Century Bancorp, Inc.

2013

ANOTHER YEAR WHEN IT ALL CAME TOGETHER...

Annual Report

2013 was another year when it all came together for Century Bank. I'm confident in the fact that Century remains true to the founding principles that have guided our strategy for almost 45 years. As a family-run business, our belief that "character counts" has worked for us since our inception and continues to pay dividends for our shareholders. The "giants" of our industry need to reflect on this principal too. It has become too commonplace that we are made aware of more incidents where they violated laws and regulations and as a result paid substantial fines, which at the end of the day dilutes stockholders' equity. I'm grateful to our shareholders, as well as our associates and clients who have all played a role in the growth of Century. I look forward to prospering together in 2014 and the years ahead.

Marshall M. Sloane, Founder and Chairman

Pictured from left: **President & CEO Barry R. Sloane; Executive Vice President Linda Sloane Kay; and Founder & Chairman Marshall M. Sloane**

2013

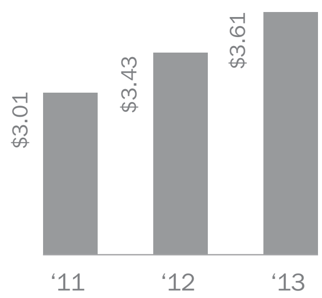
Dear Fellow Shareholders:

2013 was the fourth consecutive record year for Century Bank. As we approach our 45th anniversary, assets, deposits, earnings, and loans all again reached record levels. We ended 2013 at $3.43 billion in assets and the milestone of over $20 million of annual earnings. Our stock rose 1% during the year to close at $33.25; a three-year increase of 24% and a five-year increase of 111%. 2013 was another year when it all came together for Century in the midst of a banking industry in turmoil.

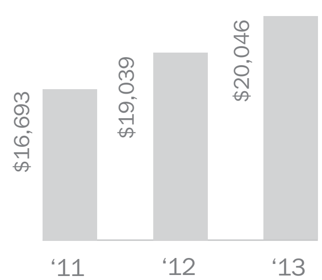
CONFIDENCE IN OUR PERFORMANCE

It has often been said that banking is a business built on confidence. People entrust their assets to those institutions and bankers in whom they place their financial confidence. Our stakeholders have demonstrated confidence in us to do the right thing, confidence in our ability to run a successful business, and confidence that we will grow with them into the future. In our message this year, I explore the key elements of confidence that led to our prosperity. We manifest our confidence in the future of our communities and our clients, and in return, we benefit by the reciprocal confidence we have earned from our marketplace through nearly a half century of banking leadership, all guided with respected wisdom by our Founder and Chairman, Marshall M. Sloane.

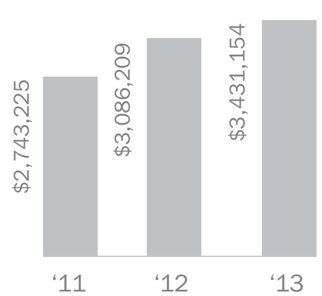
EARNINGS PER CLASS A SHARE, DILUTED



NET INCOME (in thousands)



TOTAL ASSETS (in thousands)



CONFIDENCE IN NET EARNINGS GROWTH

Net income grew by 5.3% to a record $20 million, or $3.61 per Class A share diluted, for the year ended December 31, 2013, as compared to net income of $19 million, or $3.43 per Class A share diluted, for 2012. Century's return on average equity (ROE) improved to 11.58%, compared to 2012's 11.06%. Our ROE remains well above the average ROE of our regional peer group. Our efficiency ratio of overhead to revenue increased slightly to 63%, up from 62% in 2012, yet still below the median (lower is favorable) within our regional peer group. We added significant resources to our business platform in 2013, yet maintained intense control over expenses.

CONFIDENCE IN SIGNIFICANT ASSET GROWTH

Total assets grew 11.2% to a record $3.43 billion on December 31, 2013, up from $3.09 billion on December 31, 2012, an increase of $345 million. Century made significant new client acquisitions in 2013 in all three business lines: consumer, business, and institutional services. Depositor confidence is predicated on a stable banking environment and the markers of consistent growth of earnings and assets. We produce consistent earnings and asset growth without the turbulence of event risk and speculation encountered by many of our competitors. Depositor confidence builds assets over time without excessive interest expense.

CONFIDENCE IN CAPITAL ADEQUACY

Total equity was $176.5 million on December 31, 2013, a decrease of $3.5 million, or 2%, from $180 million on December 31, 2012. Book value per share decreased to $31.76 at December 31, 2013, down by $0.64 from $32.40 at December 31, 2012. The slight reduction in book value per share was due to a decline in value of our "available-for-sale" securities portfolio during the first half of 2013. In the third quarter of 2013, we made the strategic decision to transfer most of our available-for-sale portfolio to the held-to-maturity category. We did so in an effort to minimize the possibility that rising interest rates could necessitate a book reduction of capital to reflect the potentially lower value of our securities portfolio. It was a decision predicated in risk management, which will come as no surprise, since our enduring priority is the safety and adequacy of our capital. Century is "well capitalized" by all regulatory standards, and we foresee no difficulty passing all proposed "Basel III" standards with future organic capital generation from earnings.

$3.43 BILLION IN TOTAL ASSETS

Pictured from left:

Executive Vice President David B. Woonton
Chief Financial Officer & Treasurer William P. Hornby
Executive Vice President Brian J. Feeney
Executive Vice President Paul A. Evangelista

CONFIDENCE IN OUR LOAN PORTFOLIO

Total loans grew by $153 million, or 14%, to $1.26 billion on December 31, 2013, a clear record. Non-performing assets fell 43% from the previous year, to $2.5 million. We're not perfect, but our loan portfolio is "pristine," as described by many outside observers. The education and healthcare sectors continue to anchor our loan growth, increasing 39%, in 2013 as many quality not-for-profit institutions expanded and refinanced older "swapped" debt with simpler and less expensive "direct purchase" private placements. We are, by any standard, one of the leading experts in tax-exempt financing in New England.

$1.26

BILLION IN TOTAL LOANS

Century's loan portfolio was built by relentless bankers who, for decades, have been calling on the most attractive business prospects in our marketplace. We combine expert market knowledge with extraordinary product expertise, leading to some of the longest-duration satisfied relationships in banking. The process goes on every day, pushing up our market share. We have increasingly found that we must train our own new lenders, in both quantitative and qualitative skills. We are proud to now have a group of junior lenders in various stages of training evolution who will form the next generation of our line officers. Our loan underwriting team proudly manages a daily process of loan review and approval that ensures speedy and thoughtful decisions by experienced senior managers.

In the record year of 2013, we closed $142 million in residential first mortgages and $83 million in home equity lines and loans. Our program of calling on real estate brokers is in its second successful year. We are building long-term relationships with brokers throughout the Boston area for their important referrals. We also extended 390 energy conservation loans through the Mass Save loan program, helping us do our part for conservation while originating new long-term relationships.

The implementation of the Dodd-Frank Act included the concept of a Qualified Mortgage (QM). Although the intent to eliminate inappropriate or abusive loans to consumers was admirable in light of recent history, the unfortunate unintended consequence was to eliminate our freedom to make an exception for loyal clients who may have experienced circumstantial credit or employment difficulties. Sadly, we have already found ourselves declining many applicants who cannot attain the ratio of QM debt to income standard. We hope the Consumer Protection Financial Board soon reinstates our authority to make exceptions for applicants who face life challenges. Making an informed exception for borrowers who need a "second chance" has long been one of the keystones of community banking. We miss it.

LINDEN & MALDEN CEMENT BLOCK RECOGNIZED BY SMALL BUSINESS BANKING PARTNERSHIP

Pictured from left:

The Honorable Gary Christenson, Mayor of Malden; Barry R. Sloane; State Treasurer Steven Grossman; John Rappoli, Owner, Linden & Malden Cement Block; Maureen Rappoli; State Representative Paul A. Brodeur; and Janice D. Taylor, VP, Century Bank.

As we compete with our "giant" peers, we are struck by how, in virtually every case, they make loan decisions by formula, by people hundreds, if not thousands, of miles away from potential customers. Bad credit decisions are usually made by decentralized credit authorities far from the relevant geography. Empowering our bankers with quick, local, and informed decision-making is our foundation and competitive attribute. We will never bureaucratize or formularize our lending process. Creativity and transparency in our loan process are critical elements of client retention.

CONFIDENCE IN OUR GROWING BRANCH SYSTEM

In 2013, we opened our 26th branch at Chestnut Hill Square in Newton. Our western region, under Linda Sloane Kay's leadership, now includes five branches and about $350 million in deposits. We also have meaningful market share in Brookline, Newton, and Wellesley. We have signed a lease to add a highly visible branch in Woburn, a vibrant community in which we have long sought a presence. The biggest asset in our branch system is our 26 experienced and diligent branch managers. They know their clients and communities, and every week, I hear from truly satisfied clients about their positive experiences. These managers are the jewels of our branch system.

CHESTNUT HILL SQUARE GRAND OPENING RIBBON CUTTING

Pictured from left:

Julie Marcus, President of the Boston Children's Hospital League; Barbara J. G. Sloane; The Honorable Setti Warren, Mayor of Newton; Marshall M. Sloane; Barry R. Sloane; Attorney Mark Lichtenstein; Jonathan Kay; and Linda Sloane Kay.

CONFIDENCE IN OUR INSTITUTIONAL SERVICES

The Institutional Services Group, which includes our government, cash management, and not-for-profit banking teams, had another record year of client growth. Our share of government banking deposits is now reported to be the highest among Massachusetts chartered banks, and we have significantly expanded our relationships in Rhode Island and New Hampshire.

We processed over 21 million transactions in 2013, with exceptional quality control and customer service. A new large lockbox client whose previous giant processor moved its facility far out of state recently told us that was “when the pain began.” The description clearly captured a view of clients’ negative experiences with many of our competitors. We pride ourselves on local control, implementation, and service. Problems are identified and solved quickly by officers with authority and confidence in their actions and management’s support. We are confident that even as the number of paper items gradually declines, the need for high-volume processing services will be permanent for industries whose revenue is predicated on millions of repetitive payments. There may be fewer providers of the lockbox service in the future, but there will always be a demand for the highest-quality customized and responsive service. Our lockbox “factory” continues to be one of the largest engines of our deposit growth.

CONFIDENCE IN OUR BRAND

Our marketing program has achieved its principal objective: to create a sustainable and differentiated brand awareness throughout our market. Combining print, radio, and web advertising, our program has used the media to explain Century’s history, philosophy, and key attributes to the decision makers in all three of our market segments. Our radio commercials are made without a script; they are the result of true conversations with on-air talent, a practice that communicates the sincerity of the spokesperson. It’s working, and our new client success proves it.

CONFIDENCE IN OUR INFORMATION SYSTEMS

Century’s information services platform is critical to serving our clients and protecting their precious private information. We are relentless in the testing, enhancement, and augmentation of our automation platform. Management spends countless hours managing the risks and opportunities of technological evolution. We maintain parity with our peers in every principal function and take great pride that, in 2013, we debuted our mobile deposit capability and an entirely new and redesigned website. We have many plans in the pipeline for future application enhancements.

ACCOLADES

20% BY 2020 WOMEN ON BOARDS

GLOBE 100

2013 Bank & Thrift SM-ALL STARS

SANDLER O'NEILL + PARTNERS

CONFIDENCE IN OUR COMMUNITIES

At our heart, we are and always will be a community bank. Even as we grow to “regional” size, we never forget the communities we serve and our duty to their futures. We always have time to attend a public meeting, listen to their elected officials, or support their charities. We see a duty to fill the void created by the globalization of the giant banks and be a reliable and available partner for the challenges and opportunities of the people and businesses of our 19 communities. We are proud of their industry and initiative, and we hope we always reflect pride on them.

ROSE SLOANE GARDEN
MEDFORD, MA

Throughout 2013, Century Bank hosted several community celebrations in the Rose Sloane Garden in Medford Square.

CONFIDENCE IN OUR FUTURE

We wish we could say we are confident about the progress being made to reduce the size of the federal budget deficit and national debt, but alas, no real improvement was made in 2013. We are governed now by the Congressional instrument of continuing resolution, a structure that would never find acceptance in the private sector. In the post-War period, it has often been said that the US dollar enjoys a “dominant privilege” in the context of the global debt and currency markets. We are fortunate that the dollar is still seen as the world’s reserve currency, but chaos in Washington and uncontrolled public debt will ultimately undermine that status in favor of others. We can only hope that, in 2014, more agreement and compromise will lead to long-term fiscal solutions.

In the meantime, we do know that the most important financial transactions in the lives of organizations and individuals require an intense personal involvement by

SENIOR VICE PRESIDENTS

Pictured from left:

Front row: Nancy Lindstrom; Richard L. Billig; Kenneth A. Samuelian; and James M. Flynn, Jr.
Back row: Phillip A. Gallagher; William J. Gambon, Jr.; Jason J. Melius; Anthony C. LaRosa; and Yasmin D. Whipple

SENIOR VICE PRESIDENTS

Pictured from left:

Front row: Deborah R. Rush; Thomas E. Piemontese; Gerald S. Algere; Susan B. Delahunt; and Janice A. Brandano
Back row: Shipley C. Mason; Bradford J. Buckley; Peter R. Castiglia; and Timothy L. Glynn

bankers, and no machine has yet shown itself to be an effective decision maker or retention strategist. Hence, we are confident that there is a strong future for community and regional banks, not dissimilar to the gap Century filled in Somerville in 1969, in the year of the bank's founding. We carry on the legacy of our Founder's credo to do the right thing by each client and conservatively manage the credit risks...the rest will follow. It worked then, it works now. The fundamentals remain the same.

A-

S&P QUALITY RANKING

As this report went to press, we received the good news that S&P upgraded our quality ranking to A-, a rare accolade to a regional bank of our size.

CONFIDENCE IN OUR PEOPLE

We are so blessed by the continuity, resourcefulness, and professionalism of our 400 Century colleagues. We've had our share of storms, illness, and industry challenges, and the members of our team outperform and overcome every obstacle they face. We are truly a family on every working level. We have confidence in all of our associates and thank them for all they do everyday.

2013 was a year it all came together. We'll do our best to make it happen again in 2014.

Gratefully,

Barry R. Sloane
President and CEO

CONFIDENCE IN OUR SUPPORT

to over 268 community organizations in 2013.

2020 Women on Boards / Action for Boston Community Development, Inc. / Adopt-A-Student Foundation / AFSCME Council 93 / American Cancer Society / American Friends of Rambam / American Jewish Committee / American Red Cross of Northeast Massachusetts / Andover Business Center Association / Andover Coalition for Education / Andover Rising Stars / Andover Rotary Club / Andover Youth Foundation / Anti-Defamation League / Apollo Club of Boston / Archdiocese of Boston / Association of Latino Professionals in Finance & Accounting / Association of Professional Chaplains / Associazione Gizio / Associazione Nazionale Carabinieri / Bais Yaakov of Boston High School for Girls / Bay State Chapter Freedoms Foundation / Beacon Academy / Best Buddies / Beth Israel Deaconess Medical Center-Milton / Beverly Hockey Alumni Association / Beverly Holiday Parade / Birthday Wishes / Boston Ballet / Boston Children's Hospital / Boston Children's Hospital League / Boston College / Boston Harbor Association / Boston Jewish Film Festival / Boston Minuteman Council, Boy Scouts of America / Boston Renaissance Charter Public School / Boston Ronald McDonald House / Boston Scholar Athletes / BostonGives, Inc. / Boy Scouts of America / Boys and Girls Clubs of Boston / Brandeis University / Bread of Life / Brendan M. Curtin Scholarship Fund / Brookline Chamber of Commerce / Brookline Rotary Club / Brookline Senior Center / Burlington High School Scholarship Program / Cambridge & Somerville Program for Alcoholism and Drug Abuse Rehabilitation (CASPAR) / Cambridge Chamber of Commerce / Cambridge YWCA / Camp Harbor View Foundation, Inc. / Cardinal Cushing Centers, Inc. / Cardinal Spellman High School / Catholic Charities of Boston / Catholic Schools Foundation / Central Catholic High School / Challenge Unlimited / Christians and Jews United for Israel / City of Boston / City of Cambridge / City of Chicopee / City of Lowell / City of Medford / Combined Jewish Philanthropies / Community Servings / Community Teamwork / Cristo Rey Boston High School / Dana-Farber Cancer Institute / Dimock Community Health Centers / Disabled American Veterans / Don Guanella Center / DONNE 2000 / Dorothy C. Gabriel Foundation / Dreamfar High School Marathon / East Boston Social Centers / East Middlesex Association for Children / Emerald Necklace Conservancy / English At Large / Everett Babe Ruth League / Everett Chamber of Commerce / Everett High School / Facing Cancer Together / Fayerweather Street School / Federazione Associazine / Fisher Center for Alzheimer's Research Foundation / Fontbonne Academy / Foundation for Faces of Children / Fourth Presbyterian Church of South Boston / Franciscan Hospital for Children / Friends of Medford Softball / Friends of Post Office Square / Gann Academy / Golf Fights Cancer / Greater Lawrence Family Health Center / Greater Lynn Senior Services / Green Medford / Hallmark Health System / Harry Langburd Scholarship Fund / Hebrew SeniorLife / Homes for Our Troops / Hope For Caroline, Inc. / Hospitality Homes, Inc. / Interfaithfamily.com / Italia Unita / Italian American Association / Italian Home for Children / Jewish Big Brothers Big Sisters / Jewish Community Centers of Greater Boston / Jewish Family Service / John T. Forcellese Memorial Fund / Koleinu Boston's Jewish Community Chorus / Ladies Ancient Order of Hibernians / Liberty Belle Chorus of Sweet Adelines / Little Sisters of the Poor / Longwood Giving / Lynn Chamber of Commerce / Lynn Housing Authority & Neighborhood Development / Lynn Lions Club / Malden Chamber of Commerce / Malden Rotary Club / Malden Youth Lacrosse / March of Dimes / MASCO / Massachusetts Affordable Housing Alliance / Massachusetts Association of Community Development Corporations / Massachusetts Early Intervention Consortium / Massachusetts Eye and Ear Infirmary / Massachusetts General Hospital / Massachusetts Thoroughbred Breeders Association / Matignon High School / May Institute / McGlynn Elementary School / Medford Chamber of Commerce / Medford Community Housing / Medford High School / Medford Jingle Bell Festival / Medford Police Association / Medford Pop Warner Colts / Medford Recreational Hockey Association, Inc. / Medford Rotary Club / Mental Health

HOLIDAY TOY DRIVE

Pictured from left:

Linda Sloane Kay; Lisa Vasiloff, Cofounder & Executive Director, Birthday Wishes; and Thatcher L. Freeborn, VP, Century Bank

CATHOLIC CHARITIES ANNUAL SPRING CELEBRATION HONORING BARBARA J.G. AND MARSHALL M. SLOANE

Pictured from left:

Barbara J.G. Sloane; Cardinal Sean P. O'Malley; and Marshall M. Sloane

SHARON MEMORIAL PARK GROUND BREAKING

Pictured from left:

Valerie R. Bosse, AVP, Century Bank; Bradford J. Buckley, SVP, Century Bank; Marshall M. Sloane; Frederick Lappin, President, Sharon Memorial Park; Barry R. Sloane; and David B. Woonton, EVP, Century Bank

Programs, Inc. (MHPI) / Merrimack Valley Chamber of Commerce / Merritt's Way Fund / MetroWest Jewish Day School / Middlebury College / Milton High School / Muscular Dystrophy Association / My Little Buddys Boat / Mystic Valley Elder Services / NAIOP Massachusetts / National Multiple Sclerosis Society / National Tay-Sachs & Allied Diseases Association / Nativity Preparatory School / Nazzaro Recreation Center / Neighborhood House Charter School / Neurofibromatosis, Inc., Northeast / New England Disabled Sports / Newton at Home / Newton-Needham Chamber of Commerce / Newton-Wellesley Hospital Charitable Foundation / North Andover Scholarship Foundation / North Andover Senior Center / North End Against Drugs, Inc. / North End Chamber of Commerce / North End Community Health Center / North End Music and Performing Arts Center / North Reading Little League / North Shore Community Action Programs, Inc. / North Shore Medical Center Cancer Walk / North Shore Technical High School / On The Rise / Pan-Mass Challenge / Peabody Chamber of Commerce / Project Bread / Prospect Hill Academy Charter School / Quincy Chamber of Commerce / Quincy Public Schools / Rashi School / RESPOND, Inc. / Rodman Ride for Kids / Ron Burton Training Village / Sacred Heart Parish / Sacred Heart School / Saint Agrippina di Mineo / Saint John School / Saint John's Seminary / Saint Joseph School / Saint Matthias Parish / Saint Peter School / Salem Chamber of Commerce / Salem Veterans Services Fund / Salve Regina University / Save the Children / Shakespeare & Company / Sharon Pop Warner / Silent Spring Institute / Societa di San Giuseppe / Solomon Schechter Day School / Somerville Chamber of Commerce / Somerville Council on Aging / Somerville High School / Somerville Historic Preservation Commission / Somerville Housing Authority / Somerville Kiwanis Club / Somerville Museum / Somerville Pop Warner / Somerville Rotary Club / Special Olympics Massachusetts / SquashBusters Lawrence / St. John the Baptist Parish / St. John the Evangelist Church / St. Leonard Parish of Boston / Sunset Point Camp / Suzuki School of Newton / Synagogue Council of Massachusetts / Teamsters Local 25 / Temple Beth Elohim / Temple Beth Shalom / Temple Beth Zion / Temple Emanuel Andover / Temple Emanuel Newton / Temple Reyim / Temple Sinai / The Angel Fund / The ARC of the North Shore / The Cambridge School of Weston / The David Project / The Food Project / The Foundation for Racial, Ethnic & Religious Harmony / The Hopes Program / The Jett Foundation / The Jimmy Fund / The Lustgarten Foundation for Pancreatic Cancer Research / The Missionary Society of St. James the Apostle / The Professional Center for Child Development / The Skating Club of Boston / The Welcome Project / Town of Abington / Town of Brookline / Town of Burlington / Town of Needham / Town of Salisbury / Town of Swampscott / Town of Weymouth / Tri-City Community Action Program, Inc. / Trust for the National Mall / UNICO Merrimack Valley / University of Massachusetts Boston / Urban League of Eastern Massachusetts / USO New England / UWUA Local 369 / Ward 7 Improvement Association / Watertown Youth Baseball / Wellesley Chamber of Commerce / Wellesley Square Merchants Association / West Suburban YMCA / Winchester Chamber of Commerce / Winchester Foundation for Educational Excellence / Winchester Police Association / Winchester Rotary Charitable Fund, Inc. / Winchester Sports Foundation / Women's Business Group Connects / World Unity / Xaverian Brothers High School / YMCA of the North Shore / Young Israel of Brookline / Zonta Club of Malden /

CENTURY BANK HOLIDAY CARD

Handprints provided by courageous Jimmy Fund Clinic patients at the Dana-Farber Cancer Institute.

