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Interest income

Loans

$12,611 $11,997 $25,060 $23,878

Securities held-to-maturity

8,020 1,419 15,800 2,939

Securities available-for-sale

794 5,571 1,614 11,188

Federal funds sold and interest-bearing deposits in other banks

129 145 211 264

Total interest income

	21,554	19,132	42,685	38,269
Interest expense				
Savings and NOW deposits	660	649	1,269	1,259
Money market accounts	669	582	1,308	1,114
Time deposits	1,141	1,234	2,226	2,568
Securities sold under agreements to repurchase	93	89	194	179
Other borrowed funds and subordinated debentures	2,237	2,066	4,420	4,092

Total interest expense

4,800	4,620	9,417	9,212

Net interest income

16,754 14,512 33,268 29,057

Provision for loan losses

450 750 1,050 1,500

Net interest income after provision for loan losses

16,304 13,762 32,218 27,557

Other operating income

Service charges on deposit accounts

2,012 2,034 4,046 3,976

Lockbox fees

845 838 1,622 1,610

Net gains on sales of investments

781 1,664

Gains on sales of mortgage loans held for sale

	81	821	88	991
Other income				
	677	747	1,329	1,414
Total other operating income				
	3,615	5,221	7,085	9,655

Operating expenses

Salaries and employee benefits	8,776	8,382	17,651	17,000
Occupancy	1,322	1,193	2,764	2,475
Equipment	585	610	1,157	1,192
FDIC assessments	494	450	974	850
Other	2,912	3,027	5,702	5,610

Total operating expenses	14,089	13,662	28,248	27,127
Income before income taxes	5,830	5,321	11,055	10,085
Provision for income taxes	231	295	524	583

Net income

$5,599	$5,026	$10,531	$9,502

Share data:

Weighted average number of shares outstanding, basic

Class A

3,589,125	3,574,379	3,585,773	3,571,963

Class B

1,967,580 1,982,180 1,970,880 1,984,530

Weighted average number of shares outstanding, diluted

Class A

5,558,032 5,557,354 5,558,105 5,557,655

Class B

1,967,580 1,982,180 1,970,880 1,984,530

Basic earnings per share:

Class A

$1.22 $1.10 $2.30 $2.08

Class B

$0.61 $0.55 $1.15 $1.04

Diluted earnings per share

Class A

$1.01 $0.90 $1.89 $1.71

Class B

$0.61 $0.55 $1.15 $1.04

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Consolidated Statements of Comprehensive Income (unaudited)

(In thousands)

	Three months ended June 30, 2014	Three months ended June 30, 2013
Net income	$ 5,599	$ 5,026
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on securities:		
Unrealized gains (losses) arising and transferred during period	262	(18,656)
Less: reclassification adjustment for gains included in net income		(781)
Total unrealized gains (losses) on securities	262	(19,437)
Accretion of net unrealized losses transferred	808	
Defined benefit pension plans:		
Amortization of prior service cost and loss included in net periodic benefit cost	56	174
Other comprehensive income (loss)	1,126	(19,263)
Comprehensive income (loss)	$ 6,725	$ (14,237)

	Six months ended June 30, 2014	Six months ended June 30, 2013
Net income	$ 10,531	$ 9,502
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on securities:		
Unrealized gains (losses) arising and transferred during period	505	(20,889)
Less: reclassification adjustment for gains included in net income		(1,664)
Total unrealized gains (losses) on securities	505	(22,553)
Accretion of net unrealized losses transferred	1,732	
Defined benefit pension plans:		
Amortization of prior service cost and loss included in net periodic benefit cost	113	347
Other comprehensive income (loss)	2,350	(22,206)
Comprehensive income (loss)	$ 12,881	$ (12,704)

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Consolidated Statements of Changes in Stockholders Equity (unaudited)

For the Six Months Ended June 30, 2014 and 2013

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
				(In thousands)		
Balance at December 31, 2012	$ 3,568	$ 1,986	$ 11,891	$ 162,892	$ (347)	$ 179,990
Net income				9,502		9,502
Other comprehensive income, net of tax:						
Unrealized holding (losses) gains arising during period, net of $14,372 in taxes and $1,664 in realized net gains					(22,553)	(22,553)
Pension liability adjustment, net of $231 in taxes					347	347
Conversion of class B common stock to class A common stock, 4,700 shares	4	(4)				
Stock options exercised, 1,600 shares	2		40			42
Cash dividends paid, Class A common stock, $.24 per share				(857)		(857)
Cash dividends paid, Class B common stock, $.12 per share				(238)		(238)
Balance at June 30, 2013	$ 3,574	$ 1,982	$ 11,931	$ 171,299	$ (22,553)	$ 166,233
Balance at December 31, 2013	$ 3,580	$ 1,976	$ 11,932	$ 180,747	$ (21,763)	$ 176,472
Net income				10,531		10,531
Other comprehensive income, net of tax:						
Unrealized holding (losses) gains arising during period, net of $339 in taxes					505	505
Accretion of unrealized losses on securities transferred to held-to-maturity, net of $1,061 in					1,732	1,732

taxes						
Pension liability adjustment, net of $75 in taxes					113	113
Conversion of class B common stock to class A common stock, 8,600 shares	8	(8)				
Stock options exercised, 125 shares	1		3			4
Cash dividends paid, Class A common stock, $.24 per share				(859)		(859)
Cash dividends paid, Class B common stock, $.12 per share				(237)		(237)
Balance at June 30, 2014	$ 3,589	$ 1,968	$ 11,935	$ 190,182	$ (19,413)	$ 188,261

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Consolidated Statements of Cash Flows (unaudited)

(In thousands)

	Six months ended June 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 10,531	$ 9,502
Adjustments to reconcile net income to net cash provided by operating activities:		
Mortgage loans originated for sale	(5,994)	(56,001)
Proceeds from mortgage loans sold	6,082	50,010
Gain on sales of mortgage loans held for sale	(88)	(991)
Net gain on sales of investments		(1,664)
Provision for loan losses	1,050	1,500
Deferred income taxes	(1,547)	(823)
Net depreciation and amortization	1,630	3,058
Increase in accrued interest receivable	(175)	(194)
Increase in other assets	(2,192)	(2,203)
Increase in other liabilities	454	2,353
Net cash provided by operating activities	9,751	4,547
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of short-term investments	3,561	6,317
Purchase of short-term investments	(1,069)	(8,561)
Proceeds from calls/maturities of securities available-for-sale	71,155	174,303
Proceeds from sales of securities available-for-sale		163,593
Purchase of securities available-for-sale	(100,084)	(482,373)
Proceeds from calls/maturities of securities held-to-maturity	106,312	37,453
Purchase of securities held-to-maturity	(152,901)	(29,825)
Net increase in loans	(49,707)	(45,143)
Capital expenditures	(1,252)	(658)
Net cash used in investing activities	(123,985)	(184,894)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in time deposits	5,965	46,509
Net increase in demand, savings, money market and NOW deposits	128,534	149,613
Net proceeds from exercise of stock options	4	42
Cash dividends	(1,096)	(1,095)
Net (decrease) increase in securities sold under agreements to repurchase	(34,430)	22,900
Net increase (decrease) in other borrowed funds	12,356	(18,000)

