and Land Development	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer	Home Equity	Unallocated	Total
	(Dollars in thousands)							
Allowance for loan losses:								
Balance at December 31, 2010	$ 1,752	$ 3,163	$ 5,671	$ 1,718	$ 298	$ 725	$ 726	$ 14,053
Charge-offs		(385)		(281)	(303)	(1)		(969)
Recoveries		175		14	242			431
Provision	820	621	650	294	55	51	(90)	2,400
Balance at June 30, 2011	$ 2,572	$ 3,574	$ 6,321	$ 1,745	$ 292	$ 775	$ 636	$ 15,915
Amount of allowance for loan losses for loans deemed to be impaired	$ 303	$ 770	$ 394	$ 3	$	$	$	1,470
Amount of allowance for loan losses for loans not	$ 2,269	$ 2,804	$ 5,927	$ 1,742	$ 292	$ 775	$ 636	$ 14,445

deemed to be impaired								
Loans:								
Ending balance	**$ 55,572**	**$ 88,619**	**$ 470,041**	**$ 232,235**	**$ 6,560**	**$ 110,001**	**$**	**$ 963,028**
Loans deemed to be impaired	**$ 4,000**	**$ 1,861**	**$ 7,867**	**$ 33**	**$**	**$**	**$**	**$ 13,800**
Loans not deemed to be impaired	**$ 51,572**	**$ 86,758**	**$ 462,174**	**$ 232,202**	**$ 6,560**	**$ 110,001**	**$**	**$ 949,228**

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

	Construction and Land Development	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer	Home Equity	Unallocated	Total
				(Dollars in thousands)				
Allowance for loan losses:								
Balance at December 31, 2009	$ 362	$ 4,972	$ 2,983	$ 1,304	$ 1,753	$ 761	$ 238	$ 12,373
Charge-offs	(900)	(1,559)	(922)	(515)	(495)	(52)		(4,443)
Recoveries		172		8	368			548
Provision	2,290	(422)	3,610	921	(1,328)	16	488	5,575
Balance at December 31, 2010	$ 1,752	$ 3,163	$ 5,671	$ 1,718	$ 298	$ 725	$ 726	$ 14,053
Amount of allowance for loan losses for loans deemed to be impaired	$	$ 292	$ 25	$	$	$	$	$ 317
Amount of allowance for loan losses for loans not deemed to be impaired	$ 1,752	$ 2,871	$ 5,646	$ 1,718	$ 298	$ 725	$ 726	$ 13,736
Loans:								
Ending balance	$ 53,583	$ 90,654	$ 433,337	$ 207,787	$ 6,594	$ 114,209	$	$ 906,164
Loans deemed to be impaired	$ 4,000	$ 1,471	$ 2,492	$	$	$	$	$ 7,963
Loans not deemed to be impaired	$ 49,583	$ 89,183	$ 430,845	$ 207,787	$ 6,594	$ 114,209	$	$ 898,201

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

Loans rated 1-3:

Loans in this category are considered pass rated loans with low to average risk.

Loans rated monitor 4:

Monitor 4 loans represent classified loans that management is closely monitoring for credit quality. These loans have had or may have minor credit quality deterioration as of June 30, 2011 and December 31, 2010.

Loans rated substandard 5:

Substandard 5 loans represent classified loans that management is closely monitoring for credit quality. These loans have had more significant credit quality deterioration as of June 30, 2011 and December 31, 2010.

Loans rated doubtful 6:

Doubtful 6 loans represent classified loans that management is closely monitoring for credit quality. These loans had more significant credit quality deterioration as of June 30, 2011 and are doubtful for full collection.

Impaired:

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

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The following table presents the Company s loans by risk rating at June 30, 2011.

	Construction and Land Development	Commercial and Industrial	Commercial Real Estate
		(Dollars in thousands)	
Grade:			
1-3	**$ 44,546**	**$ 86,244**	**$ 458,179**
Monitor 4	**6,987**	**514**	**3,995**
Substandard 5			
Doubtful 6			
Impaired	**4,039**	**1,861**	**7,867**
Total	**$ 55,572**	**$ 88,619**	**$ 470,041**

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

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

The Company utilized payment performance as credit quality indicators for residential real estate, consumer and overdrafts, and the home equity portfolio. The indicators are depicted in the table aging of past due loans, below. Further information pertaining to the allowance for loan losses at June 30, 2011 follows:

	Accruing 30-89 Days Past Due	Non Accrual	Accrual Greater Than 90 Days	Total Past Due	Current Loans	Total
			(Dollars in thousands)			
Construction and land development	**$**	**$ 4,000**	**$**	**$ 4,000**	**$ 51,572**	**$ 55,572**
Commercial and industrial	**881**	**1,284**	**30**	**2,195**	**86,424**	**88,619**
Commercial real estate	**4,214**	**4,597**	**516**	**9,327**	**460,714**	**470,041**

Residential real estate	**3,120**	**2,384**		**5,504**	**226,731**	**232,235**
Consumer and overdrafts	**9**	**47**		**56**	**6,504**	**6,560**
Home equity	**1,183**	**2**		**1,185**	**108,816**	**110,001**
Total	**$ 9,406**	**$ 12,314**	**$ 546**	**$ 22,267**	**$ 940,761**	**$ 963,028**

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

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	Accruing 30-89 Days Past Due	Non Accrual	Accrual Greater Than 90 Days	Total Past Due	Current Loans	Total
			(Dollars in thousands)			
Construction and land development	$	$ 4,000	$	$ 4,000	$ 49,583	$ 53,583
Commercial and industrial	912	569	50	1,531	89,123	90,654
Commercial real estate	1,737	784		2,521	430,816	433,337
Residential real estate	4,172	2,487		6,659	201,128	207,787
Consumer and overdrafts	8	4		12	6,582	6,594
Home equity	574	224		798	113,411	114,209
Total	$ 7,403	$ 8,068	$ 50	$ 15,521	$ 890,643	$ 906,164