HEBREW CHARITABLE BURIAL GROUND RE-DEDICATION

Marshall M. Sloane, Malden, MA

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Wellesley College

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Executive Vice President

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Chief Financial Officer & Treasurer

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Executive Vice President

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Senior Vice President

Jason J. Melius
Senior Vice President

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Oliver Sun
Elizabeth A. Theriault

[1] Audit Committee, [2] Compensation Committee, [3] Nominating Committee, [4] Executive Committee, [5] Asset Liability Committee, [6] Non-deposit Investment and Insurance Products Committee, [7] Trust Committee, * Committee Chairperson, ** Committee Vice Chairperson

FINANCIAL STATEMENTS

	2013	2012	2011	2010	2009
(dollars in thousands, except share data)					
FOR THE YEAR					
Interest income	$ 79,765	$ 81,494	$ 78,065	$ 76,583	$ 79,600
Interest expense	18,805	19,540	22,766	24,817	31,723
Net interest income	60,960	61,954	55,299	51,766	47,877
Provision for loan losses	2,710	4,150	4,550	5,575	6,625
Net interest income after provision for loan losses	58,250	57,804	50,749	46,191	41,252
Other operating income	18,615	15,865	16,240	15,999	16,470
Operating expenses	55,812	53,238	48,742	47,372	46,379
Income before income taxes	21,053	20,431	18,247	14,818	11,343
Provision for income taxes	1,007	1,392	1,554	1,244	1,183
Net income	$ 20,046	$ 19,039	$ 16,693	$ 13,574	$ 10,160
Average shares outstanding Class A, basic	3,575,683	3,557,693	3,543,233	3,521,179	3,509,931
Average shares outstanding Class B, basic	1,980,855	1,990,474	1,997,411	2,012,327	2,022,318
Average shares outstanding Class A, diluted	5,557,693	5,549,191	5,541,794	5,535,742	5,534,340
Average shares outstanding Class B, diluted	1,980,855	1,990,474	1,997,411	2,012,327	2,022,318
Total shares outstanding at year-end	5,556,584	5,554,959	5,542,697	5,540,247	5,530,297
Earnings per share:					
Basic, Class A	$ 4.39	$ 4.18	$ 3.68	$ 3.00	$ 2.25
Basic, Class B	$ 2.19	$ 2.09	$ 1.84	$ 1.50	$ 1.12
Diluted, Class A	$ 3.61	$ 3.43	$ 3.01	$ 2.45	$ 1.84
Diluted, Class B	$ 2.19	$ 2.09	$ 1.84	$ 1.50	$ 1.12
Dividend payout ratio	10.9 %	11.5 %	13.1 %	16.0 %	21.4 %
AT YEAR-END					
Assets	$ 3,431,154	$ 3,086,209	$ 2,743,225	$ 2,441,684	$ 2,254,035
Loans	1,264,763	1,111,788	984,492	906,164	877,125
Deposits	2,715,839	2,445,073	2,124,584	1,902,023	1,701,987
Stockholders' equity	176,472	179,990	160,649	145,025	132,730
Book value per share	$ 31.76	$ 32.40	$ 28.98	$ 26.18	$ 24.00
SELECTED FINANCIAL PERCENTAGES					
Return on average assets	0.60 %	0.65 %	0.63 %	0.56 %	0.50 %
Return on average stockholders' equity	11.58 %	11.06 %	10.72 %	9.52 %	7.98 %
Net interest margin, taxable equivalent	2.21 %	2.51 %	2.48 %	2.52 %	2.69 %
Net charge-offs as a percent of average loans	0.08 %	0.15 %	0.21 %	0.44 %	0.63 %
Average stockholders' equity to average assets	5.22 %	5.85 %	5.88 %	5.93 %	6.26 %
Efficiency ratio	63.0 %	62.1 %	62.2 %	65.0 %	68.5 %

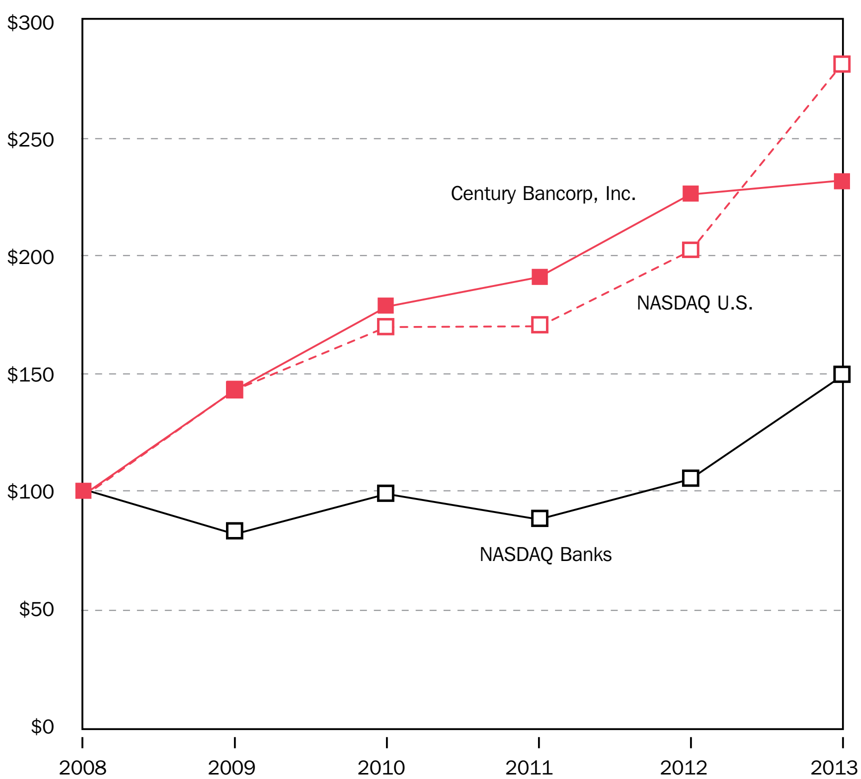
Per Share Data

2013, Quarter Ended	**December 31,**	**September 30,**	**June 30,**	**March 31,**
Market price range (Class A)				
High	**$ 35.98**	**$ 37.80**	**$ 35.75**	**$ 35.40**
Low	**29.67**	**31.22**	**31.11**	**30.41**
Dividends Class A	**0.12**	**0.12**	**0.12**	**0.12**
Dividends Class B	**0.06**	**0.06**	**0.06**	**0.06**

2012, Quarter Ended	December 31,	September 30,	June 30,	March 31,
Market price range (Class A)				
High	$ 34.00	$ 33.00	$ 30.24	$ 29.50
Low	28.02	28.46	25.00	23.51
Dividends Class A	0.12	0.12	0.12	0.12
Dividends Class B	0.06	0.06	0.06	0.06

The stock performance graph below compares the cumulative total shareholder return of the Company's Class A Common Stock from December 31, 2008 to December 31, 2013 with the cumulative total return of the NASDAQ Market Index (U.S. Companies) and the NASDAQ Bank Stock Index. The lines in the graph represent monthly index levels derived from compounded daily returns that include all dividends. If the monthly interval, based on the fiscal year-end, was not a trading day, the preceding trading day was used.

Comparison of Five-Year Cumulative Total Return*



Value of $100 Invested on December 31, 2008 at:	2009	2010	2011	2012	**2013**
Century Bancorp, Inc.	$ 143.61	$ 178.37	$ 191.51	$ 227.01	**$ 232.34**
NASDAQ Banks	84.30	100.68	90.16	105.38	**150.84**
NASDAQ U.S.	143.74	170.18	171.08	202.40	**281.92**

*Assumes that the value of the investment in the Company's Common Stock and each index was $100 on December 31, 2008 and that all dividends were reinvested.

FORWARD-LOOKING STATEMENTS

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

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

RECENT MARKET DEVELOPMENTS

The financial services industry continues to face challenges in the aftermath of the recent national and global economic crisis. Since June 2009, the U.S. economy has been recovering from the most severe recession and financial crisis since the Great Depression. There have been some improvements in private-sector employment, industrial production and U.S. exports; nevertheless, the pace of economic recovery has been slow. Financial markets have improved since the depths of the crisis but are still unsettled and volatile. There is continued concern about the U.S. economic outlook.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "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 extended unlimited deposit insurance on non-interest bearing transaction accounts through December 31, 2012. In addition, the Act added a new Section 13 to the Bank Holding Company Act, the so-called "Volcker Rule," (the "Rule") which generally restricts certain banking entities such as the Company and its subsidiaries or affiliates, from engaging in proprietary trading activities and owning equity in or sponsoring any private equity or hedge fund. The Rule became effective July 21, 2012. The final implementing regulations for the Rule were issued by various regulatory agencies in December, 2013 and under an extended conformance regulation compliance must be achieved by July 21, 2015. Under the Rule, the Company may be restricted from engaging in proprietary trading, investing in third party hedge or private equity funds or sponsoring new funds unless it qualifies for an exemption from the rule. The Company has little involvement in prohibited proprietary trading or investment activities in covered funds and the Company does not expect that complying with the requirements of the Rule will have any material effect on the Company's financial condition or results of operation.

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. The Company's quarterly risk-based deposit insurance assessments were paid from this amount until June 30, 2013. The Company received a refund of $2.4 million of prepaid FDIC assessments in June 2013.

Federal banking regulators have issued risk-based capital guidelines, which assign risk factors to asset categories and off-balance-sheet items. Also, the Basel Committee has issued capital standards entitled "Basel III: A global regulatory framework for more resilient banks and banking systems" ("Basel III"). The Federal Reserve Board has finalized its rule implementing the Basel III regulatory capital framework. The rule, that will come into effect in January 2015, sets the Basel III minimum regulatory capital requirements for all organizations. It includes a new common equity Tier I ratio of 4.5 percent of risk-weighted assets, raises the minimum Tier I capital ratio from 4 percent to 6 percent of risk-weighted assets and would set a new conservation buffer of 2.5 percent of rick-weighted assets. The Company has analyzed the final rules; the implementation of the framework will not have a material impact on the Company's financial condition or results of operations.

The Governor of Massachusetts has proposed a tax plan that would modify existing income tax rules. The governor's plan is part of his budget recommendations for fiscal year 2015, and will subject security corporations to the same tax base and rate as regular business corporations. The proposed tax changes would take effect as of January 1, 2015. The Company is currently analyzing the financial impact of the proposed changes.

OVERVIEW

Century Bancorp, Inc. (together with its bank subsidiary, unless the context otherwise requires, the "Company") is a Massachusetts state-chartered bank holding company headquartered in Medford, Massachusetts. The Company is a Massachusetts corporation formed in 1972 and has one banking subsidiary (the "Bank"): Century Bank and Trust Company formed in 1969. At December 31, 2013, the Company had total assets of $3.4 billion. Currently, the Company operates 26 banking offices in 19 cities and towns in Massachusetts, ranging from Braintree in the south to Andover in the north. The Bank's customers consist primarily of small and medium-sized businesses and retail customers in these communities and surrounding areas, as well as local governments and institutions throughout Massachusetts.

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

The Company offers a wide range of services to commercial enterprises, state and local governments and agencies, nonprofit organizations and individuals. It emphasizes service to small and medium-sized businesses and retail customers in its market area. The Company makes commercial loans, real estate and construction loans, and consumer loans and accepts savings, time and demand deposits. In addition, the Company offers to its corporate and institutional customers automated lockbox collection services, cash management services and account reconciliation services, and it actively promotes the marketing of these services to the municipal market. Also, the Company provides full-service securities brokerage services through a program called Investment Services at Century Bank, which is supported by LPL Financial, a third party 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, New Hampshire and Rhode Island, consisting of 204 relationships. The Company has deposit relationships with 193 (55%) of the 351 cities and towns in Massachusetts.

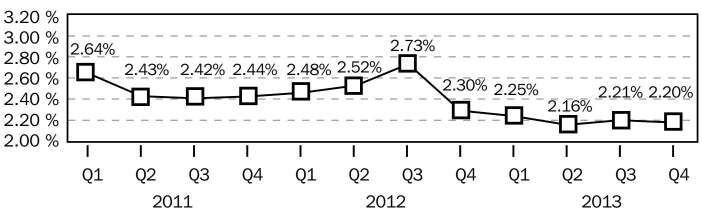
The Company had net income of $20,046,000 for the year ended December 31, 2013, compared with net income of $19,039,000 for the year ended December 31, 2012, and net income of $16,693,000 for the year ended December 31, 2011. Class A diluted earnings per share were $3.61 in 2013, compared to $3.43 in 2012 and $3.01 in 2011.

Earnings per share (EPS) for each class of stock and for each year ended December 31, is as follows:

	2013	2012	2011
Basic EPS – Class A common	**$ 4.39**	$ 4.18	$ 3.68
Basic EPS – Class B common	**$ 2.19**	$ 2.09	$ 1.84
Diluted EPS – Class A common	**$ 3.61**	$ 3.43	$ 3.01
Diluted EPS – Class B common	**$ 2.19**	$ 2.09	$ 1.84

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

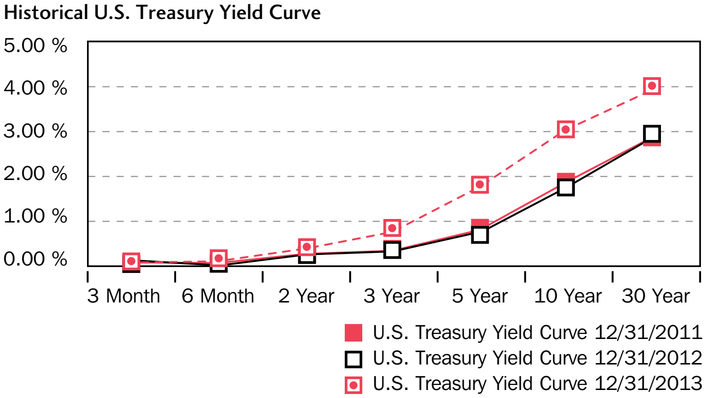
Net Interest Margin



Pricing discipline occurred 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. During the third quarter of 2011 through the third quarter of 2012, management stabilized the net interest margin by continuing to lower cost of funds, and by deploying excess liquidity through expansion of the investment portfolio. Also, the Company collected approximately $3,253,000 of prepayment penalties during 2012. The primary factor accounting for the decrease in the net interest margin for the fourth quarter of 2012 and through the fourth quarter of 2013 was an additional large influx of deposits. Management invested the funds in shorter term securities.

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

Historical U.S. Treasury Yield Curve



A yield curve is a line that typically plots the interest rates of U.S. Treasury Debt, which have different maturity dates but the same credit quality, at a specific point in time. The three main types of yield curve shapes are normal, inverted and flat. Over the past three years, the U.S. economy has experienced low short-term rates. During 2013, longer-term rates have increased resulting in a steepening of the yield curve.

During 2013, the Company's earnings were positively impacted primarily by an increase in other operating income and a decrease in provision for loan losses. This increase in other operating income was primarily due to an increase in net gains on sales of loans and net gains on sales of securities. The decrease in the provision for loan losses was primarily attributable to a lower level of charge-off activity and changes in portfolio composition. During 2013, 2012 and 2011, the U.S. economy experienced a lower short-term rate environment. The lower short-term rates negatively impacted the net interest margin as the rate at which short-term deposits could be invested declined more than the rates offered on those deposits. The net interest margin was positively impacted in 2012 as a result of prepayment penalties that were collected during the year.

Total assets were $3,431,154,000 at December 31, 2013, an increase of 11.2% from total assets of $3,086,209,000 at December 31, 2012.

On December 31, 2013, stockholders' equity totaled $176,472,000, compared with $179,990,000 on December 31, 2012. Book value per share decreased to $31.76 at December 31, 2013, from $32.40 on December 31, 2012.

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 opened on July 16, 2012.

During June 2012, the Company entered into a lease agreement to open a branch located in Wellesley, Massachusetts. The branch opened on November 26, 2012.

During July 2012, the Company received state regulatory approval to close a branch at Chestnut Hill in Newton, Massachusetts. The branch closed on September 21, 2012 and the accounts were temporarily moved to the Brookline, Massachusetts branch. During July 2012, the Company entered into a lease agreement and received regulatory approval to open a branch at a new location at Chestnut Hill in Newton, Massachusetts. The branch opened on November 7, 2013 and the majority of the accounts that were temporarily moved to the Brookline, Massachusetts branch were moved to the new branch at Chestnut Hill in Newton, Massachusetts.

During December 2013, the Company entered into a lease agreement to open a branch located in Woburn, Massachusetts. The branch is scheduled to open during the third quarter of 2014.

CRITICAL ACCOUNTING POLICIES

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

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

Impaired Investment Securities

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

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

Allowance for Loan Losses

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

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

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

FINANCIAL CONDITION

Investment Securities

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

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

These securities are carried at fair value, and unrealized gains and losses, net of applicable income taxes, are recognized as a separate component of stockholders' equity. The fair value of securities available-for-sale at December 31, 2013 totaled $464,245,000 and included gross unrealized gains of $821,000 and gross unrealized losses of $2,519,000. A year earlier, the fair value of securities available-for-sale was $1,434,801,000 including gross unrealized gains of $21,477,000 and gross unrealized losses of $1,271,000. In 2013, the Company recognized gains of $3,019,000 on the sale of available-for-sale securities. In 2012 and 2011, the Company recognized gains of $1,843,000 and $1,940,000, respectively.

Securities classified as held-to-maturity consist of U.S. Government Sponsored Enterprises and mortgage-backed securities. Securities held-to-maturity as of December 31, 2013 are carried at their amortized cost of $1,487,884,000. A year earlier, securities held-to-maturity totaled $275,507,000.

During the third quarter of 2013, $987,037,000 of securities available-for-sale with unrealized losses of $25,333,000 were transferred to securities held-to-maturity. This was done in response to rising interest rates and an assessment of liquidity needs.

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

Fair Value of Securities Available-for-Sale

At December 31,	2013		2012		2011	
	Amount	**Percent**	Amount	Percent	Amount	Percent
(dollars in thousands)						
U.S. Treasury	**$ 1,998**	**0.4 %**	$ 2,004	0.1 %	$ 2,012	0.2 %
U.S. Government Sponsored Enterprises	**10,004**	**2.2 %**	130,340	9.1 %	174,957	13.9 %
SBA Backed Securities	**7,302**	**1.6 %**	8,156	0.6 %	8,801	0.7 %
U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities	**403,189**	**86.8 %**	1,233,357	86.0 %	1,035,838	82.3 %
Privately Issued Residential Mortgage-Backed Securities	**2,277**	**0.5 %**	2,947	0.2 %	3,198	0.3 %
Obligations Issued by States and Political Subdivisions	**36,723**	**7.9 %**	55,174	3.8 %	20,642	1.6 %
Other Debt Securities	**2,176**	**0.5 %**	2,253	0.2 %	12,610	1.0 %
Equity Securities	**576**	**0.1 %**	570	0.0 %	618	0.0 %
Total	**$ 464,245**	**100.0 %**	$1,434,801	100.0 %	$ 1,258,676	100.0 %

The majority of the Company's securities AFS are classified as Level 2, as defined in Note 1 of the "Notes to Consolidated Financial Statements." The fair values of these securities are obtained from a pricing service, which provides the Company with a description of the inputs generally utilized for each type of security. These inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. Management's understanding of a pricing service's pricing methodologies includes obtaining an understanding of the valuation risks, assessing its qualification, verification of sources of information and processes used to develop prices and identifying, documenting, and testing controls. Management's validation of a vendor's pricing methodology includes establishing internal controls to determine that the pricing information received by a pricing service and used by management in the valuation process is relevant and reliable. Market indicators and industry and economic events are also monitored. The decline in fair value from amortized cost for individual available-for-sale securities that are temporarily impaired is not attributable to changes in credit quality. Because the Company does not intend to sell any of its debt securities and it is not more likely than not that it will be required to sell the debt securities before the anticipated recovery of their remaining amortized cost, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2013.

Securities available-for-sale totaling $36,597,000, or 1.07% of assets, are classified as Level 3, as defined in Note 1 of the "Notes to Consolidated Financial Statements." These securities are generally equity investments or municipal securities with no readily determinable fair value. The securities are carried at fair value with periodic review of underlying financial statements and credit ratings to assess the appropriateness of these valuations.