Net cash provided by financing activities	111,333	199,969
Net (decrease) increase in cash and cash equivalents	(2,901)	19,622
Cash and cash equivalents at beginning of period	94,678	152,283
Cash and cash equivalents at end of period	$ 91,777	$ 171,905
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 9,421	$ 9,317
Income taxes	1,991	1,550
Change in unrealized (losses) gains on securities available-for-sale, net of taxes	505	(22,553)
Change in unrealized losses on securities transferred to held-to-maturity, net of taxes	1,732	
Pension liability adjustment, net of taxes	113	347
Due to broker	2,000	10,711

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Notes to Unaudited Consolidated Interim Financial Statements

Six Months Ended June 30, 2014 and 2013

Note 1. Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of Century Bancorp, Inc. (the Company) and its wholly owned subsidiary, Century Bank and Trust Company (the Bank). The consolidated financial statements also include the accounts of the Bank s wholly owned subsidiaries, Century Subsidiary Investments, Inc. (CSII), Century Subsidiary Investments, Inc. II (CSII II), 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. The Company s quarterly report on Form 10-Q should be read in conjunction with the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as filed with the Securities and Exchange Commission.

Material estimates that are susceptible to change in the near term relate to the allowance for loan losses. Management believes that the allowance for loan losses is adequate based on independent appraisals and review of other factors, 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.

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Note 2. 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 risk-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.

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Note 3. Stock Option Accounting

Stock option activity under the Company s stock option plan for the six months ended June 30, 2014 is as follows:

	Amount	Weighted Average Exercise Price
Shares under option:		
Outstanding at beginning of year	**20,225**	**$ 31.82**
Exercised	**(125)**	**31.83**
Forfeited		
Outstanding at end of period	**20,100**	**$ 31.82**
Exercisable at end of period	**20,100**	**$ 31.82**
Available to be granted at end of period	**225,034**	

On June 30, 2014, the outstanding options to purchase 20,100 shares of Class A common stock have exercise prices between $31.60 and $31.83, with a weighted average exercise price of $31.82 and a weighted average remaining contractual life of 0.25 years. The intrinsic value of options exercisable at June 30, 2014 had an aggregate value of $70,551. The intrinsic value of options exercised at June 30, 2014 had an aggregate value of $439.

The Company uses the fair value method to account for stock options. All of the Company s stock options are vested and there were no options granted during the first six months of 2014.

Note 4. Securities Available-for-Sale

	June 30, 2014				December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)							
U.S. Treasury	**$ 1,998**	**$ 3**	**$**	**$ 2,001**	$ 1,997	$ 1	$	$ 1,998
U.S. Government Sponsored Enterprises					9,995	9		10,004
Small Business Administration	**6,915**	**58**		**6,973**	7,270	32		7,302
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	**419,732**	**1,039**	**1,146**	**419,625**	404,103	588	1,501	403,190

Privately Issued Residential Mortgage Backed Securities	**2,122**	**16**	**11**	**2,127**	2,294	6	23	2,277
Obligations Issued by States and Political Subdivisions	**61,768**	**5**	**871**	**60,902**	37,578	15	870	36,723
Other Debt Securities	**2,300**		**120**	**2,180**	2,300		125	2,175
Equity Securities	**327**	**174**		**501**	406	170		576
Total	**$ 495,162**	**$ 1,295**	**$ 2,148**	**$ 494,309**	$ 465,943	$ 821	$ 2,519	$ 464,245

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During the third quarter of 2013, securities available-for-sale with an amortized cost of $1,012,370,000 were transferred to securities held-to-maturity at their fair value of $987,037,000 in response to rising interest rates. Rising interest rates have the potential to increase unrealized losses on the available-for-sale portfolio. The transfer was implemented to lessen the effects of rising interest rates.

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 $346,459,000 and $368,137,000 at June 30, 2014 and December 31, 2013, respectively. Also included in securities available-for-sale are securities pledged for borrowing at the Federal Home Loan Bank of Boston amounting to $34,242,000 and $12,214,000 at June 30, 2014 and December 31, 2013, respectively. There were no realized gains on sales of investments for the six months ended June 30, 2014. The Company realized gross gains of $1,664,000 from the proceeds of $163,593,000 from the sales of available-for-sale securities for the six months ended June 30, 2013.

Debt securities of 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 available-for-sale at June 30, 2014.

	Amortized Cost	Fair Value
	(In thousands)	
Within one year	**$ 55,709**	**$ 55,728**
After one but within five years	**239,010**	**239,068**
After five but within ten years	**189,203**	**188,968**
More than 10 years	**9,413**	**8,664**
Non-maturing	**1,827**	**1,881**
Total	**$ 495,162**	**$ 494,309**

The weighted average remaining life of investment securities available-for-sale at June 30, 2014 was 4.6 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.

As of June 30, 2014 and December 31, 2013, 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.

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.

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The following table shows the temporarily impaired securities of the Company s available-for-sale portfolio at June 30, 2014. 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 27 and 14 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 254 holdings at June 30, 2014.

	June 30, 2014					
	Less than 12 months		12 months or longer		Total	
Temporarily Impaired Investments	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government Sponsored Enterprises	$	$	$	$	$	$
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	**166,346**	**764**	**66,805**	**382**	**233,151**	**1,146**
Privately Issued Residential Mortgage Backed Securities			**793**	**11**	**793**	**11**
Obligations Issued by States and Political Subdivisions			**3,820**	**871**	**3,820**	**871**
Other Debt Securities			**1,380**	**120**	**1,380**	**120**
Total temporarily impaired securities	**$ 166,346**	**$ 764**	**$ 72,798**	**$ 1,384**	**$ 239,144**	**$ 2,148**

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 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, 2013.