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is impaired, The Company measures impairment based on the present value of expected future cash flows discounted at the loan s effective interest rate, except that as a practical expedient, the Company measures impairment based on a loan s observable market price, or the fair value of the collateral if the loan is collateral dependent. The Company s policy for recognizing interest income on impaired loans is contained within Note 1 of the consolidated financial statements. The following is information pertaining to impaired loans for June 30, 2011:

	Carrying Value	Unpaid Principal Balance	Required Reserve	Average Carrying Value For 3 Months Ending 6/30/11	Average Carrying Value For 6 Months Ending 6/30/11	Interest Income Recognized for 3 Months Ending 6/30/11	Interest Income Recognized for 6 Months Ending 6/30/11
				(Dollars in thousands)			
With no required reserve recorded:							
Construction and land development	$ 1,800	$ 3,292	$	$ 3,450	$ 3,686	$	$
Commercial and industrial	324	725		337	407		
Commercial real estate	190	203		191	427		
Residential real estate							

Consumer							
Home equity							
Total	**$ 2,314**	**$ 4,220**	**$**	**$ 3,978**	**$ 4,520**	**$**	**$**
With required reserve recorded:							
Construction and land development	**2,239**	**$ 5,251**	**$ 303**	**$ 560**	**$ 320**	**$**	**$**
Commercial and industrial	**1,537**	**1,551**	**770**	**1,189**	**956**	**3**	**6**
Commercial real estate	**7,677**	**7,809**	**394**	**6,305**	**4,695**	**21**	**33**
Residential real estate	**33**	**33**	**3**	**34**	**19**	**1**	**1**
Consumer							
Home equity							
Total	**$ 11,486**	**$ 14,644**	**$ 1,470**	**$ 8,088**	**$ 5,990**	**$ 25**	**$ 40**
Total							
Construction and land development	**$ 4,039**	**$ 8,543**	**$ 303**	**$ 4,010**	**$ 4,006**	**$**	**$**
Commercial and industrial	**1,861**	**2,276**	**770**	**1,526**	**1,362**	**3**	**6**
Commercial real estate	**7,867**	**8,012**	**394**	**6,496**	**5,123**	**21**	**33**
Residential real estate	**33**	**33**	**3**	**34**	**19**	**1**	**1**
Consumer							
Home equity							
Total	**$ 13,800**	**$ 18,864**	**$ 1,470**	**$ 12,066**	**$ 10,510**	**$ 25**	**$ 40**

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

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

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Troubled Debt Restructuring at June 30, 2011

	Number of Contracts		Pre-modification O/S Recorded Investment		Post-modification O/S Recorded Investment
Construction and land development	**1**	**$**	**39**	**$**	**39**
Commercial and industrial	**11**		**671**		**611**
Commercial real estate	**5**		**3,323**		**3,271**
Residential real estate	**0**				
Consumer	**0**				
Home equity	**0**				
Total	**17**	**$**	**4,033**	**$**	**3,921**

Troubled Debt Restructurings at June 30, 2011 That Subsequently Defaulted

	Number of Contracts		Recorded Investment
Construction and land development	**0**	**$**	
Commercial and industrial	**2**		**160**
Commercial real estate	**0**		
Residential real estate	**0**		
Consumer	**0**		
Home equity	**0**		
Total	**2**	**$**	**160**

TDR s were identified as a modification where a concession was granted to a customer who is having financial difficulties. This concession may be below market rate, longer amortization/term, and a lower payment amount. The present value calculation of the modification did not result in an increase in the reserve for these loans. The loans were modified, for both the commercial and industrial real estate loans, by reducing interest rates as well as extending terms on the loans. The financial impact of the modifications for performing commercial and industrial loans were $59,669 reduction in principal and an additional $4,515 in interest payments for the six months ended June 30, 2011. The financial impact of the modifications for performing commercial real estate loans were $51,808 and $81,249 reduction in principal and interest, respectively, for the six months ended June 30, 2011.

Note 7. Employee Benefits

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 and its subsidiaries who have at least one year of

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service may participate in the Supplemental Plan. The Supplemental Plan is voluntary and participants are required to contribute to its cost. Life insurance policies, which are owned by the Company, are purchased covering the lives of each participant.

Components of Net Periodic Benefit Cost for the Three Months Ended June 30,

	Pension Benefits		Supplemental Insurance/ Retirement Plan	
	2011	**2010**	**2011**	**2010**
	(In thousands)			
Service cost	**$ 211**	$ 213	**$ 170**	$ 147
Interest	**355**	333	**233**	233
Expected return on plan assets	**(399)**	(342)		
Recognized prior service cost (benefit)	**(26)**	(26)	**28**	27
Recognized net actuarial losses	**123**	159	**32**	43
Net periodic benefit cost	**$ 264**	$ 337	**$ 463**	$ 450

Components of Net Periodic Benefit Cost for the Six Months Ended June 30,

	Pension Benefits		Supplemental Insurance/ Retirement Plan	
	2011	**2010**	**2011**	**2010**
	(In thousands)			
Service cost	**$ 422**	$ 426	**$ 340**	$ 294
Interest	**710**	667	**466**	466
Expected return on plan assets	**(798)**	(684)		
Recognized prior service cost (benefit)	**(52)**	(52)	**56**	55
Recognized net actuarial losses	**247**	317	**65**	86
Net periodic benefit cost	**$ 529**	$ 674	**$ 927**	$ 901

Contributions

The Company previously disclosed in its financial statements for the year ended December 31, 2010 that it expected to contribute $1,275,000 to the Pension Plan in 2011. As of June 30, 2011, $637,500 of the contribution had been made. The Company expects to contribute an additional $637,500 by the end of the year.

Note 8. Fair Value Measurements

The Company follows FASB ASC 820-10, *Fair Value Measurements and Disclosures*, (formerly SFAS 157, Fair Value Measurements,) which among other things, requires enhanced disclosures about assets and liabilities carried at fair value. ASC 820-10 establishes a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring financial instruments at fair value. The three broad levels of the hierarchy are as follows:

Level I Quoted prices are available in active markets for identical assets or liabilities as of the reported date. The type of financial instruments included in Level I are highly

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liquid cash instruments with quoted prices such as G-7 government, agency securities, listed equities and money market securities, as well as listed derivative instruments.