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

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

Amortized Cost of Securities Held-to-Maturity

At December 31,	**2013**		2012		2011	
	Amount	**Percent**	Amount	Percent	Amount	Percent
(dollars in thousands)						
U.S. Government Sponsored Enterprises	**$ 291,779**	**19.6 %**	$ 17,747	6.4 %	$ 26,979	15.0 %
U.S. Government Sponsored Enterprise Mortgage-Backed Securities	**1,196,105**	**80.4 %**	257,760	93.6 %	152,389	85.0 %
Total	**$ 1,487,884**	**100.0 %**	$ 275,507	100.0 %	$ 179,368	100.0 %

The following two tables set forth contractual maturities of the Bank's securities portfolio at December 31, 2013. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Fair Value of Securities Available-for-Sale Amounts Maturing

	Within One Year	% of Total	Weighted Average Yield	One Year to Five Years	% of Total	Weighted Average Yield	Five Years to Ten Years	% of Total	Weighted Average Yield	Over Ten Years	% of Total	Weighted Average Yield
(dollars in thousands)												
U.S. Treasury	$ 1,998	0.4 %	0.23 %	$ —	0.0 %	0.00 %	$ —	0.0 %	0.00 %	$ —	0.0 %	0.00 %
U.S. Government Sponsored Enterprises	—	0.0 %	0.00 %	10,004	2.2 %	2.64 %	—	0.0 %	0.00 %	—	0.0 %	0.00 %
SBA Backed Securities	—	0.0 %	0.00 %	—	0.0 %	0.00 %	4,963	1.1 %	0.78 %	2,339	0.5 %	0.92 %
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	1,696	0.4 %	3.21 %	167,826	36.2 %	0.60 %	233,055	50.2 %	0.61 %	612	0.1 %	2.25 %
Privately Issued Residential Mortgage-Backed Securities	1,486	0.3 %	2.33 %	791	0.2 %	2.47 %	—	0.0 %	0.00 %	—	0.0 %	0.00 %
Obligations of States and Political Subdivisions	31,184	6.7 %	0.82 %	1,719	0.4 %	3.00 %	—	0.0 %	0.00 %	3,820	0.8 %	0.50 %
Other Debt Securities	600	0.1 %	1.45 %	200	0.0 %	0.99 %	—	0.0 %	0.00 %	—	0.0 %	0.00 %
Equity Securities	—	0.0 %	0.00 %	—	0.0 %	0.00 %	—	0.0 %	0.00 %	—	0.0 %	0.00 %
Total	$ 36,964	7.9 %	0.97 %	$ 180,540	39.0 %	0.74 %	$ 238,018	51.3 %	0.61 %	$ 6,771	1.4 %	0.80 %

(dollars in thousands)	Non-Maturing	% of Total	Weighted Average Yield	Total	% of Total	Weighted Average Yield
U.S. Treasury	$ —	0.0 %	0.00 %	$ 1,998	0.4 %	0.23 %
U.S. Government Sponsored Enterprises	—	0.0 %	0.00 %	10,004	2.2 %	2.64 %
SBA Backed Securities	—	0.0 %	0.00 %	7,302	1.6 %	0.83 %
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	—	0.0 %	0.00 %	403,189	86.8 %	0.62 %
Privately Issued Residential Mortgage-Backed Securities	—	0.0 %	0.00 %	2,277	0.5 %	2.38 %
Obligations of States and Political Subdivisions	—	0.0 %	0.00 %	36,723	7.9 %	0.88 %
Other Debt Securities	1,376	0.3 %	3.34 %	2,176	0.5 %	2.64 %
Equity Securities	576	0.1 %	1.66 %	576	0.1 %	1.66 %
Total	$ 1,952	0.4 %	2.84 %	$ 464,245	100.0 %	0.70 %

Amortized Cost of Securities Held-to-Maturity
Amounts Maturing

(dollars in thousands)	Within One Year	% of Total	Weighted Average Yield	One Year to Five Years	% of Total	Weighted Average Yield	Five Years to Ten Years	% of Total	Weighted Average Yield	Over Ten Years	% of Total	Weighted Average Yield	Total	% of Total	Weighted Average Yield
U.S. Government Sponsored Enterprises	$ —	0.0 %	0.00 %	$ 99,189	6.7 %	1.14 %	$192,589	12.9 %	1.69 %	$ —	0.0 %	0.00 %	$ 291,778	19.6 %	1.50 %
U.S. Government Sponsored Enterprise Mortgage-Backed Securities	5,689	0.4 %	2.90 %	728,144	48.9 %	2.39 %	461,195	31.0 %	2.20 %	1,078	0.1 %	4.14 %	1,196,106	80.4 %	2.32 %
Total	$ 5,689	0.4 %	2.90 %	$ 827,333	55.6 %	2.24 %	$653,784	43.9 %	2.05 %	$ 1,078	0.1 %	4.14 %	$ 1,487,884	100.0 %	2.16 %

At December 31, 2013 and 2012, the Bank had no investments in obligations of individual states, counties, municipalities or nongovernment corporate entities which exceeded 10% of stockholders' equity. In 2013, sales of securities totaling $224,045,000 in gross proceeds resulted in a net realized gain of $3,019,000. There were no sales of state, county or municipal securities during 2013 and 2012. In 2012, sales of securities totaling $294,881,000 in gross proceeds resulted in net realized gains of $1,843,000. In 2011, sales of securities totaling $75,615,000 in gross proceeds resulted in net realized gains of $1,940,000.

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

Loans

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

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

December 31,	2013		2012		2011		2010		2009	
	Amount	**Percent of Total**	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
(dollars in thousands)										
Construction and land development	**$ 33,058**	**2.6 %**	$ 38,618	3.5 %	$ 56,819	5.7 %	$ 53,583	5.9 %	$ 60,349	6.9 %
Commercial and industrial	**92,402**	**7.3 %**	88,475	8.0 %	82,404	8.4 %	90,654	10.0 %	141,061	16.1 %
Commercial real estate	**713,327**	**56.4 %**	576,465	51.8 %	487,495	49.5 %	433,337	47.8 %	361,823	41.2 %
Residential real estate	**286,041**	**22.6 %**	281,857	25.3 %	239,307	24.3 %	207,787	22.9 %	188,096	21.4 %
Consumer	**8,824**	**0.7 %**	6,823	0.6 %	6,197	0.6 %	5,957	0.7 %	7,105	0.8 %
Home equity	**130,277**	**10.3 %**	118,923	10.7 %	110,786	11.3 %	114,209	12.6 %	118,076	13.5 %
Overdrafts	**834**	**0.1 %**	627	0.1 %	1,484	0.2 %	637	0.1 %	615	0.1 %
Total	**$ 1,264,763**	**100.0 %**	$1,111,788	100.0 %	$ 984,492	100.0 %	$ 906,164	100.0 %	$ 877,125	100.0 %

At December 31, 2013, 2012, 2011, 2010 and 2009, loans were carried net of discounts of $454,000, $498,000, $550,000, $598,000 and $645,000, respectively. Net deferred loan fees of $174,000, $369,000, $666,000, $186,000 and $71,000 were carried in 2013, 2012, 2011, 2010 and 2009, respectively.

The following table summarizes the remaining maturity distribution of certain components of the Company's loan portfolio on December 31, 2013. The table excludes loans secured by 1–4 family residential real estate and loans for household and family personal expenditures. Maturities are presented as if scheduled principal amortization payments are due on the last contractual payment date.

Remaining Maturities of Selected Loans at December 31, 2013

	One Year or Less	**One to Five Years**	**Over Five Years**	**Total**
(dollars in thousands)				
Construction and land development	**$ 8,625**	**$ 3,537**	**$ 20,896**	**$ 33,058**
Commercial and industrial	**26,860**	**26,172**	**39,370**	**92,402**
Commercial real estate	**16,089**	**96,608**	**600,630**	**713,327**
Total	**$ 51,574**	**$126,317**	**$660,896**	**$838,787**

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

December 31, 2013	**One to Five Years**	**Over Five Years**	**Total**
(dollars in thousands)			
Predetermined interest rates	**$ 60,303**	**$ 262,989**	**$ 323,292**
Floating or adjustable interest rates	**66,014**	**397,907**	**463,921**
Total	**$ 126,317**	**$ 660,896**	**$ 787,213**

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

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

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

Residential real estate (1–4 family) includes two categories of loans. Included in residential real estate are approximately $16,472,000 of C&I type loans secured by 1–4 family real estate. Primarily, these are small businesses with modest capital or shorter operating histories where the collateral mitigates some risk. This category of loans shares similar risk characteristics with the C&I loans, notwithstanding the collateral position.

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

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

Bank officers evaluate the feasibility of construction projects based on independent appraisals of the project, architects' or engineers' evaluations of the cost of construction and other relevant data. As of December 31, 2013, the Company was obligated to advance a total of $7,026,000 to complete projects under construction.

The composition of nonperforming assets is as follows:

December 31,	**2013**	2012	2011	2010	2009
(dollars in thousands)					
Total nonperforming loans	**$ 2,549**	$ 4,471	$ 5,827	$ 8,068	$12,311
Other real estate owned	**—**	—	1,182	—	—
Total nonperforming assets	**$ 2,549**	$ 4,471	$ 7,009	$ 8,068	$12,311
Accruing troubled debt restructured loans	**$ 5,969**	$ 3,048	$ 4,634	$ 1,248	$ 521
Loans past due 90 and still accruing	**—**	—	18	50	—
Nonperforming loans as a percent of gross loans	**0.20 %**	0.40 %	0.59 %	0.89 %	1.40 %
Nonperforming assets as a percent of total assets	**0.07 %**	0.14 %	0.26 %	0.33 %	0.55 %

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

	2013	2012	2011	2010	2009
Residential real estate, multi-family	**$ 1,199**	$ 862	$ 516	$ —	$ —
Commercial real estate	**4,520**	2,281	4,561	2,492	4,260
Construction and land development	**608**	1,500	1,500	4,000	4,900
Commercial and industrial	**1,367**	1,282	1,525	1,471	1,356
Total impaired loans	**$ 7,694**	$ 5,925	$ 8,102	$ 7,963	$10,516

At December 31, 2013, 2012, 2011, 2010 and 2009, impaired loans had specific reserves of $1,019,000, $1,732,000, $741,000, $317,000 and $745,000 respectively.

The Company was servicing mortgage loans sold to others without recourse of approximately $109,301,000, $26,786,000, $18,196,000, $983,000 and $1,127,000 at December 31, 2013, 2012, 2011, 2010, and 2009, respectively. The Company had no loans held for sale at December 31, 2013, $9,378,000 at December 31, 2012, $3,389,000 at December 31, 2011, and none for December 31, 2010 and 2009.

Servicing assets are recorded at fair value and recognized as separate assets when rights are acquired through sale of loans with servicing rights retained. Mortgage servicing assets ("MSA") are amortized into non-interest income in proportion to, and over the period of, the estimated net servicing income. Upon sale, the mortgage servicing asset is established, which represents the then-current estimated fair value based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. Servicing rights are recorded in other assets and are amortized in proportion to, and over the period of estimated net servicing income and are assessed for impairment based on fair value at each reporting date. MSAs are reported in other assets in the consolidated balance sheets. MSAs totaled $703,000 at December 31, 2013, $137,000 for December 31, 2012, and $123,000 for December 31, 2011.

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

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

Nonaccrual loans decreased during 2013 primarily as a result of a charge-off of a construction loan and a decrease in residential real estate nonperforming loans. Nonaccrual loans decreased during 2012, primarily as a result of a decrease in home equity and residential real estate nonperforming loans.

Nonaccrual loans decreased during 2011, primarily as a result of $1,200,000 in charge-offs from two construction loans as well as the subsequent foreclosure of $1,300,000 of one of the construction loans. Nonaccrual loans decreased during 2010, primarily as a result of resolution of a $2,479,000 commercial real estate loan as well as $900,000 in charge-offs from two construction loans during 2010. Nonaccrual loans increased from 2008 to 2009, primarily as a result of three loan relationships, one primarily commercial real estate and two construction totaling $7,379,000.

The Company continues to monitor closely $16,918,000 and $18,645,000 at December 31, 2013 and 2012, respectively, of loans for which management has concerns regarding the ability of the borrowers to perform. The majority of the loans are secured by real estate and are considered to have adequate collateral value to cover the loan balances at December 31, 2013, although such values may fluctuate with changes in the economy and the real estate market.

Allowance for Loan Losses

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

Year Ended December 31,	**2013**	2012	2011	2010	2009
((dollars in thousands)					
Year-end loans outstanding (net of unearned discount and deferred loan fees)	**$ 1,264,763**	$1,111,788	$ 984,492	$ 906,164	$ 877,125
Average loans outstanding (net of unearned discount and deferred loan fees)	**$ 1,184,912**	$1,036,296	$ 948,883	$ 877,858	$ 853,422
Balance of allowance for loan losses at the beginning of year	**$ 19,197**	$ 16,574	$ 14,053	$ 12,373	$ 11,119
Loans charged-off:					
Commercial	**234**	1,253	676	1,559	1,498
Construction	**1,000**	—	1,200	900	3,639
Commercial real estate	**—**	—	—	922	—
Residential real estate	**—**	351	341	515	490
Consumer	**579**	697	607	547	443
Total loans charged-off	**1,813**	2,301	2,824	4,443	6,070
Recovery of loans previously charged-off:					
Commercial	**389**	307	293	172	352
Construction	**—**	—	—	—	25
Real estate	**31**	45	35	8	4
Consumer	**427**	422	467	368	318
Total recoveries of loans previously charged-off:	**847**	774	795	548	699
Net loan charge-offs	**966**	1,527	2,029	3,895	5,371
Provision charged to operating expense	**2,710**	4,150	4,550	5,575	6,625
Balance at end of year	**$ 20,941**	$ 19,197	$ 16,574	$ 14,053	$ 12,373
Ratio of net charge-offs during the year to average loans outstanding	**0.08 %**	0.15 %	0.21 %	0.44 %	0.63 %
Ratio of allowance for loan losses to loans outstanding	**1.66 %**	1.73 %	1.68 %	1.55 %	1.41 %

The amount of the allowance for loan losses results from management's evaluation of the quality of the loan portfolio considering such factors as loan status, specific reserves on impaired loans, collateral values, financial condition of the borrower, the state of the economy and other relevant information. The pace of the charge-offs depends on many factors, including the national and regional economy. Cyclical lagging factors may result in charge-offs being higher than historical levels. Charge-offs increased during 2009 due to an increase in commercial loan charge-offs and construction loan charge-offs as a result of the weakening of the overall economy and real estate market. Charge-offs declined in 2010, 2011, 2012, and 2013 as a result of the overall decrease in the level of nonaccrual loans. The dollar amount of the allowance for loan losses and the level of the allowance for loan losses to total loans increased primarily as a result of a lower level of charge-off activity combined with changes in the portfolio composition.

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

Construction loans — The outstanding loan balance of construction loans at December 31, 2013 is $33,058,000. A major portion in nonaccrual loans is one construction loan. Based on this fact, and the general local construction conditions, management closely monitors all construction loans and considers this type of loan to be higher risk.

Higher-balance loans — Loans greater than $1.0 million are considered "high-balance loans." The balance of these loans is $701,103,000 at December 31, 2013, as compared to $567,306,000 at December 31, 2012. These loans are considered higher risk due to the concentration in individual loans. Additional allowance allocations are made based upon the level of high-balance loans. Included in high-balance loans are loans greater than $10.0 million. The balance of these loans is $377,915,000 at December 31, 2013, as compared to $245,198,000 at December 31, 2012. 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 $40,184,000 at December 31, 2013. These are considered higher risk loans because small businesses have been negatively impacted by the current economic conditions. In a liquidation scenario, the collateral, if any, is often not sufficient to fully recover the outstanding balance of the loan. As a result, the Company often seeks additional collateral prior to renewing maturing small business loans. In addition, the payment status of the loans is monitored closely in order to initiate collection efforts in a timely fashion.

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

	2013		2012		2011		2010		2009	
	Amount	**Percent of Loans in Each Category to Total Loans**	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
(dollars in thousands)										
Construction and land development	**$ 2,174**	**2.6 %**	$ 3,041	3.5 %	$ 2,893	5.7 %	$ 1,752	5.9 %	$ 362	6.9 %
Commercial and industrial	**2,989**	**7.3**	3,118	8.0	3,139	8.4	3,163	10.0	4,972	16.1
Commercial real estate	**11,218**	**56.4**	9,065	51.8	6,566	49.5	5,671	47.8	2,983	41.2
Residential real estate	**2,006**	**22.6**	1,994	25.3	1,886	24.3	1,718	22.9	1,304	21.4
Consumer and other	**432**	**0.8**	333	0.7	356	0.8	298	0.8	1,753	0.9
Home equity	**959**	**10.3**	886	10.7	704	11.3	725	12.6	761	13.5
Unallocated	**1,163**		760		1,030		726		238	
Total	**$20,941**	**100.0 %**	$19,197	100.0 %	$ 16,574	100.0 %	$14,053	100.0 %	$12,373	100.0 %

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

Deposits

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

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

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

	2013		2012		2011	
	Amount	Percent	Amount	Percent	Amount	Percent
(dollars in thousands)						
Demand Deposits	$ 441,193	16.6 %	$ 386,863	16.5 %	$ 326,102	15.3 %
Savings and Interest Checking	1,037,320	38.9 %	870,046	37.1 %	735,022	34.6 %
Money Market	800,052	30.0 %	666,949	28.5 %	584,059	27.4 %
Time Certificates of Deposit	387,514	14.5 %	418,789	17.9 %	484,142	22.7 %
Total	$2,666,079	100.0 %	$ 2,342,647	100.0 %	$ 2,129,325	100.0 %

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

	2013
(dollars in thousands)	
Three months or less	$ 84,273
Three months through six months	59,885
Six months through twelve months	37,022
Over twelve months	78,485
Total	$ 259,665

Borrowings

The Bank's borrowings consisted primarily of Federal Home Loan Bank of Boston ("FHLBB") borrowings collateralized by a blanket pledge agreement on the Bank's FHLBB stock, certain qualified investment securities, deposits at the FHLBB and residential mortgages held in the Bank's portfolios. The Bank's borrowings from the FHLBB totaled $255,000,000, an increase of $60,000,000 from the prior year. The Bank's remaining term borrowing capacity at the FHLBB at December 31, 2013, was approximately $423,143,000. In addition, the Bank has a $14,500,000 line of credit with the FHLBB. See Note 12, "Other Borrowed Funds and Subordinated Debentures," for a schedule, their interest rates and other information.

Subordinated Debentures

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

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

Securities Sold Under Agreements to Repurchase

The Bank's remaining borrowings consist primarily of securities sold under agreements to repurchase. Securities sold under agreements to repurchase totaled $214,440,000, an increase of $23,050,000 from the prior year. See Note 11, "Securities Sold Under Agreements to Repurchase," for a schedule, including their interest rates and other information.

RESULTS OF OPERATIONS

Net Interest Income

The Company's operating results depend primarily on net interest income and fees received for providing services. Net interest income on a fully taxable equivalent basis increased 0.04% in 2013 to $69,944,000, compared with $69,918,000 in 2012. The increase in net interest income for 2013 was mainly due to an 13.6% increase in the average balances of earning assets, combined with a similar increase in deposits. This was offset, somewhat, by prepayment penalties that were collected during the prior year. The level of interest rates, the ability of the Company's earning assets and liabilities to adjust to changes in interest rates and the mix of the Company's earning assets and liabilities affect net interest income. The net interest margin on a fully taxable equivalent basis decreased to 2.21% in 2013 from 2.51% in 2012 and increased from 2.48% in 2011. The decrease in the net interest margin, for 2013, was primarily the result of a decrease in asset yields. The increase in the net interest margin for 2012 was primarily the result of prepayment penalties that were collected. The Company collected approximately $491,000, $3,253,000, and $158,000, respectively, of prepayment penalties, which are included in interest income on loans, for 2013, 2012, and 2011, respectively.

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

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

Year Ended December 31,		2013			2012			2011	
	Average Balance	**Interest Income/ Expense[1]**	**Rate Earned/ Paid[1]**	Average Balance	Interest Income/ Expense[1]	Rate Earned/ Paid[1]	Average Balance	Interest Income/ Expense[1]	Rate Earned/ Paid[1]
(dollars in thousands)									
ASSETS									
Interest-earning assets:									
Loans[2]									
Taxable	**$ 760,435**	**$ 33,214**	**4.37 %**	$ 715,553	$ 34,983	4.89 %	$ 703,491	$ 36,772	5.23 %
Tax-exempt	**424,477**	**24,918**	**5.87**	320,743	24,220	7.55	245,392	17,996	7.33
Securities available-for-sale:[3]									
Taxable	**951,757**	**13,083**	**1.37**	1,214,352	22,363	1.84	1,076,689	22,828	2.12
Tax-exempt	**46,226**	**434**	**0.94**	49,023	516	1.05	22,410	321	1.43
Securities held-to-maturity:									
Taxable	**812,448**	**16,615**	**2.05**	270,525	6,746	2.49	178,659	5,816	3.26
Interest-bearing deposits in other banks	**174,264**	**485**	**0.28**	219,540	630	0.29	276,413	1,114	0.40
Total interest-earning assets	**3,169,607**	**$ 88,749**	**2.80 %**	2,789,736	$ 89,458	3.21 %	2,503,054	$ 84,847	3.39 %
Noninterest-earning assets	**167,000**			172,748			158,297		
Allowance for loan losses	**(20,452)**			(18,039)			(15,767)		
Total assets	**$ 3,316,155**			$ 2,944,445			$ 2,645,584		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest-bearing deposits:									
NOW accounts	**$ 713,677**	**$ 1,673**	**0.23 %**	$ 588,500	$ 1,561	0.27 %	$ 476,807	$ 1,715	0.36 %
Savings accounts	**323,643**	**912**	**0.28**	281,546	689	0.24	258,215	824	0.32
Money market accounts	**800,052**	**2,472**	**0.31**	666,949	2,373	0.36	584,059	2,706	0.46
Time deposits	**387,514**	**4,777**	**1.23**	418,789	6,250	1.49	484,142	9,356	1.93
Total interest-bearing deposits	**2,224,886**	**9,834**	**0.44**	1,955,784	10,873	0.56	1,803,223	14,601	0.81
Securities sold under agreements to repurchase	**203,888**	**361**	**0.18**	174,624	367	0.21	129,137	379	0.29
Other borrowed funds and subordinated debentures	**231,032**	**8,610**	**3.73**	217,542	8,300	3.82	202,209	7,786	3.85
Total interest-bearing liabilities	**2,659,806**	**$ 18,805**	**0.71 %**	2,347,950	$ 19,540	0.83 %	2,134,569	$ 22,766	1.07 %
Noninterest-bearing liabilities									
Demand deposits	**441,193**			386,863			326,102		
Other liabilities	**42,017**			37,497			29,253		
Total liabilities	**3,143,016**			2,772,310			2,489,924		
Stockholders' equity	**173,139**			172,135			155,660		
Total liabilities and stockholders' equity	**$ 3,316,155**			$ 2,944,445			$ 2,645,584		
Net interest income on a fully taxable equivalent basis		**$ 69,944**			$ 69,918			$ 62,081	
Less taxable equivalent adjustment		**(8,984)**			(7,964)			(6,782)	
Net interest income		**$ 60,960**			$ 61,954			$ 55,299	
Net interest spread			**2.09 %**			2.38 %			2.32 %
Net interest margin			**2.21 %**			2.51 %			2.48 %

[1] On a fully taxable equivalent basis calculated using a federal tax rate of 34%.
[2] Nonaccrual loans are included in average amounts outstanding.
[3] At amortized cost.