	December 31, 2013					
	Less than 12 months		12 months or longer		Total	
Temporarily Impaired Investments	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government Sponsored Enterprises	$	$	$	$	$	$
U.S. Government Agency and Sponsored Enterprises 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

Note 5. Investment Securities Held-to-Maturity

	June 30, 2014				December 31, 2013			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)							
U.S. Government Sponsored Enterprises	**$ 328,351**	**$ 2,021**	**$ 633**	**$ 329,739**	$ 291,779	$ 185	$ 5,043	$ 286,921
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	**1,208,637**	**9,516**	**10,053**	**1,208,100**	1,196,105	2,239	20,816	1,177,528
Total	**$ 1,536,988**	**$ 11,537**	**$ 10,686**	**$ 1,537,839**	$ 1,487,884	$ 2,424	$ 25,859	$ 1,464,449

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Included in U.S. Government and Agency Securities are securities pledged to secure public deposits and repurchase agreements at fair value amounting to $746,339,000 and $732,144,000 at June 30, 2014 and December 31, 2013, respectively. Also included are securities pledged for borrowing at the Federal Home Loan Bank of Boston at fair value amounting to $494,453,000 and $510,060,000 at June 30, 2014 and December 31, 2013, respectively.

At June 30, 2014 and December 31, 2013, all mortgage-backed securities are obligations of U.S. Government Agencies and Government Sponsored Enterprises. Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and Freddie Mac.

The following table shows the maturity distribution of the Company s securities held-to-maturity at June 30, 2014.

	Amortized Cost	Fair Value
	(In thousands)	
Within one year	**$ 4,464**	**$ 4,512**
After one but within five years	**1,042,137**	**1,042,271**
After five but within ten years	**489,585**	**490,234**
More than ten years	**802**	**822**
Total	**$ 1,536,988**	**$ 1,537,839**

The weighted average remaining life of investment securities held-to-maturity at June 30, 2014 was 4.8 years. Included in the weighted average remaining life calculation at June 30, 2014 were $260,065,000 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.

As of June 30, 2014 and December 31, 2013, management concluded that the unrealized losses of its investment securities are temporary in nature since they are not related to the underlying credit quality of the issuers, and the Company does not intend to sell these debt securities and it is not likely that it will be required to sell these debt securities before the anticipated recovery of 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 likely that it will be required to sell these securities before the anticipated recovery of the remaining amortized cost, the Company does not consider these investments to be other-than-temporarily impaired at June 30, 2014 and December 31, 2013.

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

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The following table shows the temporarily impaired securities of the Company s held-to-maturity portfolio at June 30, 2014. 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 43 and 57 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 310 holdings at June 30, 2014.

	June 30, 2014					
	Less Than 12 Months		12 Months or Longer		Total	
Temporarily Impaired Investments	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
	(Dollars in thousands)					
U.S. Government Sponsored Enterprises	**$ 61,736**	**$ 232**	**$ 29,161**	**$ 401**	**$ 90,897**	**$ 633**
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	**222,198**	**2,179**	**376,287**	**7,874**	**598,485**	**10,053**
Total temporarily impaired securities	**$ 283,934**	**$ 2,411**	**$ 405,448**	**$ 8,275**	**$ 689,382**	**$ 10,686**

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 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, 2013.

	December 31, 2013					
	Less Than 12 Months		12 Months or Longer		Total	
Temporarily Impaired Investments	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government Sponsored Enterprises	$ 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

Note 6. Allowance for Loan Losses

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

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

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	(in thousands)			
Allowance for loan losses, beginning of period	**$ 21,259**	$ 19,759	**$ 20,941**	$ 19,197
Loans charged off	**(113)**	(160)	**(542)**	(533)
Recoveries on loans previously charged-off	**126**	151	**273**	336
Net charge-offs	**13**	(9)	**(269)**	(197)
Provision charged to expense	**450**	750	**1,050**	1,500
Allowance for loan losses, end of period	**$ 21,722**	$ 20,500	**$ 21,722**	$ 20,500

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Further information pertaining to the allowance for loan losses for the three months ending June 30, 2014 follows:

	Construction and Land Development	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer	Home Equity	Unallocated	Total
				(Dollars in thousands)				
Allowance for loan losses:								
Balance at March 31, 2014	$ 1,825	$ 3,090	$ 11,874	$ 1,873	$ 425	$ 902	$ 1,270	$ 21,259
Charge-offs		(14)			(99)			(113)
Recoveries		24	2	15	84	1		126
Provision	220	(185)	99	39	18	12	247	450
Ending balance at June 30, 2014	$ 2,045	$ 2,915	$ 11,975	$ 1,927	$ 428	$ 915	$ 1,517	$ 21,722
Amount of allowance for loan losses for loans deemed to be impaired	$ 273	$ 353	$ 359	$ 160	$	$ 93	$	1,238
Amount of allowance for loan losses for loans not deemed to be impaired	$ 1,772	$ 2,562	$ 11,616	$ 1,767	$ 428	$ 822	$ 1,517	$ 20,484
Loans:								
Ending balance	$ 25,861	$ 88,666	$ 766,965	$ 282,468	$ 9,649	$ 140,616	$	$ 1,314,225
Loans deemed to be impaired	$ 356	$ 1,093	$ 4,775	$ 1,559	$	$ 93	$	$ 7,876
Loans not deemed to be impaired	$ 25,505	$ 87,573	$ 762,190	$ 280,909	$ 9,649	$ 140,523	$	$ 1,306,349

Further information pertaining to the allowance for loan losses for the six months ending June 30, 2014 follows:

Consumer	Unallocated	Total

	Construction and Land Development	Commercial and Industrial	Commercial Real Estate	Residential Real Estate		Home Equity		
				(Dollars in thousands)				
Allowance for loan losses:								
Balance at December 31, 2013	$ 2,174	$ 2,989	$ 11,218	$ 2,006	$ 432	$ 959	$ 1,163	$ 20,941
Charge-offs	(250)	(14)			(278)			(542)
Recoveries		48	4	20	200	1		273
Provision	121	(108)	753	(99)	74	(45)	354	1,050
Ending balance at June 30, 2014	$ 2,045	$ 2,915	$ 11,975	$ 1,927	$ 428	$ 915	$ 1,517	$ 21,722
Amount of allowance for loan losses for loans deemed to be impaired	$ 273	$ 353	$ 359	$ 160	$	$ 93	$	1,238
Amount of allowance for loan losses for loans not deemed to be impaired	$ 1,772	$ 2,562	$ 11,616	$ 1,767	$ 428	$ 822	$ 1,517	$ 20,484
Loans:								
Ending balance	$ 25,861	$ 88,666	$ 766,965	$ 282,468	$ 9,649	$ 140,616	$	$ 1,314,225
Loans deemed to be impaired	$ 356	$ 1,093	$ 4,775	$ 1,559	$	$ 93	$	$ 7,876
Loans not deemed to be impaired	$ 25,505	$ 87,573	$ 762,190	$ 280,909	$ 9,649	$ 140,523	$	$ 1,306,349

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Further information pertaining to the allowance for loan losses for the three months ending June 30, 2013 follows:

	Construction and Land Development	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer	Home Equity	Unallocated	Total
	(Dollars in thousands)							
Allowance for loan losses:								
Balance at March 31, 2013	$ 3,199	$ 3,523	$ 8,779	$ 2,071	$ 357	$ 833	$ 997	$ 19,759
Charge-offs		(6)			(154)			(160)
Recoveries		56	1	1	92	1		151
Provision	42	(358)	644	(42)	68	98	298	750
Ending balance at June 30, 2013	$ 3,241	$ 3,215	$ 9,424	$ 2,030	$ 363	$ 932	$ 1,295	$ 20,500
Amount of allowance for loan losses for loans deemed to be impaired	$ 1,000	$ 92	$ 204	$ 147	$	$ 96	$	1,539
Amount of allowance for loan losses for loans not deemed to be impaired	$ 2,241	$ 3,123	$ 9,220	$ 1,883	$ 363	$ 836	$ 1,295	$ 18,961
Loans:								
Ending balance	$ 34,919	$ 101,918	$ 609,462	$ 283,392	$ 8,123	$ 125,918	$	$ 1,163,732
Loans deemed to be impaired	$ 1,500	$ 1,102	$ 2,365	$ 1,171	$	$ 96	$	$ 6,234
Loans not deemed to be impaired	$ 33,419	$ 100,816	$ 607,097	$ 282,221	$ 8,123	$ 125,822	$	$ 1,157,498

Further information pertaining to the allowance for loan losses for the six months ending June 30, 2013 follows:

	Construction and Land Development	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer	Home Equity	Unallocated	Total
				(Dollars in thousands)				
Allowance for loan losses:								
Balance at December 31, 2012	$ 3,041	$ 3,118	$ 9,065	$ 1,994	$ 333	$ 886	$ 760	$ 19,197
Charge-offs		(234)			(299)			(533)
Recoveries		121	4	4	206	1		336
Provision	200	210	355	32	123	45	535	1,500
Ending balance at June 30, 2013	$ 3,241	$ 3,215	$ 9,424	$ 2,030	$ 363	$ 932	$ 1,295	$ 20,500
Amount of allowance for loan losses for loans deemed to be impaired	$ 1,000	$ 92	$ 204	$ 147	$	$ 96	$	1,539
Amount of allowance for loan losses for loans not deemed to be impaired	$ 2,241	$ 3,123	$ 9,220	$ 1,883	$ 363	$ 836	$ 1,295	$ 18,961
Loans:								
Ending balance	$ 34,919	$ 101,918	$ 609,462	$ 283,392	$ 8,123	$ 125,918	$	$ 1,163,732
Loans deemed to be impaired	$ 1,500	$ 1,102	$ 2,365	$ 1,171	$	$ 96	$	$ 6,234
Loans not deemed to be impaired	$ 33,419	$ 100,816	$ 607,097	$ 282,221	$ 8,123	$ 125,822	$	$ 1,157,498

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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 June 30, 2014 and 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 June 30, 2014 and 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 June 30, 2014 and 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 June 30, 2014.

	Construction and land development	Commercial and industrial	Commercial real estate
	(Dollars in thousands)		
Grade:			
1-3 (Pass)	**$ 18,283**	**$ 87,101**	**$ 761,273**
4 (Monitor)	**7,222**	**472**	**917**
5 (Substandard)			
6 (Doubtful)			
Impaired	**356**	**1,093**	**4,775**
Total	**$ 25,861**	**$ 88,666**	**$ 766,965**

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

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Further information pertaining to the allowance for loan losses at June 30, 2014 follows:

	Accruing 30-89 Days Past Due	Non Accrual	Accrual Greater Than 90 Days	Total Past Due	Current Loans	Total
			(Dollars in thousands)			
Construction and land development	**$**	**$ 356**	**$**	**$ 356**	**$ 25,505**	**$ 25,861**
Commercial and industrial	**1,051**	**450**		**1,501**	**87,165**	**88,666**
Commercial real estate	**2,570**	**610**	**614**	**3,794**	**763,171**	**766,965**
Residential real estate	**1,154**	**1,426**		**2,580**	**279,888**	**282,468**
Consumer and overdrafts	**1**	**3**		**4**	**9,645**	**9,649**
Home equity	**326**			**326**	**140,290**	**140,616**
Total	**$ 5,102**	**$ 2,845**	**$ 614**	**$ 8,561**	**$ 1,305,664**	**$ 1,314,225**

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

	Accruing 30-89 Days Past Due	Non Accrual	Accrual Greater Than 90 Days	Total Past Due	Current Loans	Total
			(Dollars in thousands)			
Construction and land development	$	$ 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

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 collectability of the loan s principal is not probable. The specific factors that management considers in making the determination that the collectability 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 consolidated financial statements contained in the Company s Annual Report for the fiscal year ended December 31, 2013.

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The following is information pertaining to impaired loans for June 30, 2014:

	Carrying Value	Unpaid Principal Balance	Required Reserve	Average Carrying Value For 3 Months Ending 6/30/14	Interest Income Recognized For 3 Months Ending 6/30/14	Average Carrying Value For 6 Months Ending 6/30/14	Interest Income Recognized For 6 Months Ending 6/30/14
	(Dollars in thousands)						
With no required reserve recorded:							
Construction and land development	$	$	$	$ 188	$	$ 321	$
Commercial and industrial	11	42		11		71	
Commercial real estate	400	400		100		80	
Residential real estate	70	70		31		104	
Consumer							
Home equity							
Total	$ 481	$ 512	$	$ 330	$	$ 576	$
With required reserve recorded:							
Construction and land development	$ 356	$ 3,400	$ 273	$ 169	$	$ 143	$
Commercial and industrial	1,082	1,332	353	1,095	8	1,104	19
Commercial real estate	4,375	4,466	359	4,391	36	4,405	74
Residential real estate	1,489	1,684	160	1,106	3	1,039	5
Consumer							
Home equity	93	93	93	94		94	
Total	$ 7,395	$ 10,975	$ 1,238	$ 6,855	$ 47	$ 6,785	$ 98
Total:							
Construction and land development	$ 356	$ 3,400	$ 273	$ 357	$	$ 465	$
Commercial and industrial	1,093	1,374	353	1,106	8	1,175	19
Commercial real estate	4,775	4,866	359	4,491	36	4,485	74
Residential real estate	1,559	1,754	160	1,137	3	1,143	5
Consumer							
Home equity	93	93	93	94		94	

Total	**$ 7,876**	**$ 11,487**	**$ 1,238**	**$ 7,185**	**$ 47**	**$ 7,362**	**$ 98**

The following is information pertaining to impaired loans for June 30, 2013:

	Carrying Value	Unpaid Principal Balance	Required Reserve	Average Carrying Value For 3 Months Ending 6/30/13	Average Carrying Value For 6 Months Ending 6/30/13	Interest Income Recognized For 3 Months Ending 6/30/13	Interest Income Recognized For 6 Months Ending 6/30/13
				(Dollars in thousands)			
With no required reserve recorded:							
Construction and land development	$	$	$	$	$	$	$
Commercial and industrial	206	235		385	451	1	1
Commercial real estate	122	122		113	136		
Residential real estate	266	266		146	96		
Consumer							
Home equity							
Total	$ 594	$ 623	$	$ 644	$ 683	$ 1	$ 1

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With required reserve recorded:							
Construction and land development	$ 1,500	$ 3,292	$ 1,000	$ 1,500	$ 1,500	$	$
Commercial and industrial	896	1,128	92	866	856	8	17
Commercial real estate	2,243	2,330	204	2,169	2,143	20	46
Residential real estate	905	991	147	909	834		
Consumer							
Home equity	96	96	96	96	96		
Total	$ 5,640	$ 7,837	$ 1,539	$ 5,540	$ 5,429	$ 28	$ 63
Total:							
Construction and land development	$ 1,500	$ 3,292	$ 1,000	$ 1,500	$ 1,500	$	$
Commercial and industrial	1,102	1,363	92	1,251	1,307	9	18
Commercial real estate	2,365	2,452	204	2,282	2,279	20	46
Residential real estate	1,171	1,257	147	1,055	930		
Consumer							
Home equity	96	96	96	96	96		
Total	$ 6,234	$ 8,460	$ 1,539	$ 6,184	$ 6,112	$ 29	$ 64

There were no troubled debt restructurings occurring during the six month periods ended June 30, 2014 or June 30, 2013.

Note 7. Reclassifications Out of Accumulated Other Comprehensive Income (a)

Amount Reclassified from Accumulated Other Comprehensive Income

Details about Accumulated Other Comprehensive Income Components	**Three Months Ended June 30, 2014**	**Three Months Ended June 30, 2013**	**Affected Line Item in the Statement Where Net Income is Presented**
	(in thousands)		
Unrealized gains and losses on available-for-sale securities			
	$	$ 781	Net gains on sales of investments
		(302)	Provision for income taxes
	$	$ 479	Net income
Accretion of unrealized losses transferred			
	$1,286	$	Securities held-to-maturity

		(478)			Provision for income taxes
	$	808	$		Net income
Amortization of defined benefit pension items					
Prior-service costs	$	(3)(b)	$	(3)	Salaries and employee benefits
Actuarial gains (losses)		(91)(b)		(287)	Salaries and employee benefits
Total before tax		(94)		(290)	Income before taxes
Tax (expense) or benefit		38		116	Provision for income taxes
Net of tax	$	(56)	$	(174)	Net income
Total reclassifications for the period	$	752	$	305	Net income, net of tax

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Details about Accumulated Other Comprehensive Income Components	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Affected Line Item in the Statement Where Net Income is Presented
	(in thousands)		
Unrealized gains and losses on available-for-sale securities			
	$	$ 1,664	Net gains on sales of investments
		(652)	Provision for income taxes
	$	$ 1,012	Net income
Accretion of unrealized losses transferred			
	$2,793	$	Securities held-to-maturity
	(1,061)		Provision for income taxes
	$ 1,732	$	Net income
Amortization of defined benefit pension items			
Prior-service costs	$ (5)(b)	$ (6)	Salaries and employee benefits
Actuarial gains (losses)	(183)(b)	(574)	Salaries and employee benefits
Total before tax	(188)	(580)	Income before taxes
Tax (expense) or benefit	75	233	Provision for income taxes
Net of tax	$ (113)	$ (347)	Net income
Total reclassifications for the period	$ 1,619	$ 665	Net income, net of tax

(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 9) for additional details).

Note 8. 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 2014 and 2013 was an increase of 1,452 and 1,162 shares, respectively.

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The following table is a reconciliation of basic EPS and diluted EPS for the three and six months ended June 30,

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	**2014**	2013
(in thousands except share and per share data)				
Basic EPS Computation:				
Numerator:				
Net income, Class A	**$ 4,394**	$ 3,935	**$ 8,259**	$ 7,437
Net income, Class B	**1,205**	1,091	**2,272**	2,065
Denominator:				
Weighted average shares outstanding, Class A	**3,589,125**	3,574,379	**3,585,773**	3,571,963
Weighted average shares outstanding, Class B	**1,967,580**	1,982,180	**1,970,880**	1,984,530
Basic EPS, Class A	**$ 1.22**	$ 1.10	**$ 2.30**	$ 2.08
Basic EPS, Class B	**0.61**	0.55	**1.15**	1.04
Diluted EPS Computation:				
Numerator:				
Net income, Class A	**$ 4,394**	$ 3,935	**$ 8,259**	$ 7,437
Net income, Class B	**1,205**	1,091	**2,272**	2,065
Total net income, for diluted EPS, Class A computation	**5,599**	5,026	**10,531**	9,502
Denominator:				
Weighted average shares outstanding, basic, Class A	**3,589,125**	3,574,379	**3,585,773**	3,571,963
Weighted average shares outstanding, Class B	**1,967,580**	1,982,180	**1,970,880**	1,984,530
Dilutive effect of Class A stock options	**1,327**	795	**1,452**	1,162
Weighted average shares outstanding diluted, Class A	**5,558,032**	5,557,354	**5,558,105**	5,557,655
Weighted average shares outstanding, Class B	**1,967,580**	1,982,180	**1,970,880**	1,984,530
Diluted EPS, Class A	**$ 1.01**	$ 0.90	**$ 1.89**	$ 1.71
Diluted EPS, Class B	**0.61**	0.55	**1.15**	1.04

Note 9. Employee Benefits

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

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

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

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

	Pension Benefits		Supplemental Insurance/ Retirement Plan	
	2014	2013	**2014**	2013
	(In thousands)			
Service cost	**$ 258**	$ 299	**$ 389**	$ 381
Interest	**367**	314	**331**	267
Expected return on plan assets	**(636)**	(470)		
Recognized prior service cost (benefit)	**(26)**	(26)	**29**	29
Recognized net actuarial losses	**3**	158	**88**	129
Net periodic benefit (credit) cost	**$ (34)**	$ 275	**$ 837**	$ 806

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

	Pension Benefits		Supplemental Insurance/ Retirement Plan	
	2014	2013	**2014**	2013
	(In thousands)			
Service cost	**$ 516**	$ 598	**$ 778**	$ 763
Interest	**734**	628	**662**	534
Expected return on plan assets	**(1,272)**	(940)		
Recognized prior service cost (benefit)	**(52)**	(52)	**58**	58
Recognized net actuarial losses	**6**	316	**176**	258
Net periodic benefit (credit) cost	**$ (68)**	$ 550	**$ 1,674**	$ 1,613

Contributions

As of June 30, 2014, $920,000 has been contributed. The Company does not anticipate making any additional contributions.