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

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

The results of the fair value hierarchy as of June 30, 2011 are as follows:

Financial Instruments Measured at Fair Value on a Recurring Basis:

	Securities AFS 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)
	(In thousands)			
U.S. Treasury	**$ 2,007**	**$**	**$ 2,007**	**$**
U.S. Government Sponsored Enterprises	**325,001**		**325,001**	
SBA Backed Securities	**9,204**		**9,204**	
U.S. Government Agency and Sponsored Mortgage Backed Securities	**711,739**		**711,740**	
Privately Issued Residential Mortgage Backed Securities	**3,734**		**3,733**	
Privately Issued Commercial Mortgage Backed Securities	**81**		**81**	
Obligations Issued by States and Political Subdivisions	**22,936**		**3,524**	**19,412**
Other Debt Securities	**2,255**		**2,255**	
Equity Securities	**521**	**242**		**279**
Total	**$ 1,077,478**	**$ 242**	**$ 1,057,545**	**$ 19,691**

Financial Instruments Measured at Fair Value on a Non-recurring Basis:

Impaired Loans	**9,366**	**9,366**

Impaired loan balances 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. Specific provisions relate to impaired

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loans recognized for the three and six-month periods ended June 30, 2011 amounted to $325,000 and $1.1 million, respectively. The Company uses appraisals, discounted as appropriate, based on management s observations of the local real estate market for loans in this category.

There were no transfers of financial instruments to or from Level 1 and Level 2 classifications.

The changes in Level 3 securities for the six-month period ended June 30, 2011 are shown in the table below:

	Auction Rate Securities	Obligations Issued by States & Political Subdivisions	Equity Securities	Total
		(In thousands)		
Balance at December 31, 2010	**$ 4,393**	**$ 15,988**	**$ 279**	**$ 20,660**
Purchases		**10,321**		**10,321**
Maturities and calls		**(11,288)**		**(11,288)**
Amortization		**(2)**		**(2)**
Balance at June 30, 2011	**$ 4,393**	**$ 15,019**	**$ 279**	**$ 19,691**

The amortized cost of Level 3 securities was $19,978,000 at June 30, 2011 with an unrealized loss of $287,000. The securities in this category are generally equity investments, municipal securities with no readily determinable fair value or failed auction rate securities. Management evaluated the fair value of these securities based on an evaluation of the underlying issuer, prevailing rates and market liquidity.

The changes in Level 3 securities for the year ended June 30, 2010, are shown in the table below:

	Auction Rate Securities	Obligations Issued by States & Political Subdivisions	Equity Securities	Total
		(In thousands)		
Balance at December 31, 2009	$ 7,820	$ 5,623	$ 234	$ 13,677
Purchases		16,857		16,857
Maturities	(3,427)	(5,910)	(19)	(9,356)
Balance at June 30, 2010	$ 4,393	$ 16,570	$ 215	$ 21,178

The amortized cost of Level 3 securities was $21,458,000 at June 30, 2010 with an unrealized loss of $280,000. The securities in this category are generally equity investments, municipal securities with no readily determinable fair value or failed auction rate securities. Management evaluated the fair value of these securities based on an evaluation of the underlying issuer, prevailing rates and market liquidity.

Note 9. 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

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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 majority of the Company s securities AFS are classified as Level 2. 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.

Securities available-for-sale totaling $19.7 million, or 0.76% of assets are classified as Level 3. These securities are generally failed auction rate securities, equity investments or obligations of states and political subdivisions with no readily determinable fair value. Level 3 securities have little or no pricing observability as of the reported date. Fair values for Level 3 securities are generally arrived at based upon a review of market trades of similar instruments, if any, as well as an analysis of the security based upon an evaluation of the underlying issuer, market liquidity and prevailing market interest rates.

Loans

For variable-rate loans, that 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. The methods and assumptions used are not based on the exit price concept of fair value.

Accrued Interest Receivable and Payable

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

Deposits

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

Repurchase Agreements and Other Borrowed Funds

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

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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 Sheets 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 are as follows:

	June 30, 2011		December 31, 2010	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
	(In thousands)			
Financial assets:				
Cash and cash equivalents	**$ 167,331**	**$ 167,331**	$ 188,552	$ 188,552
Short-term investments	**94,091**	**94,091**	113,918	114,134
Securities available-for-sale	**1,077,478**	**1,077,478**	909,391	909,391
Securities held-to-maturity	**196,392**	**200,742**	230,116	233,524
Net loans	**947,113**	**985,177**	892,111	913,394
Accrued interest receivable	**7,054**	**7,054**	6,601	6,601
Financial liabilities:				
Deposits	**2,056,206**	**2,063,699**	1,902,023	1,908,125
Repurchase agreement and other borrowed funds	**322,073**	**328,684**	330,668	334,872
Subordinated debentures	**36,083**	**39,211**	36,083	36,749
Accrued interest payable	**1,031**	**1,031**	1,003	1,003
Standby letters of credit		**20**		68

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. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. 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.

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Note 10. Recent Accounting Developments

In April 2011, the FASB issued an amendment to the Troubled Debt Restructuring topic (Topic 310) of the ASC. This amendment clarifies a creditor s determination of whether a restructuring is a troubled debt restructuring. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following exist: 1. The restructuring constitutes a concession. 2. The debtor is experiencing financial difficulties. This amendment is effective for periods beginning after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. Accordingly, the Company adopted this amendment in second quarter 2011. The Company has provided the disclosures required as of June 30, 2011 in Note 6.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Executive 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. The Company had total assets of approximately $2.6 billion as of June 30, 2011. The Company presently operates 24 banking offices in 17 cities and towns in Massachusetts ranging from Braintree in the south to Beverly in the north. The Bank s customers consist primarily of small and medium-sized businesses and retail customers in these communities and surrounding areas, as well as local governments and institutions throughout Massachusetts.