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

Year Ended December 31,	2013 Compared with 2012 Increase/(Decrease) Due to Change in			2012 Compared with 2011 Increase/(Decrease) Due to Change in		
	Volume	**Rate**	**Total**	Volume	Rate	Total
(dollars in thousands)						
Interest income:						
Loans						
Taxable	**$ 2,108**	**$ (3,877)**	**$ (1,769)**	$ 622	$ (2,411)	$ (1,789)
Tax-exempt	**6,800**	**(6,102)**	**698**	5,675	549	6,224
Securities available-for-sale:						
Taxable	**(4,271)**	**(5,009)**	**(9,280)**	2,730	(3,195)	(465)
Tax-exempt	**(28)**	**(54)**	**(82)**	299	(104)	195
Securities held-to-maturity:						
Taxable	**11,283**	**(1,414)**	**9,869**	2,510	(1,580)	930
Interest-bearing deposits in other banks	**(127)**	**(18)**	**(145)**	(202)	(282)	(484)
Total interest income	**15,765**	**(16,474)**	**(709)**	11,634	(7,023)	4,611
Interest expense:						
Deposits:						
NOW accounts	**307**	**(195)**	**112**	352	(506)	(154)
Savings accounts	**111**	**112**	**223**	70	(205)	(135)
Money market accounts	**436**	**(337)**	**99**	350	(683)	(333)
Time deposits	**(442)**	**(1,031)**	**(1,473)**	(1,156)	(1,950)	(3,106)
Total interest-bearing deposits	**412**	**(1,451)**	**(1,039)**	(384)	(3,344)	(3,728)
Securities sold under agreements to repurchase	**57**	**(63)**	**(6)**	113	(125)	(12)
Other borrowed funds and subordinated debentures	**506**	**(196)**	**310**	586	(72)	514
Total interest expense	**975**	**(1,710)**	**(735)**	315	(3,541)	(3,226)
Change in net interest income	**$ 14,790**	**$ (14,764)**	**$ 26**	$ 11,319	$ (3,482)	$ 7,837

Average earning assets were $3,169,607,000 in 2013, an increase of $379,871,000 or 13.6% from the average in 2012, which was 11.5% higher than the average in 2011. Total average securities, including securities available-for-sale and securities held-to-maturity, were $1,810,431,000, an increase of 18.0% from the average in 2012. The increase in securities volume was mainly attributable to an increase in taxable securities. An increase in securities balances offset, somewhat, by lower securities returns resulted in higher securities income, which increased 1.7% to $30,132,000 on a fully tax equivalent basis. Total average loans increased 14.3% to $1,184,912,000 after increasing $87,413,000 in 2012. The primary reason for the increase in loans was due in large part to an increase in tax-exempt commercial real estate lending as well as residential first and second mortgage lending. The increase in loan volume was offset by a decrease in loan rates that resulted in lower loan income. Loan income decreased by 1.8% or $1,071,000 to $58,132,000. Total loan income was $54,768,000 in 2011. Prepayment penalties collected were $491,000, $3,253,000, and $158,000 for 2013, 2012, and 2011, respectively.

The Company's sources of funds include deposits and borrowed funds. On average, deposits increased 13.8%, or $323,432,000, in 2013 after increasing by 10.0%, or $213,322,000, in 2012. Deposits increased in 2013, primarily as a result of increases in demand deposits, savings, money market, and NOW accounts. Deposits increased in 2012, primarily as a result of increases in demand deposits, savings, money market and NOW accounts. Borrowed funds and subordinated debentures increased by 10.9% in 2013, following an increase of 18.4% in 2012. The majority of the Company's borrowed funds are borrowings from the FHLBB and retail repurchase agreements. Average borrowings from the FHLBB increased by approximately $13,489,000, and average retail repurchase agreements increased by $29,264,000 in 2013. Interest expense totaled $18,805,000 in 2013, a decrease of $735,000, or 3.8%, from 2012 when interest expense decreased 14.2% from 2011. The decrease in interest expense is primarily due to market decreases in deposit rates and continued deposit pricing discipline. Interest expense on time deposits accounted for a majority of this decrease.

Provision for Loan Losses

The provision for loan losses was $2,710,000 in 2013, compared with $4,150,000 in 2012 and $4,550,000 in 2011. These provisions are the result of management's evaluation of the amounts and quality of the loan portfolio considering such factors as loan status, collateral values, financial condition of the borrower, the state of the economy and other relevant information. The provision for loan losses decreased during 2013, primarily as a result of a lower level of charge-off activity and changes in the portfolio composition. The provision for loan losses decreased during 2012, primarily as a result of decreased provisions related to nonaccrual loans as well as management's quantitative analysis of the loan portfolio.

The allowance for loan losses was $20,941,000 at December 31, 2013, compared with $19,197,000 at December 31, 2012. Expressed as a percentage of outstanding loans at year-end, the allowance was 1.66% in 2013 and 1.73% in 2012. The allowance for loan losses increased despite a decrease in the provision for loan losses due to a lower level of charge-off activity combined with changes in the portfolio composition.

Nonperforming loans, which include all non-accruing loans, totaled $2,549,000 on December 31, 2013, compared with $4,471,000 on December 31, 2012. Nonperforming loans decreased primarily as a result of a decrease in construction and residential real estate nonperforming loans.

Other Operating Income

During 2013, the Company continued to experience positive results in its fee-based services, including fees derived from traditional banking activities such as deposit-related services, its automated lockbox collection system and full-service securities brokerage supported by LPL Financial, a full-service securities brokerage business.

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

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

Total other operating income in 2013 was $18,615,000, an increase of $2,750,000, or 17.3%, compared to 2012. This increase followed a decrease of $375,000, or 2.3%, in 2012, compared to 2011. Included in other operating income are net gains on sales of securities of $3,019,000, $1,843,000 and $1,940,000 in 2013, 2012 and 2011, respectively. Service charge income, which continues to be a major source of other operating income, totaling $8,113,000 in 2013, increased $233,000 compared to 2012. This followed a decrease of $5,000 in 2012 compared to 2011. The increase in fees, in 2013, was mainly attributable to an increase in fees collected from processing activities as well as an increase in debit card fees, which was offset, somewhat, by a decrease in overdraft fees. Service charges on deposit accounts decreased during 2012. The decrease in fees was mainly attributable to a decrease in overdraft fees, which was offset, somewhat, by an increase in debit card fees and fees collected from processing activities. Lockbox revenues totaled $3,079,000, up $149,000 in 2013 following an increase of $160,000 in 2012. Other income totaled $2,583,000, down $32,000 in 2013 following a decrease of $7,000 in 2012. The decrease in 2013 was mainly attributable to a decrease in ATM fees.

Operating Expenses

Total operating expenses were $55,812,000 in 2013, compared to $53,238,000 in 2012 and $48,742,000 in 2011.

Salaries and employee benefits expenses increased by $2,301,000 or 7.0% in 2013, after increasing by 11.2% in 2012. The increase in 2013 was mainly attributable to increases in staff levels, merit increases in salaries and increases in health insurance costs. The increase in 2012 was mainly attributable to increases in pension costs, staff levels, merit increases in salaries and increases in health insurance costs. The increase in pension costs in 2012 was mainly attributable to a decrease in the discount rate.

Occupancy expense increased by $305,000, or 6.5%, in 2013, following an increase of $284,000, or 6.4%, in 2012. The increase in 2013 was primarily attributable to an increase in rent expense, depreciation expense and building maintenance associated with branch expansion. The increase in 2012 was primarily attributable to an increase in rent expense and depreciation expense associated with branch expansion.

Equipment expense increased by $43,000, or 1.9%, in 2013, following an increase of $20,000, or 0.9%, in 2012. The increase in 2013 and 2012 was primarily attributable to an increase in service contracts.

FDIC assessments increased by $53,000, or 3.1%, in 2013, following a decrease of $288,000, or 14.2%, in 2012. FDIC assessments increased in 2013 mainly as a result of deposit growth. FDIC assessments decreased in 2012 mainly as a result of a decrease in the assessment rate.

Other operating expenses decreased by $128,000 in 2013, which followed a $1,167,000 increase in 2012. The decrease in 2013 was primarily attributable to a decrease in contributions and marketing expense offset somewhat by an increase in software maintenance. The increase in 2012 was primarily attributable to an increase in contributions, software maintenance and marketing expense offset somewhat by a decrease in core deposit intangible amortization.

Provision for Income Taxes

Income tax expense was $1,007,000 in 2013, $1,392,000 in 2012 and $1,554,000 in 2011. The effective tax rate was 4.8% in 2013, 6.8% in 2012 and 8.5% in 2011. The decrease in the effective tax rate for 2013 and 2012 was mainly attributable to an increase in tax-exempt interest income and tax credits as a percentage of taxable income. The federal tax rate was 34% in 2013, 2012 and 2011.

Market Risk and Asset Liability Management

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

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

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

Change in Interest Rates (in Basis Points)	Percentage Change in Net Interest Income(1)
+400	(18.3) %
+300	(13.2) %
+200	(8.0) %
+100	(4.4) %
–100	1.4 %
–200	1.0 %

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

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

Liquidity and Capital Resources

Liquidity is provided by maintaining an adequate level of liquid assets that include cash and due from banks, federal funds sold and other temporary investments. Liquid assets totaled $99,295,000 on December 31, 2013, compared with $169,650,000 on December 31, 2012. In each of these two years, deposit and borrowing activity has generally been adequate to support asset activity.

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

Capital Adequacy

Total stockholders' equity was $176,472,000 at December 31, 2013, compared with $179,990,000 at December 31, 2012. The Company's stockholders' equity decreased primarily as a result of an increase in other comprehensive loss, net of taxes, and dividends paid, offset somewhat by earnings. Other comprehensive loss, net of taxes, increased as a result of an increase in unrealized losses on securities available-for-sale and securities transferred from available-for-sale to held-to-maturity, offset, somewhat, by a decrease in the additional pension liability, net of taxes. Unrealized losses increased as a result of increases in interest rates. During the third quarter of 2013, $987,037,000 of securities available-for-sale with unrealized losses of $25,333,000 million were transferred to securities held-to-maturity. This was done in response to rising interest rates. The additional pension liability decreased mainly as a result of an increase in pension assets and decrease in the projected benefit obligation on the defined benefit pension plan.

Federal banking regulators have issued risk-based capital guidelines, which assign risk factors to asset categories and off-balance-sheet items. The current guidelines require a Tier 1 capital-to-risk assets ratio of at least 4.00% and a total capital-to-risk assets ratio of at least 8.00%. The Company and the Bank exceeded these requirements with a Tier 1 capital-to-risk assets ratio of 13.67% and 12.66%, respectively, and total capital-to-risk assets ratio of 14.92% and 13.91%, respectively, at December 31, 2013. Additionally, federal banking regulators have issued leverage ratio guidelines, which supplement the risk-based capital guidelines. The minimum leverage ratio requirement applicable to the Company is 4.00%; and at December 31, 2013, the Company and the Bank exceeded this requirement with leverage ratios of 6.50% and 6.00%, respectively.

Contractual Obligations, Commitments, and Contingencies

The Company has entered into contractual obligations and commitments. The following tables summarize the Company's contractual cash obligations and other commitments at December 31, 2013.

Contractual Obligations and Commitments by Maturity
(dollars in thousands)

		Payments Due—By Period			
CONTRACTUAL OBLIGATIONS	Total	Less Than One Year	One to Three Years	Three to Five Years	After Five Years
FHLBB advances	$ 255,000	$ 53,000	$ 74,500	$ 77,000	$ 50,500
Subordinated debentures	36,083	—	—	—	36,083
Retirement benefit obligations	32,179	2,200	5,026	6,601	18,352
Lease obligations	10,655	2,070	3,499	2,270	2,816
Customer repurchase agreements	214,440	214,440	—	—	—
Total contractual cash obligations	$ 548,357	$271,710	$ 83,025	$ 85,871	$ 107,751

		Amount of Commitment Expiring—By Period			
OTHER COMMITMENTS	Total	Less Than One Year	One to Three Years	Three to Five Years	After Five Years
Lines of credit	$ 249,941	$ 24,287	$ 96,589	$ 10,958	$ 118,107
Standby and commercial letters of credit	7,930	7,631	69	25	205
Other commitments	28,149	7,301	1,700	600	18,548
Total commitments	$ 286,020	$ 39,219	$ 98,358	$ 11,583	$ 136,860

Financial Instruments with Off-Balance-Sheet Risk

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

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

Contract or Notional Amount	2013	2012
(dollars in thousands)		
Financial instruments whose contract amount represents credit risk:		
Commitments to originate 1–4 family mortgages	$ 3,373	$ 13,580
Standby and commercial letters of credit	7,930	8,411
Unused lines of credit	249,941	217,246
Unadvanced portions of construction loans	7,026	17,609
Unadvanced portions of other loans	17,750	4,872

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The fair value of standby letters of credit was $69,000 and $36,000 for 2013 and 2012, respectively.

Recent Accounting Developments

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.* This ASU clarifies the scope of offsetting disclosure requirements in ASU 2011-11, Balance Sheet (Topic 210): *Disclosures about Offsetting Assets and Liabilities*. Under ASU 2013-01, the disclosure requirements would apply to derivative instruments accounted for in accordance with ASC 815, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending arrangements that are either offset on the balance sheet or subject to an enforceable master netting arrangement or similar agreement. Entities with other types of financial assets and financial liabilities subject to a master netting arrangement or similar agreement also are affected because these amendments make them no longer subject to the disclosure requirements in ASU No. 2011-11. Effective January 1, 2013, companies are required to disclose (a) gross amounts of recognized assets and liabilities; (b) gross amounts offset in the statement of financial position; (c) net amounts of assets and liabilities presented in the statement of financial position; (d) gross amount subject to enforceable master netting agreement not offset in the statements of financial position; and (e) net amounts after deducting (d) from (c). The disclosure should be presented in tabular format (unless another format is more appropriate) separately for assets and liabilities. The intent of the new disclosure is to enable users of financial statements to understand the effect of those arrangements on its financial position and to allow investors to better compare financial statements prepared under GAAP with financial statements prepared under International Financial Reporting Standards. The Company implemented the provisions of ASU 2011-11 as of January 1, 2013. The adoption of this pronouncement did not have a material effect on the consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income or as a separate disclosure in the notes to the financial statements. The new standard is effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. The Company has presented a separate footnote (Note 13) as a result of this pronouncement.

In July 2013, the FASB issued ASU 2013-10, *Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes.* This ASU amends ASC 815 to allow entities to use the Fed Funds Effective Swap Rate, in addition to U.S. Treasury rates and LIBOR, as a benchmark interest rate in accounting for fair value and cash flow hedges in the United States. This ASU also eliminates the provision from ASC 815-20-25-6 that prohibits the use of different benchmark rates for similar hedges except in rate and justifiable circumstances. This ASU is effective prospectively for qualifying new hedging relationship entered into on or after July 17, 2013, and for hedging relationship redesignated on or after that day. As of December 31, 2013, the Company did not have any fair value and cash flow hedges. The adoption of ASU No. 2013-10 did not have a material impact on the Company's financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* This ASU provides guidance on financial statement presentation of unrecognized tax benefits ("UTBs") when a net operating loss ("NOL") carryforward, a similar tax loss, or a tax credit carryforward exists. The FASB's objective in issuing this ASU is to eliminate diversity in practice resulting from a lack of guidance on this topic in current U.S. GAAP. Under this ASU, an entity must present a UTB, or a portion of a UTB, in the financial statements as a reduction to a deferred tax asset ("DTA") for an NOL carryforward, a similar tax loss, or a tax credit carryforward except when: (a) an NOL carryforward, a similar tax loss, or a tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position; (b) the entity does not intend to use the DTA for this purpose (provided that the tax law permits a choice). If either of these conditions exists, an entity should present a UTB in the financial statements as a liability and should not net the UTB with a DTA. New recurring disclosures are not required because the ASU does not affect the recognition or measurement of uncertain tax positions under ASC 740. This amendment does not affect the amounts public entities disclose in the tabular reconciliation of the total amounts of UTBs because the tabular reconciliation presents the gross amount of UTBs. This ASU is effective for fiscal years beginning after December 15, 2013, and interim periods within those years. The amendments should be applied to all UTBs that exist as of the effective date. Entities may choose to apply the amendments retrospectively to each prior reporting period presented. As of December 31, 2013, the Company did not have a UTB. Management will assess the applicability of this ASU after it becomes effective in the first quarter of 2014.

December 31,	2013	2012
(dollars in thousands except share data)		
ASSETS		
Cash and due from banks (Note 2)	$ 59,956	$ 53,646
Federal funds sold and interest-bearing deposits in other banks	34,722	98,637
Total cash and cash equivalents	94,678	152,283
Short-term investments	4,617	17,367
Securities available-for-sale, amortized cost $465,943 in 2013 and $1,414,595 in 2012 (Notes 3, 9 and 11)	464,245	1,434,801
Securities held-to-maturity, fair value $1,464,449 in 2013 and $281,924 in 2012 (Notes 4 and 11)	1,487,884	275,507
Federal Home Loan Bank of Boston, stock at cost	18,072	15,146
Loans, net (Note 5)	1,264,763	1,111,788
Less: allowance for loan losses (Note 6)	20,941	19,197
Net loans	1,243,822	1,092,591
Bank premises and equipment (Note 7)	23,400	23,899
Accrued interest receivable	6,539	5,811
Prepaid FDIC assessments	—	2,773
Other assets (Notes 8 and 16)	87,897	66,031
Total assets	$ 3,431,154	$ 3,086,209
LIABILITIES AND STOCKHOLDERS' EQUITY		
Demand deposits	$ 475,862	$ 438,429
Savings and NOW deposits	992,796	933,316
Money market accounts	864,957	653,345
Time deposits (Note 10)	382,224	419,983
Total deposits	2,715,839	2,445,073
Securities sold under agreements to repurchase (Note 11)	214,440	191,390
Other borrowed funds (Note 12)	255,144	195,144
Subordinated debentures (Note 12)	36,083	36,083
Other liabilities	33,176	38,529
Total liabilities	3,254,682	2,906,219
Commitments and contingencies (Notes 7, 18 and 19)		
Stockholders' equity (Note 15):		
Preferred Stock – $1.00 par value; 100,000 shares authorized; no shares issued and outstanding	—	—
Common stock, Class A, $1.00 par value per share; authorized 10,000,000 shares; issued 3,580,404 shares in 2013 and 3,568,079 shares in 2012	3,580	3,568
Common stock, Class B, $1.00 par value per share; authorized 5,000,000 shares; issued 1,976,180 shares in 2013 and 1,986,880 shares in 2012	1,976	1,986
Additional paid-in capital	11,932	11,891
Retained earnings	180,747	162,892
	198,235	180,337
Unrealized gains (losses) on securities available-for-sale, net of taxes	(1,045)	12,330
Unrealized losses on securities transferred to held-to-maturity, net of taxes	(13,667)	—
Pension liability, net of taxes	(7,051)	(12,677)
Total accumulated other comprehensive loss, net of taxes (Notes 3, 13 and 15)	(21,763)	(347)
Total stockholders' equity	176,472	179,990
Total liabilities and stockholders' equity	$ 3,431,154	$ 3,086,209

See accompanying "Notes to Consolidated Financial Statements."

Year Ended December 31,	2013	2012	2011
(dollars in thousands except share data)			
INTEREST INCOME			
Loans, taxable	$ 33,214	$ 34,983	$ 36,772
Loans, non-taxable	16,082	16,432	11,324
Securities available-for-sale, taxable	13,024	22,286	22,782
Securities available-for-sale, non-taxable	286	340	211
Federal Home Loan Bank of Boston dividends	59	77	46
Securities held-to-maturity	16,615	6,746	5,816
Federal funds sold, interest-bearing deposits in other banks and short-term investments	485	630	1,114
Total interest income	79,765	81,494	78,065
INTEREST EXPENSE			
Savings and NOW deposits	2,585	2,250	2,539
Money market accounts	2,472	2,373	2,706
Time deposits	4,777	6,250	9,356
Securities sold under agreements to repurchase	361	367	379
Other borrowed funds and subordinated debentures	8,610	8,300	7,786
Total interest expense	18,805	19,540	22,766
Net interest income	60,960	61,954	55,299
Provision for loan losses (Note 6)	2,710	4,150	4,550
Net interest income after provision for loan losses	58,250	57,804	50,749
OTHER OPERATING INCOME			
Service charges on deposit accounts	8,113	7,880	7,885
Lockbox fees	3,079	2,930	2,770
Brokerage commissions	257	364	441
Net gains on sales of securities	3,019	1,843	1,940
Net gains on sales of loans	1,564	297	660
Other income	2,583	2,551	2,544
Total other operating income	18,615	15,865	16,240
OPERATING EXPENSES			
Salaries and employee benefits (Note 17)	35,244	32,943	29,630
Occupancy	5,000	4,695	4,411
Equipment	2,298	2,255	2,235
FDIC assessments	1,790	1,737	2,025
Other (Note 20)	11,480	11,608	10,441
Total operating expenses	55,812	53,238	48,742
Income before income taxes	21,053	20,431	18,247
Provision for income taxes (Note 16)	1,007	1,392	1,554
Net income	$ 20,046	$ 19,039	$ 16,693
SHARE DATA (Note 14)			
Weighted average number of shares outstanding, basic			
Class A	3,575,683	3,557,693	3,543,233
Class B	1,980,855	1,990,474	1,997,411
Weighted average number of shares outstanding, diluted			
Class A	5,557,693	5,549,191	5,541,794
Class B	1,980,855	1,990,474	1,997,411
Basic earnings per share			
Class A	$ 4.39	$ 4.18	$ 3.68
Class B	$ 2.19	$ 2.09	$ 1.84
Diluted earnings per share			
Class A	$ 3.61	$ 3.43	$ 3.01
Class B	$ 2.19	$ 2.09	$ 1.84

See accompanying "Notes to Consolidated Financial Statements."