Note 10. 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 Instruments that have little to no pricing observability as of the reported date. These financial instruments do not have two-way markets and are measured using management s best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation. Instruments that are included in this category generally include certain commercial mortgage loans, certain private equity investments, distressed debt, non-investment grade residual interests in securitizations, as well as certain highly structured OTC derivative contracts.

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The results of the fair value hierarchy as of June 30, 2014, are as follows:

Financial Instruments Measured at Fair Value on a Recurring Basis:

		Securities AFS Fair Value Measurements Using		
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
	(In thousands)			
U.S. Treasury	**$ 2,001**	**$**	**$ 2,001**	**$**
U.S. Government Sponsored Enterprises				
SBA Backed Securities	**6,973**		**6,973**	
U.S. Government Agency and Sponsored Mortgage Backed Securities	**419,625**		**419,625**	
Privately Issued Residential Mortgage Backed Securities	**2,127**		**2,127**	
Obligations Issued by States and Political Subdivisions	**60,902**		**408**	**60,494**
Other Debt Securities	**2,180**		**2,180**	
Equity Securities	**501**	**290**		**211**
Total	**$ 494,309**	**$ 290**	**$ 433,314**	**$ 60,705**

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

Impaired Loans	**2,539**			**2,539**

Impaired loan balances represent those collateral dependent loans where management has estimated the credit loss by comparing the loan s carrying value against the expected realizable fair value of the collateral. 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 the three-month period and six-month periods ended June 30, 2014 amounted to $276,000 and $530,000, respectively.

There were no transfers between level 1 and 2 for the three months ended June 30, 2014. There were no liabilities measured at fair value on a recurring or nonrecurring basis during the six month period ended June 30, 2014.

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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). 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 (4)	$ 60,705	Discounted cash flow	Discount rate	0% -1% (3)
Impaired Loans	2,539	Appraisal of collateral (1)	Appraisal adjustments (2)	0%-25% discount

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

The changes in Level 3 securities for the six-month period ended June 30, 2014 are shown in the table below:

	Auction Rate Securities	Obligations Issued by States & Political Subdivisions (In thousands)	Equity Securities	Total
Balance at December 31, 2013	**$ 3,820**	**32,487**	**$ 290**	**$ 36,597**
Purchases		**51,471**		**51,471**
Maturities and calls		**(27,282)**	**(79)**	**(27,361)**
Amortization		**(2)**		**(2)**
Changes in fair value				
Balance at June 30, 2014	**$ 3,820**	**$ 56,674**	**$ 211**	**$ 60,705**

The amortized cost of Level 3 securities was $61,577,000 at June 30, 2014 with an unrealized loss of $872,000. The securities in this category are generally equity investments, municipal securities with no readily determinable fair value or failed auction rate securities. Management evaluated the fair value of these securities based on an evaluation of the underlying issuer, prevailing rates and market liquidity.

The changes in Level 3 securities for the six-month period ended June 30, 2013, are shown in the table below:

	Total

	Auction Rate Securities	Obligations Issued by States & Political Subdivisions (In thousands)	Equity Securities	
Balance at December 31, 2012	$ 3,963	$ 49,477	$ 342	$ 53,782
Purchases		29,370		29,370
Maturities and calls		(30,830)	(10)	(30,840)
Amortization		(18)		(18)
Changes in fair value				
Balance at June 30, 2013	$ 3,963	$ 47,999	$ 332	$ 52,294

The amortized cost of Level 3 securities was $53,018,000 at June 30, 2013 with an unrealized loss of $724,000. The securities in this category are generally equity investments, municipal securities with no readily determinable fair value or failed auction rate securities. Management evaluated the fair value of these securities based on an evaluation of the underlying issuer, prevailing rates and market liquidity.

Note 11. Fair Values of Financial Instruments

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

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 June 30, 2014 and December 31, 2013. 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.

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			Fair Value Measurements		
June 30, 2014	**Carrying Amount**	**Estimated Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
(in thousands)					
Financial assets:					
Securities held-to-maturity	**$ 1,536,988**	**$ 1,537,839**	**$**	**$ 1,537,839**	**$**
Loans (1)	**1,292,503**	**1,269,530**			**1,269,530**
Financial liabilities:					
Time deposits	**388,189**	**393,502**		**393,502**	
Other borrowed funds	**267,500**	**270,576**		**270,576**	
Subordinated debentures	**36,083**	**41,036**			**41,036**
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

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

Note 12. Recent Accounting Developments

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210), *Disclosures about offsetting assets and liabilities*. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements 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 U.S. GAAP with financial statements prepared under IFRS. The new standards are effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. Retrospective application is required. 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 7) as a result of this pronouncement.

In January 2014, the FASB issued ASU 2014-04, Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40) *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. The amendments in this update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or

(2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The Company has assessed the impact of ASU 2014-14 and the adoption of this amendment will not have a material impact on the Company s financial statements.

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

Executive Overview

Century Bancorp, Inc. (together with its bank subsidiary, unless the context otherwise requires, the Company) is a Massachusetts state-chartered bank holding company headquartered in Medford, Massachusetts. The Company is a Massachusetts corporation formed in 1972 and has one banking subsidiary (the Bank): Century Bank and Trust Company formed in 1969. At June 30, 2014, the Company had total assets of $3.6 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.

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 fourth quarter of 2014.

During March 2014, the Company entered into a lease agreement to open a branch located on Boylston Street in Boston, Massachusetts. This property will be leased from an entity affiliated with Marshall M. Sloane, Chairman of the Board of the Company. This agreement was approved by the Board of Directors in the absence of the Chairman of the Board. The branch is scheduled to open during the first quarter of 2015. The deposits from the Kenmore Square, Boston Massachusetts branch, which is scheduled to close on September 30, 2014, will be moved to the new Boylston Street branch.

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

The Company offers a wide range of services to commercial enterprises, state and local governments and agencies, non-profit organizations and individuals. It emphasizes service to small and medium-sized businesses and retail customers in its market area. The Company makes commercial loans, real estate and construction loans and consumer loans, and accepts savings, time, and demand deposits. In addition, the Company offers to its corporate and institutional customers automated lock box collection services, cash management services and account reconciliation services, and actively promotes the marketing of these services to the municipal market. Also, the 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. The Company has deposit relationships with approximately 193 (55%) of the 351 cities and towns in Massachusetts.