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

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

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

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 and 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 and consumer loans, and accepts savings, time, and demand deposits. In addition, the Company offers to its corporate and institutional customers automated lock box collection services, cash management services and account reconciliation services, and actively promotes the marketing of these services to the municipal market. Also, the

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Company provides full service securities brokerage services through a program called Investment Services at Century Bank, which is supported by LPL Financial, a full-service securities brokerage business.

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

Earnings for the second quarter ended June 30, 2011 were $4,197,000, or $0.76 per share diluted, compared to net income of $2,961,000, or $0.54 per share diluted, for the second quarter ended June 30, 2010. For the first six months of 2011, net income totaled $7,922,000, or $1.43 per share diluted, compared to net income of $6,383,000, or $1.15 per share diluted, for the same period a year ago.

Net interest income totaled $27.4 million for the first six months of 2011 compared to $25.9 million for the same period in 2010. The 6.1% increase in net interest income for the period is due to an 10.1% increase in the average balances of earning assets, combined with a similar increase in deposits, offset slightly by a decrease in the net interest margin. The net interest margin decreased from 2.57% on a fully taxable equivalent basis in 2010 to 2.53% on the same basis for 2011.

The net interest margin for 2009 reflected a general increase followed by a general decline through the third quarter of 2010 which was then followed by an increase through in the first quarter then a decrease during the second quarter of 2011 as illustrated in the graph below:

The primary factor accounting for the general increase in the net interest margin for 2009 was pricing discipline. The primary factor accounting for the general decrease in the net interest margin for 2010 was a large influx of deposits, primarily from municipalities, and a corresponding increase in short-term investments. Pricing discipline continued through the first quarter of 2011. The net interest margin fell somewhat during the second quarter of 2011 mainly as a result of increased deposits and corresponding lower yield short-term investments

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

For the three months ended June 30, 2011, the loan loss provision was $1.2 million compared to a provision of $1.5 million for the same period last year for a decrease of $250,000. The decrease in the provision was primarily due to decreased provisions

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related to nonaccrual loans. For the six months ended June 30, 2011, the loan loss provision was $2.4 million compared to a provision of $3.0 million for the same period last year for a decrease of $625,000. The decrease in the provision for both periods was primarily due to decreased provisions related to nonaccrual loans. Nonperforming loans increased to $12.3 million at June 30, 2011 from $10.7 million on June 30, 2010.

The Company capitalized on favorable market conditions for the second quarter and six months ended June 30, 2011 and realized net gains on sales of investments of $198,000 and $362,000, respectively, as compared to $649,000 and $1.0 million for the same periods in 2010. Included in operating expenses for the second quarter and six months ended June 30, 2011 are FDIC assessments of $464,000 and $1.2 million, respectively, as compared to $740,000 and $1.4 million, for the same periods in 2010. FDIC assessments decreased primarily as a result of a decrease in the assessment rate. Also included in operating expenses for the second quarter of 2010 is a charge for payments due a former Co-CEO, in accordance with his separation agreement as previously announced. The Company recorded a pre-tax charge of $916,000.

For the second quarter of 2011, the Company s effective income tax was 4.2% compared to 7.4% for last year s corresponding quarter. For the first six months of 2011, the Company s effective income tax was 6.1% compared to 9.4% for last year s corresponding quarter. The effective income tax rate decreased primarily as a result of increased levels of tax-exempt income.

Financial Condition

Loans

On June 30, 2011, total loans outstanding were $963.0 million, an increase of 6.3% from the total on December 31, 2010. At June 30, 2011, commercial real estate loans accounted for 48.8% and residential real estate loans, including home equity loans, accounted for 35.8% of total loans.

Commercial and industrial loans decreased slightly to $88.6 million at June 30, 2011 from $90.7 million at December 31, 2010. Construction loans increased slightly to $55.6 million at June 30, 2011 from $53.6 million on December 31, 2010.

Allowance for Loan Losses

The allowance for loan loss at June 30, 2011 was $15.9 million as compared to $14.1 million at December 31, 2010. The increase was due to quantitative and qualitative factors associated with the loan loss reserve requirement. Also, the level of the allowance for loan losses to total loans increased from 1.55% at December 31, 2010 to 1.65% at June 30, 2011. The dollar amount of the allowance for loan losses and the level of the allowance for loan losses to total loans increased, primarily as a result of charge-offs that occurred during the fourth quarter of 2010, increases in required reserves associated with impaired loans as well as an increase in commercial real estate loans. In evaluating the allowance for loan losses the Company considered the following categories to be higher risk:

Construction loans: The outstanding loan balance of construction loans at June 30, 2011 is $55.6 million. A major factor in nonaccrual loans is two large construction loans. Based on this fact, and the general local conditions facing construction, management closely monitors all construction loans and considers this type of loans to be higher risk.

Higher balance loans: Loans greater than $1.0 million are considered high balance loans . The balance of these loans is $474.7 million at June 30, 2011.

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These loans are considered higher risk due to the concentration in individual loans. Additional allowance allocations are made based upon the level of high balance loans. Included in high balance loans are loans greater than $10.0 million. The balance of these loans, which is included in the loans greater than $1.0 million category, is $171.3 million, at June 30, 2011. Additional allowance allocations are made based upon the level of this type of high balance loans that is separate and greater than the $1.0 million allocation.

Small business loans: The outstanding loan balances of small business loans is $46.0 million at June 30, 2011. These are considered higher risk loans because small businesses have been negatively impacted by the current economic conditions. In a liquidation scenario, the collateral, if any, is often not sufficient to fully recover the outstanding balance of the loan. As a result, the Company often seeks additional collateral prior to renewing maturing small business loans. In addition, the payment status of the loans is monitored closely in order to initiate collection efforts in a timely fashion.