Year Ended December 31,	2013	2012	2011
(dollars in thousands)			
NET INCOME	$ 20,046	$ 19,039	$ 16,693
Other comprehensive income (loss), net of tax:			
Unrealized (losses) gains on securities:			
Unrealized holding (losses) gains arising during period	(25,909)	5,854	6,666
Less: reclassification adjustment for gains included in net income	(3,019)	(1,843)	(1,940)
Total unrealized (losses) gains on securities	(28,928)	4,011	4,726
Accretion of net unrealized losses transferred during period	1,886	—	—
Defined benefit pension plans:			
Pension liability adjustment:			
Net gain (loss)	4,932	(2,488)	(4,047)
Amortization of prior service cost and loss included in net periodic benefit cost	694	649	380
Total pension liability adjustment	5,626	(1,839)	(3,667)
Other comprehensive (loss) income	(21,416)	2,172	1,059
Comprehensive income (loss)	$ (1,370)	$ 21,211	$ 17,752

See accompanying "Notes to Consolidated Financial Statements."

(dollars in thousands except share data)	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
BALANCE, DECEMBER 31, 2010	$ 3,529	$ 2,011	$ 11,537	$ 131,526	$ (3,578)	$ 145,025
Net income	—	—	—	16,693	—	16,693
Other comprehensive income, net of tax:						
Unrealized holding gains arising during period, net of $3,143 in taxes and $1,940 in realized net gains	—	—	—	—	4,726	4,726
Pension liability adjustment, net of $2,439 in taxes	—	—	—	—	(3,667)	(3,667)
Conversion of Class B Common Stock to Class A Common Stock, 17,000 shares	17	(17)	—	—	—	—
Stock options exercised, 2,450 shares	2	—	50	—	—	52
Cash dividends, Class A Common Stock, $0.48 per share	—	—	—	(1,701)	—	(1,701)
Cash dividends, Class B Common Stock, $0.24 per share	—	—	—	(479)	—	(479)
BALANCE, DECEMBER 31, 2011	$ 3,548	$ 1,994	$ 11,587	$ 146,039	$ (2,519)	$ 160,649
Net income	—	—	—	19,039	—	19,039
Other comprehensive income, net of tax:						
Unrealized holding gains arising during period, net of $2,491 in taxes and $1,843 in realized net gains	—	—	—	—	4,011	4,011
Pension liability adjustment, net of $1,223 in taxes	—	—	—	—	(1,839)	(1,839)
Conversion of Class B Common Stock to Class A Common Stock, 7,500 shares	8	(8)	—	—	—	—
Stock options exercised, 12,262 shares	12	—	292	—	—	304
Cashless stock options exercised, 6.750 shares	—	—	12	—	—	12
Cash dividends, Class A Common Stock, $0.48 per share	—	—	—	(1,708)	—	(1,708)
Cash dividends, Class B Common Stock, $0.24 per share	—	—	—	(478)	—	(478)
BALANCE, DECEMBER 31, 2012	$ 3,568	$ 1,986	$ 11,891	$ 162,892	$ (347)	$ 179,990
Net income	**—**	**—**	**—**	**20,046**	**—**	**20,046**
Other comprehensive income, net of tax:						
Unrealized holding losses arising during period, net of $8,527 in taxes and $3,019 in realized net gains	**—**	**—**	**—**	**—**	**(13,375)**	**(13,375)**
Unrealized losses on securities transferred to held-to-maturity, net of $9,781 in taxes	**—**	**—**	**—**	**—**	**(15,553)**	**(15,553)**
Accretion of net unrealized losses transferred during the period, net of $1,191 in taxes	**—**	**—**	**—**	**—**	**1,886**	**1,886**
Pension liability adjustment, net of $3,741 in taxes	**—**	**—**	**—**	**—**	**5,626**	**5,626**
Conversion of Class B Common Stock to Class A Common Stock, 10,700 shares	**10**	**(10)**	**—**	**—**	**—**	**—**
Stock options exercised, 1,625 shares	**2**	**—**	**41**	**—**	**—**	**43**
Cash dividends, Class A Common Stock, $0.48 per share	**—**	**—**	**—**	**(1,716)**	**—**	**(1,716)**
Cash dividends, Class B Common Stock, $0.24 per share	**—**	**—**	**—**	**(475)**	**—**	**(475)**
BALANCE, DECEMBER 31, 2013	**$ 3,580**	**$ 1,976**	**$ 11,932**	**$ 180,747**	**$(21,763)**	**$ 176,472**

See accompanying "Notes to Consolidated Financial Statements."

Year Ended December 31,	2013	2012	2011
(dollars in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 20,046	$ 19,039	$ 16,693
Adjustments to reconcile net income to net cash provided by operating activities:			
Mortgage loans originated for sale	(82,395)	(20,149)	(22,664)
Proceeds from mortgage loans sold	93,337	14,457	19,697
Gain on sales of mortgage loans held for sale	(1,564)	(297)	(422)
Gain on sale of loans	—	—	(238)
Gain on sale of fixed assets	(1)	(1)	—
Net gains on sales of securities	(3,019)	(1,843)	(1,940)
Provision for loan losses	2,710	4,150	4,550
Deferred tax benefit	(2,929)	(2,104)	(953)
Net depreciation and amortization	5,358	6,445	5,558
(Increase) decrease in accrued interest receivable	(728)	211	579
Decrease in prepaid FDIC assessments	2,773	1,562	1,794
(Gain) loss on sales of other real estate owned	—	(1)	8
Write down of other real estate owned	—	—	117
Increase in other assets	(5,693)	(3,113)	(4,456)
Increase in other liabilities	4,043	1,070	503
Net cash provided by operating activities	31,938	19,426	18,826
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturities of short-term investments	22,367	38,397	121,106
Purchase of short-term investments	(9,617)	(37,413)	(25,539)
Proceeds from call of Federal Home Loan Bank of Boston stock	284	385	—
Purchase of Federal Home Loan Bank of Boston stock	(3,210)	—	—
Proceeds from calls/maturities of securities available-for-sale	256,420	532,734	722,403
Proceeds from sales of securities available-for-sale	224,045	294,881	75,615
Purchase of securities available-for-sale	(543,072)	(998,955)	(1,140,194)
Proceeds from calls/maturities of securities held-to-maturity	121,121	88,628	119,315
Purchase of securities held-to-maturity	(344,455)	(185,346)	(68,863)
Proceeds from sales of loans	—	—	4,000
Net increase in loans	(163,275)	(123,183)	(82,793)
Proceeds from sales of other real estate owned	—	1,584	802
Proceeds from sales of fixed assets	—	1	—
Capital expenditures	(1,819)	(4,300)	(2,692)
Net cash used in investing activities	(441,211)	(392,587)	(276,840)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (decrease) increase in time deposit accounts	(37,759)	(13,518)	16,241
Net increase in demand, savings, money market and NOW deposits	308,525	334,007	206,320
Net proceeds from the exercise of stock options	43	304	52
Cash dividends	(2,191)	(2,186)	(2,180)
Net increase in securities sold under agreements to repurchase	23,050	48,070	34,770
Net increase (decrease) in other borrowed funds	60,000	(48,999)	22,025
Net cash provided by financing activities	351,668	317,678	277,228
Net (decrease) increase in cash and cash equivalents	(57,605)	(55,483)	19,214
Cash and cash equivalents at beginning of year	152,283	207,766	188,552
Cash and cash equivalents at end of year	$ 94,678	$ 152,283	$ 207,766
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 18,812	$ 19,597	$ 22,799
Income taxes	4,008	3,348	3,109
Change in unrealized gains on securities available-for-sale, net of taxes	$ (13,375)	$ 4,011	$ 4,726
Change in unrealized losses on securities transferred to held-to-maturity, net of taxes	(13,667)	—	—
Pension liability adjustment, net of taxes	5,626	(1,839)	(3,667)
Transfer of loans to other real estate owned	—	400	2,110
Transfer of securities available-for-sale to held-to-maturity	987,037	—	—

See accompanying "Notes to Consolidated Financial Statements."

1. Summary of Significant Accounting Policies

BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of Century Bancorp, Inc. (the "Company") and its wholly owned subsidiary, Century Bank and Trust Company (the "Bank"). The consolidated financial statements also include the accounts of the Bank's wholly owned subsidiaries, Century Subsidiary Investments, Inc. ("CSII"), Century Subsidiary Investments, Inc. II ("CSII II"), Century Subsidiary Investments, Inc. III ("CSII III") and Century Financial Services Inc. ("CFSI"). CSII, CSII II, and CSII III are engaged in buying, selling and holding investment securities. CFSI has the power to engage in financial agency, securities brokerage, and investment and financial advisory services and related securities credit. The Company also owns 100% of Century Bancorp Capital Trust II ("CBCT II"). The entity is an unconsolidated subsidiary of the Company.

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

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

Material estimates that are susceptible to change in the near term relate to the allowance for loan losses. Management believes that the allowance for loan losses is adequate based on independent appraisals and review of other factors, including historical charge-off rates with additional allocations based on risk factors for each category and general economic factors. While management uses available information to recognize loan losses, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, regulatory agencies periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination. Certain reclassifications are made to prior-year amounts whenever necessary to conform with the current-year presentation.

FAIR VALUE MEASUREMENTS

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

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

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

CASH AND CASH EQUIVALENTS

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

SHORT-TERM INVESTMENTS

As of December 31, 2013 and 2012, short-term investments include highly liquid certificates of deposit with original maturities of more than 90 days but less than one year.

INVESTMENT SECURITIES

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost; debt and equity securities that are bought and held principally for the purpose of selling are classified as trading and reported at fair value, with unrealized gains and losses included in earnings; and debt and equity securities not classified as either held-to-maturity or trading are classified as available-for-sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity, net of estimated related income taxes. The Company has no securities held for trading.

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

The transfer of a security between categories of investments shall be accounted for at fair value. For a debt security transferred into the held-to-maturity category from the available-for-sale category, the unrealized holding gain or loss at the date of the transfer shall continue to be reported in a separate component of shareholders' equity but shall be amortized over the remaining life of the security as an adjustment of yield in a manner consistent with the amortization of any premium or discount. The amortization of an unrealized holding gain or loss reported in equity will offset or mitigate the effect on interest income of the amortization of the premium or discount for that held-to-maturity security.

FEDERAL HOME LOAN BANK STOCK

The Bank, as a member of the Federal Home Loan Bank of Boston ("FHLBB") system, is required to maintain an investment in capital stock of the FHLBB. Based on redemption provisions, the stock has no quoted market value and is carried at cost. At its discretion, the FHLBB may declare dividends on the stock. The Company reviews for impairment based on the ultimate recoverability of the cost basis of the stock. For the year ended December 31, 2013, the FHLBB reported preliminary net income of $212.3 million. The FHLBB also declared a dividend equal to an annual yield of 1.49%. As of December 31, 2013, no impairment has been recognized.

LOANS HELD FOR SALE

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

LOANS

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

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

The Bank measures impairment for impaired loans at either the fair value of the loan, the present value of the expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. This method applies to all loans, uncollateralized as well as collateralized, except large groups of smaller-balance homogeneous loans such as residential real estate and consumer loans that are collectively evaluated for impairment and loans that are measured at fair value. For collateral dependent loans, the amount of the recorded investment in a loan that exceeds the fair value of the collateral is charged-off against the allowance for loan losses in lieu of an allocation of a specific allowance when such an amount has been identified definitively as uncollectible. Management considers the payment status, net worth and earnings potential of the borrower, and the value and cash flow of the collateral as factors to determine if a loan will be paid in accordance with its contractual terms. Management does not set any minimum delay of payments as a factor in reviewing for impaired classification. Loans are charged-off when management believes that the collectibility of the loan's principal is not probable. The specific factors that management considers in making the determination that the collectibility of the loan's principal is not probable include the delinquency status of the loan, the fair value of the collateral, if secured, and, the financial strength of the borrower and/or guarantors. In addition, criteria for classification of a loan as in-substance foreclosure has been modified so that such classification need be made only when a lender is in possession of the collateral. The Bank measures the impairment of troubled debt restructurings using the pre-modification rate of interest.

TRANSFERS OF FINANCIAL ASSETS

Transfers of financial assets, typically residential mortgages and loan participations for the Company, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets.

ACQUIRED LOANS

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

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

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

NONPERFORMING ASSETS

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

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is based on management's evaluation of the quality of the loan portfolio and is used to provide for losses resulting from loans that ultimately prove uncollectible. In determining the level of the allowance, periodic evaluations are made of the loan portfolio, which takes into account such factors as the character of the loans, loan status, financial posture of the borrowers, value of collateral securing the loans and other relevant information sufficient to reach an informed judgment. The allowance is increased by provisions charged to income and reduced by loan charge-offs, net of recoveries. Management maintains an allowance for loan losses to absorb losses inherent in the loan portfolio. The allowance is based on assessments of the probable estimated losses inherent in the loan portfolio. Management's methodology for assessing the appropriateness of the allowance consists of several key elements, which include the formula allowance, specific allowances, if appropriate, for identified problem loans and the unallocated allowance. Arriving at an appropriate level of allowance for loan losses necessarily involves a high degree of judgment.

While management uses available information in establishing the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluations. Loans are charged-off in whole or in part when, in management's opinion, collectibility is not probable. The specific factors that management considers in making the determination that the collectibility of the loan's principal is not probable include the delinquency status of the loan, the fair value of the collateral and the financial strength of the borrower and/or guarantors. For collateral dependent loans, the amount of the recorded investment in a loan that exceeds the fair value of the collateral is charged-off against the allowance for loan losses in lieu of an allocation of a specific allowance when such an amount has been identified definitively as uncollectible.

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

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

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

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

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

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

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

Commercial real estate — Loans in this segment are primarily income-producing properties. Also included are loans to educational institutions, hospitals and other non-profit organizations. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management monitors the cash flows of these loans.

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

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

BANK PREMISES AND EQUIPMENT

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

GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

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

Goodwill impairment is evaluated by first assessing qualitative factors (events and circumstances) to determine whether it is more likely than not (meaning a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If, after considering all relevant events and circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test will be unnecessary.

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

SERVICING

The Company services mortgage loans for others. Mortgage servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. Capitalized servicing rights are reported in other assets and are amortized into loan servicing fee income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant risk characteristics, such as interest rates and terms. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum. Changes in the valuation allowance are reported in loan servicing fee income.

STOCK OPTION ACCOUNTING

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

During 2000 and 2004, common stockholders of the Company approved stock option plans (the "Option Plans") that provide for granting of options to purchase up to 150,000 shares of Class A common stock per plan. Under the Option Plans, all officers and key employees of the Company are eligible to receive nonqualified or incentive stock options to purchase shares of Class A common stock. The Option Plans are administered by the Compensation Committee of the Board of Directors, whose members are ineligible to participate in the Option Plans. Based on management's recommendations, the Committee submits its recommendations to the Board of Directors as to persons to whom options are to be granted, the number of shares granted to each, the option price (which may not be less than 85% of the fair market value for nonqualified stock options, or the fair market value for incentive stock options, of the shares on the date of grant) and the time period over which the options are exercisable (not more than ten years from the date of grant). There were options to purchase an aggregate of 20,375 shares of Class A common stock exercisable at December 31, 2013.

On December 30, 2005, the Board of Directors approved the acceleration and immediate vesting of all unvested options with an exercise price of $31.60 or greater per share. As a consequence, options to purchase 23,950 shares of Class A common stock became exercisable immediately. The average of the high and low price at which the Class A common stock traded on December 30, 2005, the date of the acceleration and vesting, was $29.28 per share. In connection with this acceleration, the Board of Directors approved a technical amendment to each of the Option Plans to eliminate the possibility that the terms of any outstanding or future stock option would require a cash settlement on the occurrence of any circumstance outside the control of the Company.

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 2013 and 2012.

INCOME TAXES

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

The Company accounts for uncertain tax positions in accordance with FASB ASC 740.

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

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

TREASURY STOCK

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

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

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

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

REVISION OF EPS PRESENTATION
The Company has determined that although the Class A and Class B common stock have different dividend rates, the Company had not applied the two-class method when calculating earnings per share ("EPS") separately for the Class A and Class B common stock. This resulted in immaterial revisions to previously reported basic EPS for Class A and Class B common stock and diluted EPS for the Class B common stock as summarized below:

For the year ended December 31, 2011:	As previously reported	As revised
Basic EPS – Class A common	$ 3.01	$ 3.68
Basic EPS – Class B common	$ 3.01	$ 1.84
Diluted EPS – Class A common	$ 3.01	$ 3.01
Diluted EPS – Class B common	$ 3.01	$ 1.84

RECENT ACCOUNTING DEVELOPMENTS
In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.* This ASU clarifies the scope of offsetting disclosure requirements in ASU 2011-11, Balance Sheet (Topic 210): *Disclosures about Offsetting Assets and Liabilities.* Under ASU 2013-01, the disclosure requirements would apply to derivative instruments accounted for in accordance with ASC 815, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending arrangements that are either offset on the balance sheet or subject to an enforceable master netting arrangement or similar agreement. Entities with other types of financial assets and financial liabilities subject to a master netting arrangement or similar agreement also are affected because these amendments make them no longer subject to the disclosure requirements in ASU No. 2011-11. Effective January 1, 2013, companies are required to disclose (a) gross amounts of recognized assets and liabilities; (b) gross amounts offset in the statement of financial position; (c) net amounts of assets and liabilities presented in the statement of financial position; (d) gross amount subject to enforceable master netting agreement not offset in the statements of financial position; and (e) net amounts after deducting (d) from (c). The disclosure should be presented in tabular format (unless another format is more appropriate) separately for assets and liabilities. The intent of the new disclosure is to enable users of financial statements to understand the effect of those arrangements on its financial position and to allow investors to better compare financial statements prepared under GAAP with financial statements prepared under International Financial Reporting Standards. The Company implemented the provisions of ASU 2011-11 as of January 1, 2013. The adoption of this pronouncement did not have a material effect on the consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income or as a separate disclosure in the notes to the financial statements. The new standard is effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. The Company has presented a separate footnote (Note 13) as a result of this pronouncement.

In July 2013, the FASB issued ASU 2013-10, *Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes.* This ASU amends ASC 815 to allow entities to use the Fed Funds Effective Swap Rate, in addition to U.S. Treasury rates and LIBOR, as a benchmark interest rate in accounting for fair value and cash flow hedges in the United States. This ASU also eliminates the provision from ASC 815-20-25-6 that prohibits the use of different benchmark rates for similar hedges except in rate and justifiable circumstances. This ASU is effective prospectively for qualifying new hedging relationship entered into on or after July 17, 2013, and for hedging relationship redesignated on or after that day. As of December 31, 2013, the Company did not have any fair value and cash flow hedges. The adoption of ASU No. 2013-10 did not have a material impact on the Company's financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* This ASU provides guidance on financial statement presentation of unrecognized tax benefits ("UTBs") when a net operating loss ("NOL") carryforward, a similar tax loss, or a tax credit carryforward exists. The FASB's objective in issuing this ASU is to eliminate diversity in practice resulting from a lack of guidance on this topic in current U.S. GAAP. Under this ASU, an entity must present a UTB, or a portion of a UTB, in the financial statements as a reduction to a deferred tax asset ("DTA") for an NOL carryforward, a similar tax loss, or a tax credit carryforward except when: (a) an NOL carryforward, a similar tax loss, or a tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position; (b) the entity does not intend to use the DTA for this purpose (provided that the tax law permits a choice). If either of these conditions exists, an entity should present a UTB in the financial statements as a liability and should not net the UTB with a DTA. New recurring disclosures are not required because the ASU does not affect the recognition or measurement of uncertain tax positions under ASC 740. This amendment does not affect the amounts public entities disclose in the tabular reconciliation of the total amounts of UTBs because the tabular reconciliation presents the gross amount of UTBs. This ASU is effective for fiscal years beginning after December 15, 2013, and interim periods within those years. The amendments should be applied to all UTBs that exist as of the effective date. Entities may choose to apply the amendments retrospectively to each prior reporting period presented. As of December 31, 2013, the Company did not have a UTB. Management will assess the applicability of this ASU after it becomes effective in the first quarter of 2014.

2. Cash and Due from Banks

The Company is required to maintain a portion of its cash and due from banks as a reserve balance under the Federal Reserve Act. Such reserve is calculated based upon deposit levels and amounted to $0 at December 31, 2013, and $9,608,000 at December 31, 2012.

3. Securities Available-for-Sale

	December 31, 2013				December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(dollars in thousands)								
U.S. Treasury	$ 1,997	$ 1	$ —	$ 1,998	$ 2,000	$ 4	$ —	$ 2,004
U.S. Government Sponsored Enterprises	9,995	9	—	10,004	130,048	360	68	130,340
SBA Backed Securities	7,270	32	—	7,302	8,043	113	—	8,156
U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities	404,103	588	1,501	403,190	1,212,953	20,816	412	1,233,357
Privately Issued Residential Mortgage-Backed Securities	2,294	6	23	2,277	2,938	31	22	2,947
Obligations Issued by States and Political Subdivisions	37,578	15	870	36,723	55,855	41	722	55,174
Other Debt Securities	2,300	—	125	2,175	2,300	—	47	2,253
Equity Securities	406	170	—	576	458	112	—	570
Total	$ 465,943	$ 821	$ 2,519	$ 464,245	$ 1,414,595	$ 21,477	$ 1,271	$ 1,434,801

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 $368,137,000 and $665,028,000 at December 31, 2013 and 2012, respectively. Also included in securities available-for-sale at fair value are securities pledged for borrowing at the Federal Home Loan Bank amounting to $12,214,000 and $220,313,000 at December 31, 2013 and 2012, respectively. The Company realized gains on sales of securities of $3,019,000, $1,843,000 and $1,940,000 from the proceeds of sales of available-for-sale securities of $224,045,000, $294,881,000 and $75,615,000 for the years ended December 31, 2013, 2012, and 2011, respectively.