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Net income for the quarter ended June 30, 2014 was $5,599,000, or $1.01 per Class A share diluted, compared to net income of $5,026,000, or $0.90 per Class A share diluted, for the quarter ended June 30, 2013. Net income for the six-month period ended June 30, 2014 was $10,531,000, or $1.89 per Class A share diluted, compared to net income of $9,502,000, or $1.71 per Class A share diluted, for the quarter ended June 30, 2013. Earnings per share (EPS) for each class of stock and time period is as follows:

		Three months ended June 30, 2014	Three months ended June 30, 2013
Basic EPS	Class A common	**$ 1.22**	$ 1.10
Basic EPS	Class B common	**$ 0.61**	$ 0.55
Diluted EPS	Class A common	**$ 1.01**	$ 0.90
Diluted EPS	Class B common	**$ 0.61**	$ 0.55

		Six months ended June 30, 2014	Six months ended June 30, 2013
Basic EPS	Class A common	**$ 2.30**	$ 2.08
Basic EPS	Class B common	**$ 1.15**	$ 1.04
Diluted EPS	Class A common	**$ 1.89**	$ 1.71
Diluted EPS	Class B common	**$ 1.15**	$ 1.04

Net interest income totaled $33.3 million for the six-months ended June 30, 2014 compared to $29.1 million for the same period in 2013. The 14.5% increase in net interest income for the period is primarily due to an increase in average earning assets. The net interest margin increased from 2.21% on a fully taxable equivalent basis in 2013 to 2.23% on the same basis for 2014. This was primarily the result of a decrease in rates paid on deposits and borrowed funds. Also, interest expense increased slightly as a result of an increase in deposit balances and there was a 13.3% increase in the average balances of earning assets, combined with a similar increase in average deposits.

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

From the beginning of 2012 through the third quarter of 2012, management stabilized the net interest margin by continuing to lower the 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. The net interest margin increased during the first quarter of 2014 primarily as a result of pricing discipline and decreased during the second quarter of 2014 primarily as a result of a decrease in asset yields.

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

For the three months ended June 30, 2014, the loan loss provision was $450,000 compared to a provision of $750,000 for the same period last year. For the six months ended June 30, 2014, the loan loss provision was $1.1 million compared to a provision of $1.5 million for the same period last year. The decrease in the provision was primarily as a result of changes in the portfolio composition and changes in qualitative economic factors. Nonperforming loans decreased to $2.8 million at June 30, 2014 from $3.3 million on June 30, 2013.

The Company had no sales of investment securities during the six months ended June 30, 2014. The Company capitalized on favorable market conditions for the three and six months ended June 30, 2013 and realized net gains on sales of investments of $781,000 and 1.7 million, respectively.

Included in operating expenses for the first six months ended June 30, 2014 are FDIC assessments of $974,000 compared to $850,000 for the same period in 2013.

For the first six months of 2014, the Company s effective income tax rate was 4.7% compared to 5.8% for last year s corresponding period. The effective income tax rate decreased primarily as a result of an increase in tax-exempt income.

Financial Condition

Loans

On June 30, 2014, total loans outstanding were $1.3 billion, up by $49.5 million from the total on December 31, 2013. At June 30, 2014, commercial real estate loans accounted for 58.4% and residential real estate loans, including home equity loans, accounted for 32.2% of total loans.

Commercial and industrial loans decreased to $88.7 million at June 30, 2014 from $92.4 million at December 31, 2013, primarily as a result of a decrease in commercial and industrial financing. Construction loans decreased to $25.9 million at June 30, 2014 from $33.1 million on December 31, 2013, primarily as a result of loan payments.

Allowance for Loan Losses

The allowance for loan loss at June 30, 2014 was $21.7 million as compared to $20.9 million at December 31, 2013. The increase was due to the increase in the size of the loan portfolio. Also, the level of the allowance for loan losses to total loans decreased slightly from 1.66% at December 31, 2013 to 1.65% at June 30, 2014. In evaluating the allowance for loan losses the Company considered the following categories to be higher risk:

Construction loans: The outstanding loan balance of construction loans at June 30, 2014 is $25.9 million as compared to $33.1 million at December 31, 2013. Based on the general local conditions facing construction, management closely monitors all construction loans and considers this type of loans to be higher risk.

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Higher balance loans: Loans greater than $1.0 million are considered high balance loans . The balance of these loans is $744.0 million at June 30, 2014 as compared to $701.1 million at December 31, 2013. These loans are considered higher risk due to the concentration in individual loans. Additional allowance allocations are made based upon the level of high balance loans. Included in high balance loans are loans greater than $10.0 million. The balance of these loans, which is included in the loans greater than $1.0 million category, is $433.9 million, at June 30, 2014 as compared to $377.9 million at December 31, 2013. 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 $38.0 million at June 30, 2014 as compared to $40.2 million 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 following table summarizes the changes in the Company s allowance for loan losses for the periods indicated.

	Three months ended June 30,		**Six months ended June 30,**	
	2014	**2013**	**2014**	**2013**
	(in thousands)			
Allowance for loan losses, beginning of period	**$ 21,259**	$ 19,759	**$ 20,941**	$ 19,197
Loans charged off	**(113)**	(160)	**(542)**	(533)
Recoveries on loans previously charged-off	**126**	151	**273**	336
Net charge-offs	**13**	(9)	**(269)**	(197)
Provision charged to expense	**450**	750	**1,050**	1,500
Allowance for loan losses, end of period	**$ 21,722**	$ 20,500	**$ 21,722**	$ 20,500

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

Nonperforming Assets

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

	June 30, 2014	**December 31, 2013**
	(Dollars in thousands)	
Nonaccruing loans	**$ 2,845**	$ 2,549

Loans past due 90 days or more and still accruing	**$ 614**	$
Nonaccruing loans as a percentage of total loans	**0.22%**	0.20%
Accruing troubled debt restructures	**$ 5,883**	$ 5,969

Cash and Cash Equivalents

Cash and cash equivalents decreased during the first six months of 2014. This was primarily the result of a decrease in lower yielding interest-bearing deposits in other banks during the quarter.

Short-term Investments

Short-term investments decreased as a result of maturities.

Investments

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

Securities Available-for-Sale (at Fair Value)

The securities available-for-sale portfolio totaled $494.3 million at June 30, 2014, an increase of 6.5% from December 31, 2013. During the third quarter of 2013, $987.0 million of securities available-for-sale with unrealized losses of $25.3 million were transferred to securities held-to-maturity. This was done in response to rising interest rates. Purchases of securities available-for-sale totaled $100.1 million for the six months ended June 30, 2014. The portfolio is concentrated in United States Government Sponsored Enterprises, Mortgage-backed Securities and Obligations issued by States and Political Subdivisions and had an estimated weighted average remaining life of 4.6 years.