The following table summarizes the changes in the Company s allowance for loan losses for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
	(In thousands)			
Allowance for loan losses, beginning of period	**$ 14,958**	$ 13,229	**$ 14,053**	$ 12,373
Loans charged off	**(380)**	(451)	**(969)**	(1,283)
Recoveries on loans previously charged-off	**137**	122	**431**	235
Net charge-offs	**(243)**	(329)	**(538)**	(1,048)
Provision charged to expense	**1,200**	1,450	**2,400**	3,025
Allowance for loan losses, end of period	**$ 15,915**	$ 14,350	**$ 15,915**	$ 14,350

Due to current economic conditions, the Company may experience increased levels of nonaccrual loans if borrowers are negatively impacted by future negative economic conditions. Management continually monitors trends in the loan portfolio to determine the appropriate level of allowance for loan losses. At the current time, management believes that the allowance for loan losses is adequate.

Nonperforming Assets

The following table sets forth information regarding nonperforming assets held by the Bank at the dates indicated:

	June 30, 2011	**December 31, 2010**
	(Dollars in thousands)	
Nonaccruing loans	**$ 12,314**	$ 8,068
Loans past due 90 days or more and still accruing	**$ 546**	$ 50
Other real estate owned	**$**	$
Nonaccruing loans as a percentage of total loans	**1.28%**	0.89%
Accruing troubled debt restructures	**$ 3,921**	$ 1,248

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Loans past due greater than 90 days and accruing represent loans that matured and the borrower has continued to make regular principal and interest payments as if the loan had been renewed when, in fact, renewal had not yet taken place. It is expected that the loans will be renewed or paid in full without any loss.

Cash and Cash Equivalents

Cash and cash equivalents remained relatively stable during the second quarter of 2011.

Short-term Investments

Short-term investments decreased mainly as a result of increases in longer term higher yielding investments.

Investments

Management continually evaluates its investment alternatives in order to properly manage the overall balance sheet mix. The timing of purchases, sales and reinvestments, if any, will be based on various factors including expectation of movements in market interest rates, deposit flows and loan demand. Notwithstanding these events, it is the intent of management to grow the earning asset base mainly through loan originations while funding this growth through a mix of retail deposits, FHLB advances, and retail repurchase agreements.

Securities Available-for-Sale (at Fair Value)

	June 30, 2011	December 31, 2010
	(In thousands)	
U.S Treasury	**$ 2,007**	$ 2,005
U.S. Government Sponsored Enterprises	**325,001**	175,663
Small Business Administration	**9,204**	9,732
U.S. Government Agency and Sponsored Enterprise Mortgage-backed Securities	**711,739**	680,898
Privately Issued Residential Mortgage-backed Securities	**3,734**	3,968
Privately Issued Commercial Mortgage-backed Securities	**81**	287
Obligations issued by States and Political Subdivisions	**22,936**	34,074
Other Debt Securities	**2,255**	2,253
Equity Securities	**521**	511
Total Securities Available-for-Sale	**$ 1,077,478**	$ 909,391

During the first six months of 2011 the Company capitalized on favorable market conditions and realized $362,000 of gains on sales of investments. The sales of investments represented seven U.S. Government Sponsored Enterprise bonds totaling $20.5 million.

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.

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Securities Held-to-Maturity (at Amortized Cost)

	June 30, 2011	December 31, 2010
	(In thousands)	
U.S. Government Sponsored Enterprises	**$ 69,527**	$ 84,534
U.S. Government Agency and Sponsored Enterprise Mortgage-backed Securities	**126,865**	145,582
Total Securities Held-to-Maturity	**$ 196,392**	$ 230,116

At June 30, 2011 and December 31, 2010, all mortgage-backed securities are obligations of U.S. Government Sponsored Enterprises.

Debt securities of Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and Freddie Mac.

Securities Available-for-Sale

The securities available-for-sale portfolio totaled $1.1 billion at June 30, 2011, an increase of 18.5% from December 31, 2010. Purchases of securities available-for-sale totaled $434.4 million for the six months ended June 30, 2011. The portfolio is concentrated in United States Government Sponsored Enterprises, Mortgage-backed Securities and Obligations issued by States and Political Subdivisions and had an estimated weighted average remaining life of 4.4 years.

The majority of the Company s securities AFS are classified as Level 2. 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.

Securities available-for-sale totaling $19.7 million, or 0.76% of assets are classified as Level 3. These securities are generally failed auction rate securities, equity investments or obligations of states and political subdivisions with no readily determinable fair value. Failed auction rate securities were reclassified to Level 3 during the first quarter of 2009 due to the lack of an active market. Fair values for Level 3 securities are generally arrived at based upon a review of market trades of similar instruments, if any, as well as an analysis of the security based upon market liquidity and prevailing market interest rates.

Securities Held-to-Maturity

The securities held-to-maturity portfolio totaled $196.4 million on June 30, 2011, a decrease of 14.7% from the total on December 31, 2010. The portfolio is concentrated in United States Government Sponsored Enterprises and Mortgage-backed Securities and had an estimated weighted average remaining life of 5.1 years.

Federal Home Loan Bank of Boston Stock

The Company owns Federal Home Loan Bank of Boston (FHLBB) stock which is considered a restricted equity security. As a voluntary member of the FHLBB, the Company is required to invest in stock of the FHLBB in an amount equal to 4.5% of its outstanding advances from the FHLBB. Stock is purchased at par value. As and when such stock is redeemed, the Company would receive from the FHLBB an amount equal to the par value of the stock. At its discretion, the FHLBB may declare dividends on the stock. On April 10, 2009, the FHLBB reiterated to its members that, while it currently meets all its regulatory capital requirements, it is focusing on preserving capital in response to ongoing market volatility, and accordingly, has suspended its

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quarterly dividend and has extended the moratorium on excess stock repurchases. It also announced that it had taken a write-down of $381.7 million in other-than-temporary impairment charges on its private-label mortgage-backed securities for the year ended December 31, 2008. This resulted in a net loss of $115.8 million. For the year ended December 31, 2009, the FHLBB reported a net loss of $186.8 million resulting from the recognition of $444.1 million of impairment losses which were recognized through income. For the year ended December 31, 2010, the FHLBB reported net income of $106.6 million. For the six months ending June 30, 2011, the FHLBB reported net income of $44.9 million. The FHLBB also declared a dividend equal to an annual yield of 0.27%. The FHLBB s board of directors anticipates that it will continue to declare modest cash dividends through 2011. In the future, if additional unrealized losses are deemed to be other-than-temporary, the associated impairment charges could exceed the FHLBB s current level of retained earnings and possibly put into question whether the fair value of the FHLBB stock owned by the Company is less than par value. The FHLBB has stated that it expects and intends to hold its private-label mortgage-backed securities to maturity. Despite these negative trends, the FHLBB exceeded the regulatory capital requirements promulgated by the Federal Home Loan Banks Act and the Federal Housing Financing Agency. The FHLBB has the capacity to issue additional debt if necessary to raise cash. If needed, the FHLBB also has the ability to secure funding available to U.S. Government Sponsored Enterprises through the U.S. Treasury. Based on the capital adequacy and the liquidity position of the FHLBB, management believes there is no other-than-temporary impairment related to the carrying amount of the Company s FHLBB stock as of June 30, 2011. The Company will continue to monitor its investment in FHLBB stock.