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

The following table shows the estimated maturity distribution of the Company's securities available-for-sale at December 31, 2013.

	Amortized Cost	Fair Value
(dollars in thousands)		
Within one year	$ 36,942	$ 36,964
After one but within five years	180,676	180,540
After five but within ten years	238,822	238,018
More than ten years	7,597	6,771
Nonmaturing	1,906	1,952
Total	$ 465,943	$ 464,245

The weighted average remaining life of investment securities available-for-sale at December 31, 2013, was 5.1 years. 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. Also, $415,692,000 of the securities are floating rate or adjustable rate and reprice prior to maturity.

The Company transferred $987,037,000 of securities with unrealized losses of $25,333,000 from available-for-sale to held-to-maturity during 2013.

As of December 31, 2013 and December 31, 2012, 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 more likely than not 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 change in the unrealized losses on the state and municipal securities and the nonagency mortgage-backed securities was primarily caused by changes in credit spreads and liquidity issues in the marketplace.

The unrealized loss on U.S. Government Sponsored Enterprises and U.S. Government Sponsored Enterprises Mortgage Backed Securities related primarily to interest rates and not credit quality and because the Company has the ability and intent to hold these investments until recovery of fair value, which may be maturity. The Company does not consider these investments to be other-than-temporarily impaired at December 31, 2013 and December 31, 2012.

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 December 31, 2013. 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 47 and 7 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 234 holdings at December 31, 2013.

Temporarily Impaired Investments — **December 31, 2013**

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(dollars in thousands)						
U.S. Government Sponsored Enterprise	$ —	$ —	$ —	$ —	$ —	$ —
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	289,709	1,352	24,557	149	314,266	1,501
Privately Issued Residential Mortgage-Backed Securities	1,486	23	—	—	1,486	23
Obligations Issued by States and Political Subdivisions	—	—	3,820	870	3,820	870
Other Debt Securities	—	—	1,376	125	1,376	125
Total temporarily impaired securities	$291,195	$ 1,375	$ 29,753	$ 1,144	$320,948	$ 2,519

The following table shows the temporarily impaired securities of the Company's available-for-sale portfolio at December 31, 2012. 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 20 and 7 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 458 holdings at December 31, 2012.

Temporarily Impaired Investments — December 31, 2012

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(dollars in thousands)						
U.S. Government Sponsored Enterprise	$ 34,967	$ 68	$ —	$ —	$ 34,967	$ 68
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	93,006	383	10,169	29	103,175	412
Privately Issued Residential Mortgage-Backed Securities	—	—	1,863	22	1,863	22
Obligations Issued by States and Political Subdivisions	—	—	3,963	722	3,963	722
Other Debt Securities	—	—	1,453	47	1,453	47
Total temporarily impaired securities	$127,973	$ 451	$ 17,448	$ 820	$145,421	$ 1,271

4. Investment Securities Held-to-Maturity

	December 31, 2013				December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(dollars in thousands)								
U.S. Government Sponsored Enterprise	$ 291,779	$ 185	$ 5,043	$ 286,921	$ 17,747	$ 19	$ 8	$ 17,758
U.S. Government Sponsored Enterprise Mortgage-Backed Securities	1,196,105	2,239	20,816	1,177,528	257,760	6,480	74	264,166
Total	$1,487,884	$ 2,424	$25,859	$1,464,449	$ 275,507	$ 6,499	$ 82	$ 281,924

Included in U.S. Government and Agency Securities are securities pledged to secure public deposits and repurchase agreements at fair value amounting to $732,144,000 and $149,366,000 at December 31, 2013, and 2012, respectively. Also included are securities pledged for borrowing at the Federal Home Loan Bank at fair value amounting to $510,060,000 and $103,617,000 at December 31, 2013, and 2012, respectively.

At December 31, 2013 and 2012, all mortgage-backed securities are obligations of U.S. Government Sponsored Enterprises. Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and Freddie Mac.

The following table shows the maturity distribution of the Company's securities held-to-maturity at December 31, 2013.

(dollars in thousands)	Amortized Cost	Fair Value
Within one year	$ 5,689	$ 5,672
After one but within five years	827,333	818,936
After five but within ten years	653,784	638,750
More than ten years	1,078	1,091
Total	$ 1,487,884	$ 1,464,449

The weighted average remaining life of investment securities held-to-maturity at December 31, 2013, was 5.2 years. Included in the weighted average remaining life calculation at December 31, 2013, were $224,663,000 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 Company transferred $987,037,000 of securities with unrealized losses of $25,333,000 from available-for-sale to held-to-maturity during 2013.

As of December 31, 2013 and December 31, 2012, 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 more likely than not that it will be required to sell these debt securities before the anticipated recovery of their remaining amortized costs. 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 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 more likely than not 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 at December 31, 2013 and December 31, 2012.

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.

The following table shows the temporarily impaired securities of the Company's held-to-maturity portfolio at December 31, 2013. 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 191 and 13 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 300 holdings at December 31, 2013.

Temporarily Impaired Investments	December 31, 2013					
	Less Than 12 Months		12 Months or Longer		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Sponsored Enterprises	$ 232,535	$ 5,043	$ —	$ —	$ 232,535	$ 5,043
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	931,180	18,654	80,362	2,162	1,011,542	20,816
Total temporarily impaired securities	$ 1,163,715	$ 23,697	$ 80,362	$ 2,162	$ 1,244,077	$ 25,859

The following table shows the temporarily impaired securities of the Company's held-to-maturity portfolio at December 31, 2012. 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 3 and 1 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 96 holdings at December 31, 2012.

Temporarily Impaired Investments	December 31, 2012					
	Less Than 12 Months		12 Months or Longer		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Sponsored Enterprises	$ 9,994	$ 8	$ —	$ —	$ 9,994	$ 8
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	8,936	50	5,371	24	14,307	74
Total temporarily impaired securities	$ 18,930	$ 58	$ 5,371	$ 24	$ 24,301	$ 82

5. Loans

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

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

December 31,	2013	2012
(dollars in thousands)		
Construction and land development	$ 33,058	$ 38,618
Commercial and industrial	92,402	88,475
Commercial real estate	713,327	576,465
Residential real estate	286,041	281,857
Consumer	8,824	6,823
Home equity	130,277	118,923
Overdrafts	834	627
Total	$1,264,763	$1,111,788

At December 31, 2013, and December 31, 2012, loans were carried net of discounts of $454,000 and $498,000, respectively. Net deferred fees included in loans at December 31, 2013, and December 31, 2012, were $174,000 and $369,000, respectively.

The Company was servicing mortgage loans sold to others without recourse of approximately $109,301,000 and $26,786,000 at December 31, 2013, and December 31, 2012, respectively. The Company had no residential real estate loans held for sale at December 31, 2013 and had $9,378,000 at December 31, 2012.

As of December 31, 2013 and 2012, the Company's recorded investment in impaired loans was $7,788,000 and $5,925,000, respectively. If an impaired loan is placed on nonaccrual, the loan may be returned to an accrual status when principal and interest payments are not delinquent and the risk characteristics have improved to the extent that there no longer exists a concern as to the collectibility of principal and interest. At December 31, 2013, there were $6,723,000 of impaired loans with a specific reserve of $1,019,000. At December 31, 2012, there were $5,223,000 of impaired loans with a specific reserve of $1,732,000.

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

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

December 31,	2013	2012	2011
(dollars in thousands)			
Loans on nonaccrual	$ 2,549	$ 4,471	$ 5,827
Loans 90 days past due and still accruing	—	—	18
Impaired loans on nonaccrual included above	1,819	2,878	3,468
Total recorded investment in impaired loans	7,788	5,925	8,102
Average recorded investment of impaired loans	6,776	7,043	10,284
Accruing troubled debt restructures	5,969	3,048	4,634
Interest income not recorded on nonaccrual loans according to their original terms	711	753	846
Interest income on nonaccrual loans actually recorded	—	—	—
Interest income recognized on impaired loans	161	180	155

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

The following table shows the aggregate amount of loans to directors and officers of the Company and their associates during 2013.

Balance at December 31, 2012	Additions	Repayments and Deletions	Balance at December 31, 2013
(dollars in thousands)			
$4,663	$ 310	$ 269	$ 4,704

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, financial condition of borrowers, the value of collateral securing loans and other relevant factors. The following table summarizes the changes in the Company's allowance for loan losses for the years indicated.

An analysis of the allowance for loan losses for each of the three years ending December 31, 2013, 2012 and 2011 is as follows:

(dollars in thousands)	2013	2012	2011
Allowance for loan losses, beginning of year	$ 19,197	$ 16,574	$ 14,053
Loans charged-off	(1,813)	(2,301)	(2,824)
Recoveries on loans previously charged-off	847	774	795
Net charge-offs	(966)	(1,527)	(2,029)
Provision charged to expense	2,710	4,150	4,550
Allowance for loan losses, end of year	$ 20,941	$ 19,197	$ 16,574

ALLOWANCE FOR LOAN LOSSES AND AMOUNT OF INVESTMENTS IN LOANS

Further information pertaining to the allowance for loan losses at December 31, 2013 follows:

(dollars in thousands)	Construction and Land Development	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer	Home Equity	Unallocated	Total
Allowance for Loan Losses:								
Balance at December 31, 2012	$ 3,041	$ 3,118	$ 9,065	$ 1,994	$ 333	$ 886	$ 760	$ 19,197
Charge-offs	(1,000)	(234)	—	—	(579)	—	—	(1,813)
Recoveries	—	389	19	11	427	1	—	847
Provision	133	(284)	2,134	1	251	72	403	2,710
Ending balance at December 31, 2013	$ 2,174	$ 2,989	$ 11,218	$ 2,006	$ 432	$ 959	$1,163	$ 20,941
Amount of allowance for loan losses for loans deemed to be impaired	$ 12	$ 367	$ 417	$ 129	$ —	$ 94	$ —	$ 1,019
Amount of allowance for loan losses for loans not deemed to be impaired	$ 2,162	$ 2,622	$ 10,801	$ 1,877	$ 432	$ 865	$1,163	$ 19,922
Loans:								
Ending balance	$ 33,058	$ 92,402	$ 713,327	$ 286,041	$ 9,658	$ 130,277	$ —	$1,264,763
Loans deemed to be impaired	$ 608	$ 1,367	$ 4,520	$ 1,199	$ —	$ 94	$ —	$ 7,788
Loans not deemed to be impaired	$ 32,450	$ 91,035	$ 708,807	$ 284,842	$ 9,658	$ 130,183	$ —	$1,256,975

Further information pertaining to the allowance for loan losses at December 31, 2012 follows:

(dollars in thousands)	Construction and Land Development	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer	Home Equity	Unallocated	Total
Allowance for Loan Losses:								
Balance at December 31, 2011	$ 2,893	$ 3,139	$ 6,566	$ 1,886	$ 356	$ 704	$1,030	$ 16,574
Charge-offs	—	(1,253)	—	(192)	(697)	(159)	—	(2,301)
Recoveries	—	307	9	17	422	19	—	774
Provision	148	925	2,490	283	252	322	(270)	4,150
Ending balance at December 31, 2012	$ 3,041	$ 3,118	$ 9,065	$ 1,994	$ 333	$ 886	$ 760	$ 19,197
Amount of allowance for loan losses for loans deemed to be impaired	$ 1,000	$ 104	$ 415	$ 117	$ —	$ 96	$ —	$ 1,732
Amount of allowance for loan losses for loans not deemed to be impaired	$ 2,041	$ 3,014	$ 8,650	$ 1,877	$ 333	$ 790	$ 760	$ 17,465
Loans:								
Ending balance	$ 38,618	$ 88,475	$ 576,465	$ 281,857	$ 7,450	$ 118,923	$ —	$1,111,788
Loans deemed to be impaired	$ 1,500	$ 1,282	$ 2,281	$ 766	$ —	$ 96	$ —	$ 5,925
Loans not deemed to be impaired	$ 37,118	$ 87,193	$ 574,184	$ 281,091	$ 7,450	$ 118,827	$ —	$1,105,863

CREDIT QUALITY INFORMATION

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

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

Loans rated 4 (Monitor) — These loans represent classified loans that management is closely monitoring for credit quality. These loans have had or may have minor credit quality deterioration as of December 31, 2013.

Loans rated 5 (Substandard) — Substandard loans represent classified loans that management is closely monitoring for credit quality. These loans have had more significant credit quality deterioration as of December 31, 2013.

Loans rated 6 (Doubtful) — Doubtful loans represent classified loans that management is closely monitoring for credit quality. These loans had more significant credit quality deterioration as of December 31, 2013, and are doubtful for full collection.

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

The following table presents the Company's loans by risk rating at December 31, 2013.

	Construction and Land Development	Commercial and Industrial	Commercial Real Estate
(dollars in thousands)			
Grade:			
1-3 (Pass)	$ 25,138	$ 90,563	$ 707,461
4 (Monitor)	7,312	472	1,346
5 (Substandard)	—	—	—
6 (Doubtful)	—	—	—
Impaired	608	1,367	4,520
Total	$ 33,058	$ 92,402	$ 713,327

The following table presents the Company's loans by risk rating at December 31, 2012.

	Construction and Land Development	Commercial and Industrial	Commercial Real Estate
(dollars in thousands)			
Grade:			
1-3 (Pass)	$ 29,719	$ 86,587	$ 569,760
4 (Monitor)	7,399	606	4,424
5 (Substandard)	—	—	—
6 (Doubtful)	—	—	—
Impaired	1,500	1,282	2,281
Total	$ 38,618	$ 88,475	$ 576,465

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

AGING OF PAST-DUE LOANS

Further information pertaining to the allowance for loan losses at December 31, 2013 follows:

	Accruing 30-89 Days Past Due	Non Accrual	Accruing Greater Than 90 Days	Total Past Due	Current Loans	Total
(dollars in thousands)						
Construction and land development	$ —	$ 500	$ —	$ 500	$ 32,558	$ 33,058
Commercial and industrial	112	706	—	818	91,584	92,402
Commercial real estate	1,496	306	—	1,802	711,525	713,327
Residential real estate	2,232	1,034	—	3,266	282,775	286,041
Consumer and overdrafts	11	3	—	14	9,644	9,658
Home equity	1,710	—	—	1,710	128,567	130,277
Total	$ 5,561	$ 2,549	$ —	$ 8,110	$ 1,256,653	$ 1,264,763

Further information pertaining to the allowance for loan losses at December 31, 2012 follows:

	Accruing 30-89 Days Past Due	Non Accrual	Accruing Greater Than 90 Days	Total Past Due	Current Loans	Total
(dollars in thousands)						
Construction and land development	$ —	$ 1,500	$ —	$ 1,500	$ 37,118	$ 38,618
Commercial and industrial	1,256	676	—	1,932	86,543	88,475
Commercial real estate	3,450	674	—	4,124	572,341	576,465
Residential real estate	864	1,597	—	2,461	279,396	281,857
Consumer and overdrafts	32	24	—	56	7,394	7,450
Home equity	1,088	—	—	1,088	117,835	118,923
Total	$ 6,690	$ 4,471	$ —	$ 11,161	$ 1,100,627	$ 1,111,788

IMPAIRED LOANS

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is impaired, the 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. Loans are charged-off when management believes that the collectibility of the loan's principal is not probable. The specific factors that management considers in making the determination that the collectibility of the loan's principal is not probable include; the delinquency status of the loan, the fair value of the collateral, if secured, and the financial strength of the borrower and/or guarantors. For collateral dependent loans, the amount of the recorded investment in a loan that exceeds the fair value of the collateral is charged-off against the allowance for loan losses in lieu of an allocation of a specific allowance amount when such an amount has been identified definitively as uncollectible. The Company's policy for recognizing interest income on impaired loans is contained within Note 1 of the "Notes to Consolidated Financial Statements."

The following is information pertaining to impaired loans at December 31, 2013:

	Carrying Value	Unpaid Balance Principal	Required Reserve	Average Carrying Value	Interest Income Recognized
(dollars in thousands)					
With no required reserve recorded:					
Construction and land development	$ 500	$ 3,292	$ —	$ —	$ —
Commercial and industrial	238	268	—	361	1
Commercial real estate	82	82	—	132	—
Residential real estate	246	259	—	169	—
Consumer	—	—	—	—	—
Home equity	—	—	—	—	—
Total	$ 1,066	$ 3,901	$ —	$ 662	$ 1
With required reserve recorded:					
Construction and land development	$ 108	$ 108	$ 12	$ 1,371	$ 1
Commercial and industrial	1,129	1,371	367	902	37
Commercial real estate	4,438	4,527	417	2,868	120
Residential real estate	953	1,035	129	878	2
Consumer	—	—	—	—	—
Home equity	94	94	94	95	—
Total	$ 6,722	$ 7,135	$ 1,019	$ 6,114	$ 160
Total					
Construction and land development	$ 608	$ 3,400	$ 12	$ 1,371	$ 1
Commercial and industrial	1,367	1,639	367	1,263	38
Commercial real estate	4,520	4,609	417	3,000	120
Residential real estate	1,199	1,294	129	1,047	2
Consumer	—	—	—	—	—
Home equity	94	94	94	95	—
Total	$ 7,788	$ 11,036	$ 1,019	$ 6,776	$ 161

The following is information pertaining to impaired loans at December 31, 2012:

(dollars in thousands)	Carrying Value	Unpaid Balance Principal	Required Reserve	Average Carrying Value	Interest Income Recognized
With no required reserve recorded:					
Construction and land development	$ —	$ —	$ —	$ 346	$ —
Commercial and industrial	503	994	—	425	1
Commercial real estate	169	199	—	176	—
Residential real estate	30	31	—	124	—
Consumer	—	—	—	—	—
Home equity	—	—	—	—	—
Total	$ 702	$ 1,224	$ —	$ 1,071	$ 1
With required reserve recorded:					
Construction and land development	$ 1,500	$ 3,292	$ 1,000	$ 1,154	$ —
Commercial and industrial	779	995	104	1,317	40
Commercial real estate	2,112	2,158	415	2,817	138
Residential real estate	736	736	117	640	1
Consumer	—	—	—	—	—
Home equity	96	96	96	44	—
Total	$ 5,223	$ 7,277	$ 1,732	$ 5,972	$ 179
Total					
Construction and land development	$ 1,500	$ 3,292	$ 1,000	$ 1,500	$ —
Commercial and industrial	1,282	1,989	104	1,742	41
Commercial real estate	2,281	2,357	415	2,993	138
Residential real estate	766	767	117	764	1
Consumer	—	—	—	—	—
Home equity	96	96	96	44	—
Total	$ 5,925	$ 8,501	$ 1,732	$ 7,043	$ 180

Troubled Debt Restructurings are identified as a modification in which a concession was granted to a customer who was having financial difficulties. This concession may be below market rate, longer amortization/term, or a lower payment amount. The present value calculation of the modification did not result in an increase in the allowance for these loans beyond any previously established allocations.

The following is information pertaining to troubled debt restructurings occurring during the year ended December 31, 2013:

(dollars in thousands)	Number of Contracts	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Construction and land development	1	$ 108	$ 108
Commercial and industrial	2	67	64
Commercial real estate	3	2,376	2,356
Residential real estate	1	285	162
Total	7	$ 2,836	$ 2,690

There was one commercial and industrial troubled debt restructuring, that subsequently defaulted amounting to $6,000 during 2013. The loans were modified for 2013, by reducing interest rates as well as extending term on the commercial and industrial loan. The financial impact of the modifications for performing commercial and industrial loans were $808 reduction in principal and $606 reduction in interest payments for the year ended December 31, 2013. The financial impact of the modifications for performing commercial real estate loans were $5,246 increase in principal and $23,227 reduction in interest payments for the year ended December 31, 2013. The financial impact of the modifications for performing construction and land development loans were $1,515 reduction in principal and $1,098 reduction in interest payments for the year ended December 31, 2013. The financial impact of the modifications for performing residential real estate loans were $4,704 reduction in principal and $4,104 reduction in interest payments for the year ended December 31, 2013.

The following is information pertaining to troubled debt restructurings occurring during the year ended December 31, 2012:

(dollars in thousands)	Number of Contracts	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Construction and land development	1	$ 750	$ 736
Commercial and industrial	1	6	6
Commercial real estate	1	98	96
Total	3	$ 854	$ 838

There were no troubled debt restructurings, that subsequently defaulted, during 2012. The loans were modified during 2012, for the commercial and industrial, and residential real estate loans, by reducing interest rates as well as extending the terms of the loans. The financial impact of the modification for the performing commercial and industrial loan was a $6,000 reduction in principal payments for the year ended December 31, 2012. The financial impact of the modification for performing residential real estate loan was an $8,000 reduction in interest payments for the year ended December 31, 2012.

7. Bank Premises and Equipment

December 31, (dollars in thousands)	**2013**	2012	Estimated Useful Life
Land	**$ 3,478**	$ 3,478	—
Bank premises	**19,235**	18,353	30-39 years
Furniture and equipment	**31,965**	31,319	3-10 years
Leasehold improvements	**10,010**	9,930	30-39 years or lease term
	64,688	63,080	
Accumulated depreciation and amortization	**(41,288)**	(39,181)	
Total	**$ 23,400**	$ 23,899	

The Company and its subsidiaries are obligated under a number of non-cancelable operating leases for premises and equipment expiring in various years through 2026. Total lease expense approximated $2,094,000, $2,055,000 and $2,007,000 for the years ended December 31, 2013, 2012 and 2011, respectively. Rental income approximated $299,000, $329,000 and $455,000 in 2013, 2012 and 2011, respectively.