Deposits and Borrowed Funds

On June 30, 2011, deposits totaled $2.1 billion, representing a 8.1% increase in total deposits from December 31, 2010. Total deposits increased primarily as a result of increases in savings and NOW, money market and time deposits. Savings and NOW, money market and time deposits increased as the Company continued to offer attractive rates for these types of deposits during the first six months of the year. Borrowed funds totaled $322.1 million compared to $330.7 million at December 31, 2010. Borrowed funds decreased mainly as a result of matured term borrowings from the FHLB.

Stockholders Equity

At June 30, 2011, total equity was $155.3 million compared to $145.0 million at December 31, 2010. The Company s equity increased primarily as a result of earnings and a decrease in accumulated other comprehensive loss, net of taxes, offset somewhat by dividends paid. The Company s leverage ratio stood at 7.00% at June 30, 2011, compared to 7.23% at June 30, 2010. This decline in the leverage ratio is due to an increase in assets, offset by an increase in stockholders equity. The Company s Tier 1 capital-to-risk assets and total capital-to-risk assets stood at 14.54% and 15.79%, respectively, at June 30, 2011. Book value as of June 30, 2011 was $28.04 per share.

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Results of Operations

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 three-month periods indicated.

	Three Months Ended					
	June 30, 2011			June 30, 2010		
	(In thousands)					
	Average Balance	Interest(1)	Average Yield/ Rate	Average Balance	Interest(1)	Average Yield/ Rate
ASSETS						
Interest-earning assets:						
Loans(2)	**$ 955,118**	**$ 13,647**	**5.73%**	$ 879,464	$ 13,241	6.04%
Securities available-for-sale(5):						
Taxable	**1,001,008**	**5,654**	**2.26**	745,150	4,794	2.57
Tax-exempt	**22,483**	**83**	**1.48**	32,345	283	3.50
Securities held-to-maturity:						
Taxable	**200,397**	**1,518**	**3.03**	214,545	1,873	3.49
Tax-exempt						
Interest-bearing deposits in other banks	**326,498**	**358**	**0.43**	365,965	403	0.44
Total interest-earning assets	**2,505,504**	**21,260**	**3.40%**	2,237,469	20,594	3.69%
Non interest-earning assets	**155,367**			154,644		
Allowance for loan losses	**(15,442)**			(13,855)		
Total assets	**$ 2,645,429**			$ 2,378,258		
LIABILITIES AND STOCKHOLDERS EQUITY						
Interest-bearing deposits:						
NOW accounts	**$ 480,764**	**$ 490**	**0.41%**	$ 428,139	$ 686	0.64%
Savings accounts	**252,251**	**228**	**0.36**	264,769	407	0.62
Money market accounts	**597,852**	**777**	**0.52**	562,571	1,089	0.78
Time deposits	**500,924**	**2,494**	**2.00**	349,415	1,876	2.15
Total interest-bearing deposits	**1,831,791**	**3,989**	**0.87**	1,604,894	4,058	1.01
Securities sold under agreements to repurchase	**117,758**	**98**	**0.33**	120,627	131	0.44
Other borrowed funds and subordinated debentures	**202,084**	**1,995**	**3.96**	192,393	1,994	4.16
Total interest-bearing liabilities	**2,151,633**	**6,082**	**1.13%**	1,917,914	6,183	1.29%
	312,276			288,241		

Non interest-bearing liabilities Demand deposits Other liabilities	**28,680**			31,162		
Total liabilities	**2,492,589**			2,237,317		
Stockholders equity	**152,840**			140,941		
Total liabilities & stockholders equity	**$ 2,645,429**			$ 2,378,258		
Net interest income on a fully taxable equivalent basis		**15,178**			14,411	
Less taxable equivalent adjustment		**(1,663)**			(1,269)	
Net interest income		**$ 13,515**			$ 13,142	
Net interest spread (3)			**2.27%**			2.40%
Net interest margin (4)			**2.43%**			2.58%

(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) Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.

(4) Net interest margin represents net interest income as a percentage of average interest-earning assets.

(5) Average balances of securities available-for-sale calculated utilizing amortized cost.

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

	Six Months Ended					
	June 30, 2011			June 30, 2010		
	(In thousands)					
	Average Balance	Interest(1)	Average Yield/ Rate	Average Balance	Interest(1)	Average Yield/ Rate
ASSETS						
Interest-earning assets:						
Loans(2)	**$ 940,076**	**$ 27,283**	**5.84%**	$ 877,939	$ 26,444	6.07%
Securities available-for-sale(5):						
Taxable	**965,020**	**10,946**	**2.27**	711,158	9,777	2.75
Tax-exempt	**25,325**	**175**	**1.38**	30,267	360	2.37
Securities held-to-maturity:						
Taxable	**205,996**	**3,291**	**3.20**	223,281	3,857	3.45
Tax-exempt						
Interest-bearing deposits in other banks	**306,157**	**705**	**0.46**	376,595	781	0.41
Total interest-earning assets	**2,442,574**	**42,400**	**3.49%**	2,219,240	41,219	3.73%
Non interest-earning assets	**153,553**			153,457		
Allowance for loan losses	**(15,017)**			(13,354)		
Total assets	**$ 2,581,110**			$ 2,359,343		
LIABILITIES AND STOCKHOLDERS EQUITY						
Interest-bearing deposits:						
NOW accounts	**$ 472,707**	**$ 973**	**0.42%**	$ 397,827	$ 1,365	0.69%
Savings accounts	**249,224**	**458**	**0.37**	271,337	949	0.71
Money market accounts	**570,448**	**1,482**	**0.52**	552,640	2,313	0.84
Time deposits	**473,464**	**4,772**	**2.03**	330,530	3,584	2.19
Total interest-bearing deposits	**1,765,843**	**7,685**	**0.88**	1,552,334	8,211	1.07
Securities sold under agreements to repurchase	**123,582**	**208**	**0.34**	146,515	350	0.48
Other borrowed funds and subordinated debentures	**202,782**	**3,839**	**3.82**	207,258	4,405	4.29
Total interest-bearing liabilities	**2,092,207**	**11,732**	**1.13%**	1,906,107	12,966	1.37%
Non interest-bearing liabilities Demand deposits	**310,522**			283,737		

Other liabilities	**28,801**			30,605		
Total liabilities	**2,431,530**			2,220,449		
Stockholders equity	**149,580**			138,894		
Total liabilities & stockholders equity	**$ 2,581,110**			$ 2,359,343		
Net interest income on a fully taxable equivalent basis		**30,668**			28,253	
Less taxable equivalent adjustment		**(3,226)**			(2,386)	
Net interest income		**$ 27,442**			$ 25,867	
Net interest spread (3)			**2.36%**			2.35%
Net interest margin (4)			**2.53%**			2.57%

(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) Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.

(4) Net interest margin represents net interest income as a percentage of average interest-earning assets.

(5) Average balances of securities available-for-sale calculated utilizing amortized cost.

The following table presents certain information on a fully-tax equivalent basis regarding changes in the Company s interest income and interest expense for the periods indicated. For each category

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of interest-earning assets and interest-bearing liabilities, information is provided with respect to changes attributable to changes in rate and changes in volume.

	Three Months Ended June 30, 2011 Compared with Three Months Ended June 30, 2010 Increase/(Decrease) Due to Change in			Six Months Ended June 30, 2011 Compared with Six Months Ended June 30, 2010 Increase/(Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
		(in thousands)			(in thousands)	
Interest income:						
Loans	**$ 1,103**	**$ (697)**	**$ 406**	**$ 1,872**	**(1,033)**	**$ 839**
Securities available-for-sale						
Taxable	**1,498**	**(638)**	**860**	**3,080**	**(1,911)**	**1,169**
Tax-exempt	**(69)**	**(131)**	**(200)**	**(52)**	**(133)**	**(185)**
Securities held-to-maturity						
Taxable	**(118)**	**(237)**	**(355)**	**(287)**	**(279)**	**(566)**
Interest-bearing deposits in other banks	**(35)**	**(10)**	**(45)**	**(152)**	**76**	**(76)**
Total interest income	**2,379**	**(1,713)**	**666**	**4,461**	**(3,280)**	**1,181**
Interest expense:						
Deposits:						
NOW accounts	**77**	**(273)**	**(196)**	**224**	**(616)**	**(392)**
Savings accounts	**(18)**	**(161)**	**(179)**	**(72)**	**(419)**	**(491)**
Money market accounts	**65**	**(377)**	**(312)**	**72**	**(903)**	**(831)**
Time deposits	**763**	**(145)**	**618**	**1,456**	**(268)**	**1,188**
Total interest-bearing deposits	**887**	**(956)**	**(69)**	**1,680**	**(2,206)**	**(526)**
Securities sold under agreements to repurchase	**(3)**	**(30)**	**(33)**	**(49)**	**(93)**	**(142)**
Other borrowed funds and subordinated debentures	**98**	**(97)**	**1**	**(93)**	**(473)**	**(566)**
Total interest expense	**982**	**(1,083)**	**(101)**	**1,538**	**(2,772)**	**(1,234)**
Change in net interest income	**$ 1,397**	**$ (630)**	**$ 767**	**$ 2,923**	**$ (508)**	**$ 2,415**

Net Interest Income

For the three months ended June 30, 2011, net interest income on a fully taxable equivalent basis totaled $15.2 million compared to $14.4 million for the same period in 2010, an increase of $767,000 or 5.3%. This increase in net interest income for the period is due to a 12.0% increase in the average balances of earning assets, combined with a similar increase in deposits, offset somewhat by a decrease in the net interest margin. The net interest margin decreased from 2.58% on a fully taxable equivalent basis in 2010 to 2.43% on the same basis for 2011.

For the six months ended June 30, 2011, net interest income on a fully taxable equivalent basis totaled $30.7 million compared to $28.3 million for the same period in 2010, an increase of $2.4 million or 8.5%. This increase in net interest income for the period is due to a 10.1% increase in the average balances of earning assets, combined with a similar increase in deposits, offset slightly by a decrease in the net interest margin. The net interest margin decreased from 2.57% on a fully taxable equivalent basis in 2010 to 2.53% on the same basis for 2011.

Provision for Loan Losses

For the three months ended June 30, 2011, the loan loss provision was $1.2 million compared to a provision of $1.5 million for the same period last year for a decrease of $250,000. For the six months ended June 30, 2011, the loan loss provision was $2.4 million compared to a provision of $3.0 million for the same period last year for a decrease of $625,000. The decrease in the provision for both periods was primarily due to decreased provisions related to nonaccrual loans. The level of the allowance for loan losses to total loans increased from 1.55% at December 31, 2010 to 1.65% at June 30, 2011. The increase was primarily the result of charge-offs that occurred during the fourth quarter of 2010, increases in required reserves associated with impaired loans as well as an increase in commercial real estate loans.