Future minimum rental commitments for non-cancelable operating leases with initial or remaining terms of one year or more at December 31, 2013, were as follows:

(dollars in thousands)	Year	Amount
	2014	$ 2,070
	2015	1,824
	2016	1,675
	2017	1,235
	2018	1,035
	Thereafter	2,816
		$ 10,655

8. Goodwill and Identifiable Intangible Assets

At December 31, 2013 and 2012, the Company concluded that it is not more likely than not that fair value of the reporting unit is less than its carrying value, and goodwill is not considered to be impaired.

During the full year of 2011, the Company's Class A common stock traded close to or above book value per share. Accordingly, at December 31, 2011, management measured for impairment utilizing the fair value of the reporting unit based on the recent stock price of the Company.

The changes in goodwill and identifiable intangible assets for the years ended December 31, 2013 and 2012 are shown in the table below.

Carrying Amount of Goodwill and Intangibles (dollars in thousands)	Goodwill	Core Deposit Intangibles	Mortgage Servicing Rights	Total
Balance at December 31, 2011	$ 2,714	$ 120	$ 123	$ 2,957
Additions	—	—	48	48
Amortization Expense	—	(120)	(34)	(154)
Balance at December 31, 2012	$ 2,714	$ —	137	$ 2,851
Additions	—	—	653	653
Amortization Expense	—	—	(87)	(87)
Balance at December 31, 2013	**$ 2,714**	**$ —**	**703**	**$ 3,417**

9. Fair Value Measurements

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

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

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

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

The results of the fair value hierarchy as of December 31, 2013, are as follows:

		Fair Value Measurements Using		
(dollars in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial Instruments Measured at Fair Value on a Recurring Basis — Securities AFS				
U.S. Treasury	$ 1,998	$ —	$ 1,998	$ —
U.S. Government Sponsored Enterprises	10,004	—	10,004	—
SBA Backed Securities	7,302	—	7,302	—
U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities	403,189	—	403,189	—
Privately Issued Residential Mortgage-Backed Securities	2,277	—	2,277	—
Obligations Issued by States and Political Subdivisions	36,723	—	416	36,307
Other Debt Securities	2,176	—	2,176	—
Equity Securities	576	286	—	290
Total	$ 464,245	$ 286	$ 427,362	$ 36,597
Financial Instruments Measured at Fair Value on a Non-recurring Basis				
Impaired Loans	$ 1,747	$ —	$ —	$ 1,747

Impaired loan balances in the table above represent those collateral dependent loans where management has estimated the credit loss by comparing the loan's carrying value against the expected realizable fair value of the collateral. Fair value is generally determined through a review process that includes independent appraisals, discounted cash flows, or other external assessments of the underlying collateral, which generally include various Level 3 inputs which are not identifiable. The Company discounts the fair values, as appropriate, based on management's observations of the local real estate market for loans in this category.

Appraisals, discounted cash flows and real estate tax assessments are reviewed quarterly. There is no specific policy regarding how frequently appraisals will be updated. Adjustments are made to appraisals and real estate tax assessments based on management's estimate of changes in real estate values. Within the past twelve months there have been no updated appraisals, however, all impaired loans have been reviewed during the past quarter using either a discounted cash flow analysis or other type of real estate tax assessment. The types of adjustments that are made to specific provisions (credits) relate to impaired loans recognized for 2013 for the estimated credit loss amounted to $48,000.

There were no transfers between level 1 and 2 for the year ended December 31, 2013. There were no liabilities measured at fair value on a recurring or nonrecurring basis during the year ended December 31, 2013.

The following table presents additional information about assets measured at fair value on a recurring and nonrecurring basis for which the Company has utilized Level 3 inputs to determine fair value (dollars in thousands) at December 31, 2013. Management continues to monitor the assumptions used to value the assets listed below.

Asset	Fair Value	Valuation Technique	Unobservable Input	Unobservable Input Value or Range
Securities AFS[1]	$36,597	Discounted cash flow	Discount rate	0%-1%[2]
Impaired Loans	1,747	Appraisal of collateral[3]	Appraisal adjustments[4]	0%-25% discount

[1] Municipal securities generally have maturities of one year or less and, therefore, the amortized cost equates to the fair value.
[2] Weighted averages.
[3] Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level 3 inputs which are not identifiable.
[4] Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated expenses.

The changes in Level 3 securities for the year ended December 31, 2013 are as shown in the table below:

	Auction Rate Securities	Obligations Issued by States and Political Subdivisions	Equity Securities	Total
(dollars in thousands)				
Balance at December 31, 2012	**$ 3,963**	**$ 49,477**	**$ 342**	**$ 53,782**
Purchases	**—**	**50,012**	**—**	**50,012**
Maturities	**—**	**(66,976)**	**(52)**	**(67,028)**
Amortization	**—**	**(26)**	**—**	**(26)**
Change in fair value	**(143)**	**—**	**—**	**(143)**
Balance at December 31, 2013	**$ 3,820**	**$ 32,487**	**$ 290**	**$ 36,597**

The amortized cost of Level 3 securities was $37,463,000 with an unrealized loss of $866,000 at December 31, 2013. The securities in this category are generally equity investments, municipal securities with no readily determinable fair value or failed auction rate securities. Management evaluated the fair value of these securities based on an evaluation of the underlying issuer, prevailing rates and market liquidity.

The results of the fair value hierarchy as of December 31, 2012, are as follows:

		Fair Value Measurements Using		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
(dollars in thousands)				
Financial Instruments Measured at Fair Value on a Recurring Basis — Securities AFS				
U.S. Treasury	$ 2,004	$ —	$ 2,004	$ —
U.S. Government Sponsored Enterprises	130,340	—	130,340	—
SBA Backed Securities	8,156	—	8,156	—
U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities	1,233,357	—	1,233,357	—
Privately Issued Residential Mortgage-Backed Securities	2,947	—	2,947	—
Privately Issued Commercial Mortgage-Backed Securities	—	—	—	—
Obligations Issued by States and Political Subdivisions	55,174	—	1,734	53,440
Other Debt Securities	2,253	—	2,253	—
Equity Securities	570	228	—	342
Total	$ 1,434,801	$ 228	$ 1,380,791	$ 53,782
Financial Instruments Measured at Fair Value on a Non-recurring Basis				
Impaired Loans	$ 3,587	$ —	$ —	$ 3,587

Appraisals, discounted cash flows and real estate tax assessments are reviewed quarterly. There is no specific policy regarding how frequently appraisals will be updated. Adjustments are made to appraisals and real estate tax assessments based on management's estimate of changes in real estate values. Within the past twelve months there have been no updated appraisals, however, all impaired loans have been reviewed during the past quarter using either a discounted cash flow analysis or other type of real estate tax assessment. Specific provisions relate to impaired loans recognized for 2012 for the estimated credit loss amounted to $1,909,000.

There were no transfers between level 1 and 2 for the year ended December 31, 2012. There were no liabilities measured at fair value on a recurring or nonrecurring basis during the year ended December 31, 2012.

The following table presents additional information about assets measured at fair value on a recurring and nonrecurring basis for which the Company has utilized Level 3 inputs to determine fair value (dollars in thousands) at December 31, 2012. Management continues to monitor the assumptions used to value the assets listed below.

Asset	Fair Value	Valuation Technique	Unobservable Input	Unobservable Input Unobservable Input Value or Range
Securities AFS[(1)]	$ 53,782	Discounted cash flow	Discount rate	0%-1%[(2)]
Impaired Loans	3,587	Appraisal of collateral[(3)]	Appraisal adjustments[(4)]	0%-25% discount

(1) Municipal securities generally have maturities of one year or less and, therefore, the amortized cost equates to the fair value.
(2) Weighted averages.
(3) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level 3 inputs which are not identifiable.
(4) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated expenses.

The changes in Level 3 securities for the year ended December 31, 2012 are as shown in the table below:

(dollars in thousands)	Auction Rate Securities	Obligations Issued by States and Political Subdivisions	Equity Securities	Total
Balance at December 31, 2011	$ 3,725	$ 14,772	$ 417	$ 18,914
Purchases	—	90,960	—	90,960
Maturities	—	(56,214)	(75)	(56,289)
Amortization	—	(41)	—	(41)
Change in fair value	238	—	—	238
Balance at December 31, 2012	$ 3,963	$ 49,477	$ 342	$ 53,782

The amortized cost of Level 3 securities was $54,504,000 with an unrealized loss of $722,000 at December 31, 2012. 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.

10. Deposits

The following is a summary of remaining maturities or re-pricing of time deposits as of December 31,

(dollars in thousands)	**2013**	**Percent**	2012	Percent
Within one year	**$ 248,758**	**65 %**	$ 299,456	71 %
Over one year to two years	**41,533**	**11 %**	67,918	16 %
Over two years to three years	**48,357**	**13 %**	19,834	5 %
Over three years to five years	**43,576**	**11 %**	32,775	8 %
Total	**$ 382,224**	**100 %**	$ 419,983	100 %

Time deposits of $100,000 or more totaled $259,665,000 and $287,048,000 in 2013 and 2012, respectively.

11. Securities Sold Under Agreements to Repurchase

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

	2013	2012	2011
(dollars in thousands)			
Amount outstanding at December 31	$ 214,440	$ 191,390	$ 143,320
Weighted average rate at December 31	0.18 %	0.17 %	0.24 %
Maximum amount outstanding at any month end	$ 214,440	$ 213,730	$ 152,267
Daily average balance outstanding during the year	$ 203,888	$ 174,624	$ 129,137
Weighted average rate during the year	0.18 %	0.21 %	0.29 %

Amounts outstanding at December 31, 2013, 2012 and 2011 carried maturity dates of the next business day. U.S. Government Sponsored Enterprise securities with a total amortized cost of $216,747,000, $187,995,000 and $140,891,000 were pledged as collateral and held by custodians to secure the agreements at December 31, 2013, 2012 and 2011, respectively. The approximate fair value of the collateral at those dates was $213,350,000, $191,704,000, and $143,212,000, respectively.

12. Other Borrowed Funds and Subordinated Debentures

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

	2013	2012	2011
(dollars in thousands)			
Amount outstanding at December 31	$ 291,227	$ 231,227	$ 280,226
Weighted average rate at December 31	3.04 %	3.54 %	2.85 %
Maximum amount outstanding at any month end	$ 291,227	$ 277,226	$ 280,226
Daily average balance outstanding during the year	$ 231,032	$ 217,542	$ 202,209
Weighted average rate during the year	3.73 %	3.82 %	3.85 %

FEDERAL HOME LOAN BANK BORROWINGS

Federal Home Loan Bank of Boston ("FHLBB") borrowings are collateralized by a blanket pledge agreement on the Bank's FHLBB stock, certain qualified investment securities, deposits at the FHLBB and residential mortgages held in the Bank's portfolios. The Bank's remaining term borrowing capacity at the FHLBB at December 31, 2013, was approximately $423,143,000. In addition, the Bank has a $14,500,000 line of credit with the FHLBB. A schedule of the maturity distribution of FHLBB advances with the weighted average interest rates is as follows:

December 31,	2013		2012		2011	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
(dollars in thousands)						
Within one year	$ 53,000	0.40 %	$ 46,000	1.86 %	$ 81,500	0.42 %
Over one year to two years	19,500	2.42 %	17,500	3.01 %	23,500	3.34 %
Over two years to three years	55,000	3.07 %	19,500	2.42 %	17,500	3.01 %
Over three years to five years	77,000	3.05 %	90,000	3.33 %	74,500	2.90 %
Over five years	50,500	3.39 %	22,000	4.19 %	47,000	4.38 %
Total	$ 255,000	2.52 %	$ 195,000	2.96 %	$ 244,000	2.41 %

Included in the table above are $35,000,000 of FHLBB advances for each of the years at December 31, 2013, 2012 and 2011, respectively, that are putable at the discretion of FHLBB. These put dates were not utilized in the table above.

During 2013, the Company restructured $14,500,000 of FHLBB advances. Prior to restructure, the weighted average rate on these advances was 3.16% and the weighted average remaining maturity was 12 months. Subsequent to restructure, the weighted average rate was 3.24% and the weighted average maturity was 68 months. The restructures were accounted for as modifications.

During 2011, the Company restructured $18,000,000 of FHLBB advances. Prior to restructure, the weighted average rate on these advances was 4.45% and the weighted average remaining maturity was 25 months. Subsequent to restructure, the weighted average rate was 3.50% and the weighted average maturity was 60 months. The restructures were accounted for as modifications.

SUBORDINATED DEBENTURES
Subordinated debentures totaled $36,083,000 at December 31, 2013 and 2012. In May 1998, the Company consummated the sale of a trust preferred securities offering, in which it issued $29,639,000 of subordinated debt securities due 2029 to its newly formed unconsolidated subsidiary Century Bancorp Capital Trust.

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

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

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

OTHER BORROWED FUNDS
There were no overnight federal funds purchased at December 31, 2013 and 2012.

The Bank also has an outstanding loan in the amount of $144,000 at December 31, 2013 and 2012, borrowed against the cash value of a whole life insurance policy for a key executive of the Bank.

13. Reclassifications Out of Accumulated Other Comprehensive Income[a]

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income: Year ended December 31, 2013[a]	Amount Reclassified from Accumulated Other Comprehensive Income: Year ended December 31, 2012[a]	Affected line item in the Statement Where Net Income is Presented
Unrealized gains and losses on available-for-sale securities	$ 3,019	$ 1,843	Net gains on sales of investments
	(1,179)	(728)	Provision for income taxes
	$ 1,840	$ 1,115	Net income
Accretion of unrealized losses transferred	$ 3,077	$ —	Securities held-to-maturity
	(1,191)	—	Provision for income taxes
	$ 1,886	$ —	Net Income
Amortization of defined benefit pension items			
Prior-service costs	$ (10)	$ (10)	Salaries and employee benefits[b]
Actuarial gains (losses)	(1,144)	(1,071)	Salaries and employee benefits[b]
Total before tax	(1,154)	(1,081)	Income before taxes
Tax (expense) or benefit	460	432	Provision for income taxes
Net of tax	$ (694)	$ (649)	Net income
Total reclassifications for the period	$ 3,032	$ 466	Net income

[a] Amounts in parentheses indicate debits to profit/loss.
[b] These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see employee benefits footnote (Note 17) for additional details).

14. Earnings per share ("EPS")

Class A and Class B shares participate equally in undistributed earnings. Under the Company's Articles of Organization, the holders of Class A Common Stock are entitled to receive dividends per share equal to at least 200% of dividends paid, if any, from time to time, on each share of Class B Common Stock.

Diluted EPS includes the dilutive effect of common stock equivalents; basic EPS excludes all common stock equivalents. The only common stock equivalents for the Company are the stock options discussed below. The dilutive effect of these stock options for 2013, 2012 and 2011 was an increase of 1,155, 1,024 and 1,149 shares, respectively.

The following table is a reconciliation of basic EPS and diluted EPS:

Year Ended December 31,	2013	2012	2011
(in thousands except share and per share data)			
BASIC EPS COMPUTATION			
Numerator:			
Net income, Class A	$ 15,698	$ 14,877	$ 13,023
Net income, Class B	4,348	4,162	3,670
Denominator:			
Weighted average shares outstanding, Class A	3,575,683	3,557,693	3,543,233
Weighted average shares outstanding, Class B	1,980,855	1,990,474	1,997,411
Basic EPS, Class A	$ 4.39	$ 4.18	$ 3.68
Basic EPS, Class B	2.19	2.09	1.84
DILUTED EPS COMPUTATION			
Numerator:			
Net income, Class A	$ 15,698	$ 14,877	$ 13,023
Net income, Class B	4,348	4,162	3,670
Total net income, for diluted EPS, Class A computation	20,046	19,039	16,693
Denominator:			
Weighted average shares outstanding, basic, Class A	3,575,683	3,557,693	3,543,233
Weighted average shares outstanding, Class B	1,980,855	1,990,474	1,997,411
Dilutive effect of Class A stock options	1,155	1,024	1,150
Weighted average shares outstanding diluted, Class A	5,557,693	5,549,191	5,541,794
Weighted average shares outstanding, Class B	1,980,855	1,990,474	1,997,411
Diluted EPS, Class A	$ 3.61	$ 3.43	$ 3.01
Diluted EPS, Class B	2.19	2.09	1.84

15. Stockholders' Equity

DIVIDENDS

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

STOCK REPURCHASE PLAN

During 2013, the Board of Directors of the Company approved a reauthorization of the stock repurchase program. Under the program, the Company is reauthorized to repurchase up to 300,000, or less than 9%, of Century Bancorp Class A Common Stock outstanding. This vote supersedes the previous program voted by the Board of Directors during 2012, which also authorized the Company to repurchase up to 300,000, or less than 9%, of Century Bancorp Class A Common Stock.

The stock buyback is authorized to take place from time-to-time, subject to prevailing market conditions. The purchases are made on the open market and are funded from available cash.

STOCK OPTION PLAN

During 2000 and 2004, common stockholders of the Company approved stock option plans (the "Option Plans") that provide for granting of options for not more than 150,000 shares of Class A common stock per plan. Under the Option Plans, all officers and key employees of the Company are eligible to receive nonqualified and incentive stock options to purchase shares of Class A common stock. The Option Plans are administered by the Compensation Committee of the Board of Directors, whose members are ineligible to participate in the Option Plans. Based on management's recommendations, the Committee submits its recommendations to the Board of Directors as to persons to whom options are to be granted, the number of shares granted to each, the option price (which may not be less than 85% of the fair market value for nonqualified stock options, or the fair market value for incentive stock options, of the shares on the date of grant) and the time period over which the options are exercisable (not more than ten years from the date of grant). There were 20,375 options exercisable at December 31, 2013.

Stock option activity under the plan is as follows:

	December 31, 2013		December 31, 2012		December 31, 2011	
	Amount	Weighted Average Exercise Price	Amount	Weighted Average Exercise Price	Amount	Weighted Average Exercise Price
Shares under option:						
Outstanding at beginning of year	**23,350**	**$ 31.17**	36,062	$ 28.90	38,712	$ 28.36
Forfeited	**(1,350)**	**26.68**	(450)	22.50	(200)	15.06
Exercised	**(1,625)**	**26.76**	(12,262)	24.82	(2,450)	21.44
Outstanding at end of year	**20,375**	**$ 31.82**	23,350	$ 31.17	36,062	$ 28.90
Exercisable at end of year	**20,375**	**$ 31.82**	23,350	$ 31.17	36,062	$ 28.90
Available to be granted at end of year	**224,884**		223,534		223,084	

At December 31, 2013, 2012 and 2011, the options outstanding have exercise prices between $15.06 and $31.83, and a weighted average remaining contractual life of one year for 2013 and two years for 2012 and 2011. The weighted average intrinsic value of options exercised for the period ended December 31, 2013, was $6.49 per share with an aggregate value of $10,548. The average intrinsic value of options exercisable at December 31, 2013, 2012 and 2011 had an aggregate value of $29,136, $41,549 and $49,145, respectively.

CAPITAL RATIOS

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank and the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulation) to risk-weighted assets (as defined) and Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2013, that the Bank and the Company meet all capital adequacy requirements to which they are subject.

As of December 31, 2013, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes would cause a change in the Bank's categorization.

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

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2013						
Total Capital (to Risk-Weighted Assets)	**$ 230,038**	**13.91 %**	**$ 132,338**	**8.00 %**	**$ 165,422**	**10.00 %**
Tier 1 Capital (to Risk-Weighted Assets)	**209,360**	**12.66 %**	**66,169**	**4.00 %**	**99,253**	**6.00 %**
Tier 1 Capital (to 4th Qtr. Average Assets)	**209,360**	**6.00 %**	**139,467**	**4.00 %**	**174,334**	**5.00 %**
As of December 31, 2012						
Total Capital (to Risk-Weighted Assets)	$ 206,464	14.15 %	$ 116,726	8.00 %	$ 145,907	10.00 %
Tier 1 Capital (to Risk-Weighted Assets)	188,226	12.90 %	58,363	4.00 %	87,544	6.00 %
Tier 1 Capital (to 4th Qtr. Average Assets)	188,226	6.11 %	123,202	4.00 %	154,002	5.00 %

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

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2013						
Total Capital (to Risk-Weighted Assets)	**$ 247,761**	**14.92 %**	**$ 132,870**	**8.00 %**	**$ 166,088**	**10.00 %**
Tier 1 Capital (to Risk-Weighted Assets)	**227,000**	**13.67 %**	**66,435**	**4.00 %**	**99,653**	**6.00 %**
Tier 1 Capital (to 4th Qtr. Average Assets)	**227,000**	**6.50 %**	**139,769**	**4.00 %**	**174,711**	**5.00 %**
As of December 31, 2012						
Total Capital (to Risk-Weighted Assets)	$ 227,945	15.59 %	$ 116,976	8.00 %	$ 146,220	10.00 %
Tier 1 Capital (to Risk-Weighted Assets)	209,668	14.34 %	58,488	4.00 %	87,732	6.00 %
Tier 1 Capital (to 4th Qtr. Average Assets)	209,668	6.80 %	123,377	4.00 %	154,221	5.00 %

16. Income Taxes

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

	2013	2012	2011
(dollars in thousands)			
Current expense:			
Federal	$ 3,520	$ 3,181	$ 2,198
State	416	315	309
Total current expense	3,936	3,496	2,507
Deferred (benefit) expense:			
Federal	(2,564)	(1,833)	(961)
State	(365)	(271)	8
Total deferred benefit	(2,929)	(2,104)	(953)
Provision for income taxes	$ 1,007	$ 1,392	$ 1,554

There were no penalties during 2011, 2012, or 2013. There was approximately $2,000 paid to the Internal Revenue Service for interest during 2012.

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

	2013	2012
(dollars in thousands)		
Currently receivable	$ 702	$ 630
Deferred income tax asset, net	30,857	14,551
Total	$ 31,559	$ 15,181

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

	2013	2012	2011
(dollars in thousands)			
Federal income tax expense at statutory rates	$ 7,158	$ 6,946	$ 6,204
State income tax, net of federal income tax benefit	34	29	209
Insurance income	(380)	(396)	(396)
Effect of tax-exempt interest	(5,348)	(4,628)	(3,801)
Net tax credit	(572)	(633)	(683)
Other	115	74	21
Total	$ 1,007	$ 1,392	$ 1,554
Effective tax rate	4.8 %	6.8 %	8.5 %

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

	2013	2012
(dollars in thousands)		
Deferred income tax assets:		
Allowance for loan losses	$ 9,199	$ 8,103
Unrealized losses on securities transferred to held-to-maturity	8,590	—
Deferred compensation	6,515	5,643
Pension and SERP liability	4,880	8,621
AMT credit	3,164	1,908
Unrealized losses (gains) on securities available-for-sale	652	(7,875)
Acquisition premium	438	541
Nonaccrual interest	136	151
Depreciation	109	(36)
Investments writedown	26	26
Deferred gain	—	11
Other	198	235
Gross deferred income tax asset	33,907	17,328
Deferred income tax liabilities:		
Limited partnerships	(2,769)	(2,722)
Mortgage servicing rights	(281)	(55)
Gross deferred income tax liability	(3,050)	(2,777)
Deferred income tax asset net	$ 30,857	$ 14,551

Based on the Company's historical and current pre-tax earnings, management believes it is more likely than not that the Company will realize the deferred income tax asset existing at December 31, 2013. Management believes that existing net deductible temporary differences which give rise to the deferred tax asset will reverse during periods in which the Company generates net taxable income. In addition, gross deductible temporary differences are expected to reverse in periods during which offsetting gross taxable temporary differences are expected to reverse. Factors beyond management's control, such as the general state of the economy and real estate values, can affect future levels of taxable income, and no assurance can be given that sufficient taxable income will be generated to fully absorb gross deductible temporary differences. The Company is in an Alternative Minimum Tax ("AMT") credit position. The AMT credit is carried as a deferred asset and has an indefinite life. The Company has potential tax planning strategies available which support the deferred AMT credit and, at this time, no valuation allowance is needed.

The Company and its subsidiaries file a consolidated federal tax return. For the tax year beginning in 2009, the Commonwealth of Massachusetts requires a combined state tax return, except for security corporations, which file separate tax returns. The Company is subject to federal and state examinations for tax years after December 31, 2009.

17. Employee Benefits

The Company has a Qualified Defined Benefit Pension Plan (the "Plan"), which had been offered to all employees reaching minimum age and service requirements. In 2006, the Bank became a member of the Savings Bank Employees Retirement Association ("SBERA") within which it then began maintaining the Qualified Defined Benefit Pension Plan. SBERA offers a common and collective trust as the underlying investment structure for its retirement plans. The target allocation mix for the common and collective trust portfolio calls for an equity-based investment deployment range of 40% to 64% of total portfolio assets. The remainder of the portfolio is allocated to fixed income securities with target range of 15% to 25% and other investments including global asset allocation and hedge funds from 20% to 36%.

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

The measurement date for the Plan is December 31 for each year. The benefits expected to be paid in each year from 2014 to 2018 are $1,092,000, $1,176,000, $1,247,000, $1,322,000, and $1,325,000, respectively. The aggregate benefits expected to be paid in the five years from 2019 to 2023 are $8,011,000. The Company plans to contribute $1,000,000 to the Plan in 2014.

The fair value of plan assets and major categories as of December 31, 2013, is as follows:

Asset Category	Percent	Total	Level 1	Level 2	Level 3
(dollars in thousands)					
Collective funds	52.9 %	$ 17,092	$ 856	$ 16,236	$ —
Equity securities	25.9 %	8,355	8,355	—	—
Mutual funds	13.1 %	4,250	3,832	418	—
Hedge funds	7.0 %	2,256	—	—	2,256
Short-term investments	1.1 %	369	249	120	—
	100.0 %	$ 32,322	$ 13,292	$ 16,774	$ 2,256

The fair value of plan assets and major categories as of December 31, 2012, is as follows:

Asset Category	Percent	Total	Level 1	Level 2	Level 3
(dollars in thousands)					
Collective funds	52.5 %	$ 12,593	$ 767	$ 11,826	$ —
Equity securities	24.6 %	5,892	5,892	—	—
Mutual funds	14.1 %	3,370	3,086	284	—
Hedge funds	7.0 %	1,691	—	—	1,691
Short-term investments	1.8 %	437	62	375	—
	100.0 %	$ 23,983	$ 9,807	$ 12,485	$ 1,691

LEVEL 1

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

LEVEL 2

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

LEVEL 3

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

The asset or liability's fair value measurement level within fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Below is a description of the valuation methodologies used for assets measured at fair value.

The Trust reports bonds and other obligations, short-term investments and equity securities at fair values based on published quotations, Collective funds and hedge funds (Funds) are valued in accordance with valuations provided by such Funds, which generally value marketable securities at the last reported sales price on the valuation date and other investments at fair value, as determined by each Fund's manager.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

Year Ended December 31,	2013	2012
(dollars in thousands)		
Balance at beginning of year	$ 1,691	$ 1,522
Purchases	55	152
Actual return – assets still being held	510	17
Balance at end of year	$ 2,256	$ 1,691

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

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

The benefits expected to be paid in each year from 2014 to 2018 are $1,108,000, $1,088,000, $1,515,000, $1,973,000 and $1,981,000, respectively. The aggregate benefits expected to be paid in the five years from 2019 to 2023 are $10,341,000.

	Defined Benefit Pension Plan		Supplemental Insurance/ Retirement Plan	
	2013	2012	**2013**	2012
(dollars in thousands)				
Change projected in benefit obligation				
Benefit obligation at beginning of year	**$ 31,910**	$ 28,784	**$ 25,835**	$ 21,097
Service cost	**1,196**	1,097	**1,554**	1,425
Interest cost	**1,257**	1,295	**1,072**	923
Actuarial (gain)/loss	**(3,734)**	1,401	**(1,916)**	3,482
Benefits paid	**(750)**	(667)	**(1,043)**	(1,092)
Projected benefit obligation at end of year	**$ 29,879**	$ 31,910	**$ 25,502**	$ 25,835
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 23,983**	$ 20,517		
Actual (loss) return on plan assets	**4,619**	2,333		
Employer contributions	**4,470**	1,800		
Benefits paid	**(750)**	(667)		
Fair value of plan assets at end of year	**$ 32,322**	$ 23,983		
(Unfunded) Funded status	**$ 2,443**	$ (7,927)	**$ (25,502)**	$ (25,835)
Accumulated benefit obligation	**$ 29,747**	$ 31,773	**$ 22,278**	$ 22,181
Weighted-average assumptions as of December 31				
Discount rate — Liability	**5.00 %**	4.00 %	**5.00 %**	4.00 %
Discount rate — Expense	**4.00 %**	4.50 %	**4.00 %**	4.50 %
Expected return on plan assets	**8.00 %**	8.00 %	**NA**	NA
Rate of compensation increase	**4.00 %**	4.00 %	**4.00 %**	4.00 %
Components of net periodic benefit cost				
Service cost	**$ 1,196**	$ 1,097	**$ 1,554**	$ 1,425
Interest cost	**1,257**	1,295	**1,072**	923
Expected return on plan assets	**(1,880)**	(1,641)	**—**	—
Recognized prior service cost	**(104)**	(104)	**114**	114
Recognized net losses	**630**	735	**514**	336
Net periodic cost	**$ 1,099**	$ 1,382	**$ 3,254**	$ 2,798
Other changes in plan assets and benefit obligations recognized in other comprehensive income				
Amortization of prior service cost	**$ 104**	$ 104	**$ (114)**	$ (114)
Net (gain) loss	**(6,956)**	(25)	**(2,401)**	3,098
Total recognized in other comprehensive income	**(6,852)**	79	**(2,515)**	2,984
Total recognized in net periodic benefit cost and other comprehensive income	**$ (5,753)**	$ 1,461	**$ 739**	$ 5,782

	December 31, 2013			December 31, 2012		
	Plan	**Supplemental Plan**	**Total**	Plan	Supplemental Plan	Total
(dollars in thousands)						
Prior service cost	**$ 516**	**$ (991)**	**$ (475)**	$ 620	$ (1,105)	$ (485)
Net actuarial loss	**(3,361)**	**(7,901)**	**(11,262)**	(10,317)	(10,302)	(20,619)
Total	**$ (2,845)**	**$ (8,892)**	**$ (11,737)**	$ (9,697)	$(11,407)	$ (21,104)

The following table summarizes the amounts included in Accumulated Other Comprehensive Loss at December 31, 2013, expected to be recognized as components of net periodic benefit cost in the next year:

	Plan	Supplemental Plan
Amortization of prior service cost to be recognized in 2014	$ (104)	$ 114
Amortization of loss to be recognized in 2014	12	355

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

The Company offers a 401(k) defined contribution plan for all employees reaching minimum age and service requirements. The plan is voluntary and employee contributions are matched by the Company at a rate of 33.3% for the first 6% of compensation contributed by each employee. The Company's match totaled $322,000 for 2013, $308,000 for 2012 and $266,000 for 2011. Administrative costs associated with the plan are absorbed by the Company.

The Company has a cash incentive plan that is designed to reward our executives and officers for the achievement of annual financial performance goals of the Company as well as business line, department and individual performance. The plan supports the philosophy that management be measured for their performance as a team in the attainment of these goals. Discretionary bonus expense amounted to $1,313,000, $1,289,000 and $1,100,000 in 2013, 2012, and 2011, respectively.

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

18. Commitments and Contingencies

A number of legal claims against the Company arising in the normal course of business were outstanding at December 31, 2013. Management, after reviewing these claims with legal counsel, is of the opinion that their resolution will not have a material adverse effect on the Company's consolidated financial position or results of operations.

19. Financial Instruments with Off-Balance-Sheet Risk

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

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

Contract or Notional Amount

	2013	2012
(dollars in thousands)		
Financial instruments whose contract amount represents credit risk:		
Commitments to originate 1–4 family mortgages	**$ 3,373**	$ 13,580
Standby and commercial letters of credit	**7,930**	8,411
Unused lines of credit	**249,941**	217,246
Unadvanced portions of construction loans	**7,026**	17,609
Unadvanced portions of other loans	**17,750**	4,872

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

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

20. Other Operating Expenses

Year ended December 31,	**2013**	2012	2011
(dollars in thousands)			
Marketing	**$ 1,749**	$ 1,853	$ 1,575
Software maintenance/amortization	**1,417**	1,256	951
Legal and audit	**1,281**	1,179	1,140
Contributions	**673**	1,074	479
Processing services	**812**	921	865
Consulting	**874**	890	796
Postage and delivery	**939**	877	773
Supplies	**848**	849	868
Telephone	**719**	750	742
Directors' fees	**373**	330	309
Insurance	**295**	279	275
Core deposit intangible amortization	**—**	120	388
Other	**1,500**	1,230	1,280
Total	**$ 11,480**	$ 11,608	$ 10,441

21. 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 non financial instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The assumptions used below are expected to approximate those that market participants would use in valuing these financial instruments.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. Such estimates do not consider the tax impact of the realization of unrealized gains or losses. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial instrument. Care should be exercised in deriving conclusions about our business, its value or financial position based on the fair value information of financial instruments presented below.

SECURITIES HELD-TO-MATURITY

The fair values of these securities were based on quoted market prices, where available, as provided by third-party investment portfolio pricing vendors. If quoted market prices were not available, fair values provided by the vendors were based on quoted market prices of comparable instruments in active markets and/or based on a matrix pricing methodology which employs The Bond Market Association's standard calculations for cash flow and price/yield analysis, live benchmark bond pricing and terms/condition data available from major pricing sources. Management regards the inputs and methods used by third party pricing vendors to be "Level 2 inputs and methods" as defined in the "fair value hierarchy" provided by FASB.

LOANS

For variable-rate loans, 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.

TIME DEPOSITS

The fair value of time deposits was estimated using a discounted cash flow approach that applies prevailing market interest rates for similar maturity instruments. The fair values of the Company's time deposit liabilities do not take into consideration the value of the Company's long-term relationships with depositors, which may have significant value.

OTHER BORROWED FUNDS

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

SUBORDINATED DEBENTURES

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

The following presents (in thousands) the carrying amount, estimated fair value, and placement in the fair value hierarchy of the Company's financial instruments as of December 31, 2013 and December 31, 2012. This table excludes financial instruments for which the carrying amount approximates fair value. Financial assets for which the fair value approximates carrying value include cash and cash equivalents, short-term investments, FHLBB stock and accrued interest receivable. Financial liabilities for which the fair value approximates carrying value include non-maturity deposits, short-term borrowings and accrued interest payable.

			Fair Value Measurements		
	Carrying Amount	Estimated Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
(dollars in thousands)					
December 31, 2013					
Financial assets:					
Securities held-to-maturity	**$1,487,884**	**$1,464,449**	**$ —**	**$1,464,449**	**$ —**
Loans[1]	**1,243,822**	**1,214,192**	**—**	**—**	**1,214,192**
Financial liabilities:					
Time deposits	**382,224**	**386,742**	**—**	**386,742**	**—**
Other borrowed funds	**255,144**	**254,736**	**—**	**254,736**	**—**
Subordinated debentures	**36,083**	**39,503**	**—**	**—**	**39,503**
December 31, 2012					
Financial assets:					
Securities held-to-maturity	$ 275,507	$ 281,924	$ —	$ 281,924	$ —
Loans[1]	1,092,591	1,124,716	—	—	1,124,716
Financial liabilities:					
Time deposits	419,983	424,253	—	424,253	—
Other borrowed funds	195,144	205,481	—	205,481	—
Subordinated debentures	36,083	43,423	—	—	43,423

[1] Comprised of loans (including collateral dependent impaired loans), net of deferred loan costs and the allowance for loan losses.

LIMITATIONS

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

22. Quarterly Results of Operations (unaudited)

2013 Quarters	Fourth	Third	Second	First
(in thousands, except share data)				
Interest income	$ 20,947	$ 20,549	$ 19,132	$ 19,137
Interest expense	4,842	4,751	4,620	4,592
Net interest income	16,105	15,798	14,512	14,545
Provision for loan losses	460	750	750	750
Net interest income after provision for loan losses	15,645	15,048	13,762	13,795
Other operating income	4,186	4,774	5,221	4,434
Operating expenses	14,690	13,995	13,662	13,465
Income before income taxes	5,141	5,827	5,321	4,764
Provision for income taxes	116	308	295	288
Net income	$ 5,025	$ 5,519	$ 5,026	$ 4,476
Share data:				
Average shares outstanding, basic				
Class A	3,580,404	3,578,400	3,574,379	3,569,546
Class B	1,976,180	1,978,180	1,982,180	1,986,880
Average shares outstanding, diluted				
Class A	5,557,419	5,558,031	5,557,354	5,557,365
Class B	1,976,180	1,978,180	1,982,180	1,986,880
Earnings per share, basic				
Class A	$ 1.10	$ 1.21	$ 1.10	$ 0.98
Class B	$ 0.55	$ 0.60	$ 0.55	$ 0.49
Earnings per share, diluted				
Class A	$ 0.90	$ 0.99	$ 0.90	$ 0.81
Class B	$ 0.55	$ 0.60	$ 0.55	$ 0.49

2012 Quarters	Fourth	Third	Second	First
(in thousands, except share data)				
Interest income	$ 19,738	$ 22,079	$ 20,312	$ 19,365
Interest expense	4,795	4,859	4,923	4,963
Net interest income	14,943	17,220	15,389	14,402
Provision for loan losses	900	1,250	900	1,100
Net interest income after provision for loan losses	14,043	15,970	14,489	13,302
Other operating income	4,153	4,105	3,988	3,619
Operating expenses	13,279	13,708	13,451	12,800
Income before income taxes	4,917	6,367	5,026	4,121
Provision for income taxes	139	685	255	313
Net income	$ 4,778	$ 5,682	$ 4,771	$ 3,808
Share data:				
Average shares outstanding, basic				
Class A	3,564,145	3,559,125	3,556,474	3,550,993
Class B	1,986,880	1,989,380	1,991,880	1,993,755
Average shares outstanding, diluted				
Class A	5,552,121	5,549,810	5,548,830	5,545,711
Class B	1,986,880	1,989,380	1,991,880	1,993,755
Earnings per share, basic				
Class A	$ 1.05	$ 1.25	$ 1.05	$ 0.84
Class B	$ 0.52	$ 0.62	$ 0.52	$ 0.42
Earnings per share, diluted				
Class A	$ 0.86	$ 1.02	$ 0.86	$ 0.69
Class B	$ 0.52	$ 0.62	$ 0.52	$ 0.42

23. Parent Company Financial Statements

The balance sheets of Century Bancorp, Inc. ("Parent Company") as of December 31, 2013 and 2012 and the statements of income and cash flows for each of the years in the three-year period ended December 31, 2013, are presented below. The statements of changes in stockholders' equity are identical to the consolidated statements of changes in stockholders' equity and are therefore not presented here.

BALANCE SHEETS

December 31,	2013	2012
(dollars in thousands)		
ASSETS:		
Cash	$ 12,245	$ 19,536
Investment in subsidiary, at equity	193,783	193,499
Other assets	6,634	3,145
Total assets	$ 212,662	$ 216,180
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Liabilities	$ 107	$ 107
Subordinated debentures	36,083	36,083
Stockholders' equity	176,472	179,990
Total liabilities and stockholders' equity	$ 212,662	$ 216,180

STATEMENTS OF INCOME

Year Ended December 31,	2013	2012	2011
(dollars in thousands)			
Income:			
Interest income from deposits in bank	$ 28	$ 33	$ 100
Other income	72	72	72
Total income	100	105	172
Interest expense	2,400	2,400	2,400
Operating expenses	208	198	178
Income before income taxes and equity in undistributed income of subsidiary	(2,508)	(2,493)	(2,406)
Benefit from income taxes	(853)	(848)	(818)
Income before equity in undistributed income of subsidiary	(1,655)	(1,645)	(1,588)
Equity in undistributed income of subsidiary	21,701	20,684	18,281
Net income	$ 20,046	$ 19,039	$ 16,693

STATEMENTS OF CASH FLOWS

December 31,	2013	2012	2011
(dollars in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 20,046	$ 19,039	$ 16,693
Adjustments to reconcile net income to net cash provided by operating activities			
Undistributed income of subsidiary	(21,701)	(20,684)	(18,281)
Depreciation and amortization	12	12	12
Increase in other assets	(3,500)	(416)	(182)
Net cash (used in) operating activities	(5,143)	(2,049)	(1,758)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from the exercise of stock options	43	304	53
Cash dividends paid	(2,191)	(2,186)	(2,180)
Net cash used in financing activities	(2,148)	(1,882)	(2,127)
Net (decrease) in cash	(7,291)	(3,931)	(3,885)
Cash at beginning of year	19,536	23,467	27,352
Cash at end of year	$ 12,245	$ 19,536	$ 23,467

KPMG LLP

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

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

We have audited the accompanying consolidated balance sheets of Century Bancorp, Inc. and its subsidiary as of December 31, 2013 and 2012 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Bancorp, Inc. and its subsidiary as of December 31, 2013 and 2012 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Century Bancorp, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 20, 2014, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Boston, Massachusetts

February 20, 2014

KPMG LLP

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

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

We have audited Century Bancorp, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Century Bancorp, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Century Bancorp, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Century Bancorp, Inc. as of December 31, 2013 and 2012 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated February 20, 2014, expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Boston, Massachusetts

February 20, 2014

CENTURY BANCORP, INC.

400 Mystic Avenue
Medford, Massachusetts 02155

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

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

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework.* Based on our assessment, we believe that, as of December 31, 2013, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. Their report appears on page 53.

Barry R. Sloane
President & CEO

William P. Hornby, CPA
Chief Financial Officer
& Treasurer

February 20, 2014

Stockholder Information

Corporate Headquarters

Century Bank
400 Mystic Avenue
Medford, MA 02155-6316
TEL (866) 823-6887
CenturyBank.com

Transfer Agent and Registrar

Computershare Investor Services
P.O. Box 30170
College Station, TX 77842-3170
TEL (781) 575-3400
Computershare.com

Annual Meeting

The annual meeting of stockholders will be held on Tuesday, April 8, 2014, at 10:00 a.m. The meeting will take place at Century Bank, 400 Mystic Avenue, Medford, MA.

Stock Listing

Century Bancorp, Inc. became a public company in 1987. Century's Class A Common Stock is listed on the NASDAQ market and is traded under the symbol "CNBKA."

10-K Report

A copy of the Company's annual report to the Securities and Exchange Commission on Form 10-K may be obtained without charge upon written request to: Century Bancorp, Inc., Investor Relations, 400 Mystic Avenue, Medford, MA 02155 or online at http://www.centurybank.com/about/investorrelations.

ABOUT CENTURY

Headquarters

Century Bancorp, Inc. is a $3.43 billion banking and financial services company headquartered in Medford, Massachusetts. The Company operates 26 banking offices in 19 cities and towns in Massachusetts and provides a full range of business, personal, and institutional services.

Allston Branch

Andover Branch

Beverly Branch

Braintree Branch

Brookline Branch

Burlington Branch

Cambridge Branch

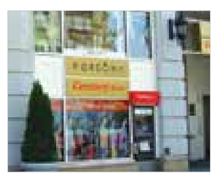
Chestnut Hill Square Branch

Coolidge Corner Branch

Everett Branch

Federal Street Branch

Fellsway Branch



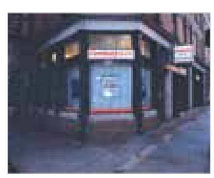
Kenmore Square Branch

Lynn Branch

Malden Branch

Medford Square Branch

Newton Centre Branch



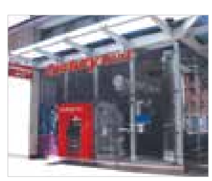
North End Branch

Peabody Branch

Quincy Branch

Salem Branch

Somerville Branch



State Street Branch

Wellesley Branch

Winchester Branch

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Our family's bank. And yours.

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