Non-Interest Income and Expense

Other operating income for the quarter ended June 30, 2011 decreased by $264,000 to $3.8 million from $4.1 million for the same period last year. There was a decrease in the gain on sales of investments of $451,000. There was also a decrease in service charges on deposit accounts of $16,000 which was mainly attributable to a decrease in overdraft fees. Lockbox fees decreased by $14,000 as a result of decreased customer volume. Other income increased by $217,000 mainly as a result of a gain on the sale of mortgages, an increase in brokerage commissions and an increase in growth of cash surrender values on life insurance policies. The income related to cash surrender values increased mainly as a result of additional earnings on life insurance policies.

Other operating income for the six months ended June 30, 2011 decreased by $988,000 to $7.4 million from $8.4 million for the same period last year. There was a decrease from the sale of investments of $665,000. There was a decrease in service charges on deposit accounts of $52,000 which was mainly attributable to a decrease in overdraft fees. Lockbox fees increased by $23,000 as a result of increased customer volume. Other income decreased by $294,000 mainly as a result of decreases in the growth of cash surrender values on life insurance policies offset by an increase in brokerage commissions as well as a gain on the sale of mortgages. The income related to cash surrender values decreased mainly as a result of additional earnings as a result of certain policies reaching their twenty year anniversary during the first quarter of 2010.

For the quarter ended June 30, 2011, operating expenses decreased by $823,000 or 6.5% to $11.8 million, from the same period last year. The decrease in operating expenses for the quarter was mainly attributable to a decrease of $600,000 in salaries and employee benefits and $276,000 in FDIC assessments. This was offset slightly by an increase of $75,000 in other expenses. Salaries and employee benefits decreased mainly as a result of a $916,000 charge for payments due to a former Co-CEO, in accordance with his separation agreement during the second quarter of 2010. FDIC assessments decreased mainly as a result of a decrease in the assessment rate. Other expenses decreased mainly as a result of decreases in marketing related expenses.

For the six months ended June 30, 2011, operating expenses decreased by $179,000 or 0.7% to $24.0 million, from the same period last year. The decrease in operating expenses for the quarter was mainly attributable to a decrease of $184,000 in salaries and employee benefits and $191,000 in FDIC assessments. This was offset somewhat by an increase of $160,000 in occupancy expenses. Salaries and employee benefits decreased mainly as a result of a $916,000 charge for payments due to a former Co-CEO, in accordance with his separation agreement during the second quarter of 2010, offset, somewhat, by merit increases and an increase in staffing levels. FDIC assessments decreased mainly as a result of a decrease in the assessment rate. Occupancy expenses increased mainly as a result of increased snow plowing expenses during the first quarter of 2011. Other expenses and equipment expenses remained relatively stable.

Income Taxes

For the second quarter of 2011, the Company s income tax expense totaled $184,000 on pretax income of $4.4 million resulting in an effective tax rate of 4.2%. For last year s corresponding quarter, the Company s income tax expense totaled $238,000 on pretax income of $3.2 million resulting in an effective tax rate of 7.4%. For the six months ended June 30, 2011, the Company s income tax expense totaled $511,000 on pretax income of $8.4 million resulting in an effective tax rate of 6.1%. For last year s corresponding period, the Company s income tax expense totaled $659,000 on pretax income of $7.0 million resulting in an effective tax rate of 9.4%. The effective income tax rate decreased for the current quarter mainly as a result of an increase in tax exempt income as a percentage of taxable income compared to the same periods last year.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The Company s market risk arises primarily from interest rate risk inherent in its lending and deposit taking activities. To that end, management actively monitors and manages its interest rate risk exposure. The Company s profitability is affected by fluctuations in interest rates. A sudden and substantial increase or decrease in interest rates may adversely impact the Company s earnings to the extent that the interest rates tied to specific 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. 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. Management believes that there has been no material changes in the interest rate risk reported in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed with the Securities and Exchange Commission. The information is contained in the Form 10-K within the Market Risk and Asset Liability Management section of Management s Discussion and Analysis of Results of Operations and Financial Condition.

Item 4. Controls and Procedures

The Company s management, with participation of the Company s principal executive and financial officers, has evaluated its disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on this evaluation, the Company s management, with participation of its principal executive and financial officers, 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 officers and the principal financial officer) as appropriate to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. In addition, the Company has evaluated its internal control over financial reporting and during the second quarter of 2011 there has been no change in its internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II Other Information

Item 1 Legal proceedings At the present time, the Company is not engaged in any legal proceedings which, if adversely determined to the Company, would have a material adverse impact on the Company s financial condition or results of operations. From time to time, the Company is party to routine legal proceedings within the normal course of business. Such routine legal proceedings, in the aggregate, are believed by management to be immaterial to the Company s financial condition and results of operation.

Item 1A Risk Factors Please read Risk Factors in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010. There have been no material changes since this 10-K was filed. These risks are not the only ones facing the Company.

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Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely effect the Company s business, financial condition and operating results.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

(a) (b) Not applicable.

(c) The following table sets forth information with respect to any purchase made by or on behalf of Century Bancorp, Inc. or any affiliated purchaser, as defined in 204.10b-18(a)(3) under the Exchange Act, of shares of Century Bancorp, Inc. Class A common stock during the indicated periods:

Issuer Purchases of Equity Securities

Period	Total number of shares purchased	Weighted Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs (1)
April 1 April 30, 2011		$		300,000
May 1 May 31, 2011		$		300,000
June 1 June 30, 2011		$		300,000

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

Item 3 Defaults Upon Senior Securities None

Item 5 Other Information None

Item 6 Exhibits

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

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

32.1 + Certification of President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 + Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following materials from Century Bancorp, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 were formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010, (ii) Consolidated Statements of Income for the six months ended June 30, 2011 and 2010, (iii) Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2011 and 2010, (iv) Consolidated Statements of Changes in Equity for the six months ended June 30, 2011 and 2010, (v) Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and 2010 and (vi) Notes to Unaudited Consolidated Financial Statements.

\+ This exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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SIGNATURES

Pursuant to the requirements 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.

Date: August 8, 2011 **Century Bancorp, Inc.**

/s/ **Barry R. Sloane**

Barry R. Sloane
President and Chief Executive Officer

/s/ **William P. Hornby**

William P. Hornby, CPA
Chief Financial Officer and Treasurer
(Principal Accounting Officer)