The majority of the Company s securities AFS are classified as Level 2. The fair values of these securities are generally obtained from a pricing service, which provides the Company with a description of the inputs generally utilized for each type of security. These inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. Market indicators and industry and economic events are also monitored.

Securities available-for-sale totaling $60.7 million, or 1.7% of assets are classified as Level 3. These securities are generally failed auction rate securities, equity investments or obligations of states and political subdivisions with no readily determinable fair value. Failed auction rate securities were reclassified to Level 3 during the first quarter of 2009 due to the lack of an active market. Fair values for Level 3 securities are, generally, arrived at based upon a review of market trades of similar instruments, if any, as well as an analysis of the security based upon market liquidity and prevailing market interest rates.

During the first six months of 2014, net unrealized losses on the securities available-for-sale decreased to $0.9 million from $1.7 million at December 31, 2013. Unrealized losses on the available-for-sale portfolio increased as a result of increases in interest rates.

	June 30, 2014	December 31, 2013
	(In thousands)	

U.S. Treasury	**$ 2,001**	$ 1,998
U.S. Government Sponsored Enterprises		10,004
Small Business Administration	**6,973**	7,302
U.S Government Agency and Sponsored Enterprise Mortgage-backed Securities	**419,625**	403,189
Privately Issued Residential Mortgage-backed Securities	**2,127**	2,277
Obligations issued by States and Political Subdivisions	**60,902**	36,723
Other Debt Securities	**2,180**	2,176
Equity Securities	**501**	576
Total Securities Available for-Sale	**$ 494,309**	$ 464,245

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There were no realized gains on sales of investments for the first six months of 2014.

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

Securities Held-to-Maturity (at Amortized Cost)

The securities held-to-maturity portfolio totaled $1.5 billion on June 30, 2014, an increase of 3.3% from the total on December 31, 2013. During the third quarter of 2013, $987.0 million of securities available-for-sale with unrealized losses of $25.3 million were transferred to securities held-to-maturity. This was done in response to rising interest rates. The portfolio is concentrated in United States Government Sponsored Enterprises and Mortgage-backed Securities and had an estimated weighted average remaining life of 4.8 years.

	June 30, 2014	December 31, 2013
	(In thousands)	
U.S. Government Sponsored Enterprises	**$ 328,351**	$ 291,779
U.S. Government Agency and Sponsored Enterprise Mortgage-backed Securities	**1,208,637**	1,196,105
Total Securities Held-to-Maturity	**$ 1,536,988**	$ 1,487,884

At June 30, 2014 and December 31, 2013, all mortgage-backed securities are obligations of U.S. Government Sponsored Enterprises.

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

Federal Home Loan Bank of Boston 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 in the stock. For the quarter ended June 30, 2014, the FHLBB reported preliminary net income of $31.3 million. The FHLBB also declared a dividend equal to an annual yield of 1.48%. During the first six months of 2014, the Company purchased $2.3 million of additional capital stock and redeemed $700,000. As of June 30, 2014, no impairment has been recognized.

Deposits and Borrowed Funds

On June 30, 2014, deposits totaled $2.9 billion, representing a 5.0% increase from December 31, 2013. Total deposits increased primarily as a result of increases in demand deposits, money market accounts, and savings and NOW deposits. Money market and Savings and NOW deposits increased as the Company continued to offer attractive rates for these types of deposits during the first six months of the year. Borrowed funds totaled $447.5 million compared to $469.6 million at December 31, 2013. Borrowed funds increased mainly as a result of an increase in borrowings from the FHLBB.

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Stockholders   Equity

At June 30, 2014, total equity was $188.3 million compared to $176.5 million at December 31, 2013. The Company s equity increased primarily as a result of earnings and a decrease in other comprehensive loss, net of taxes, offset somewhat by dividends paid. Other comprehensive loss, net of taxes, decreased as a result of a decrease in unrealized losses on securities available-for-sale and securities transferred from available-for-sale to held-to-maturity. During the third quarter of 2013, $987.0 million of securities available-for-sale with unrealized losses of $25.3 million were transferred to securities held-to-maturity. This was done in response to rising interest rates. The Company s leverage ratio stood at 6.47% at June 30, 2014, compared to 6.50% at December 31, 2013. The decrease in the leverage ratio is due to an increase in assets, offset somewhat, by an increase stockholders   equity. Book value as of June 30, 2014 was $33.88 per share compared to $31.76 at December 31, 2013.

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Results of Operations

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

	Three Months Ended June 30, 2014 (In thousands)			June 30, 2013		
	Average Balance	Interest Income/ Expense (1)	Rate Earned/ Paid (1)	Average Balance	Interest Income/ Expense (1)	Rate Earned/ Paid (1)
ASSETS						
Interest-earning assets:						
Loans (2)						
Loans taxable	**$ 764,653**	**$ 8,237**	**4.32%**	$ 760,440	$ 8,343	4.40%
Loans tax-exempt	**526,116**	**6,791**	**5.18**	393,213	5,721	5.84
Securities available-for-sale (5):						
Taxable	**457,955**	**739**	**0.65**	1,424,732	5,495	1.54
Tax-exempt	**38,600**	**84**	**0.87**	47,779	117	0.98
Securities held-to-maturity:						
Taxable	**1,522,059**	**8,020**	**2.11**	251,518	1,419	2.26
Interest-bearing deposits in other banks	**194,418**	**129**	**0.27**	206,535	145	0.28
Total interest-earning assets	**3,503,801**	**24,000**	**2.75**	3,084,217	21,240	2.76
Non interest-earning assets	**164,071**			173,309		
Allowance for loan losses	**(21,566)**			(20,149)		
Total assets	**$ 3,646,306**			$ 3,237,377		
LIABILITIES AND STOCKHOLDERS EQUITY						
Interest-bearing deposits:						
NOW accounts	**$ 820,396**	**$ 450**	**0.22%**	$ 711,429	$ 416	0.23%
Savings accounts	**333,290**	**210**	**0.25**	320,686	233	0.29
Money market accounts	**935,477**	**669**	**0.29**	752,880	582	0.31
Time deposits	**399,554**	**1,141**	**1.14**	387,381	1,234	1.28
Total interest-bearing deposits	**2,488,717**	**2,470**	**0.40**	2,172,376	2,465	0.46
Securities sold under agreements to repurchase	**211,829**	**93**	**0.18**	199,255	89	0.18
Other borrowed funds and subordinated debentures	**251,752**	**2,237**	**3.56**	219,305	2,066	3.78
Total interest-bearing liabilities	**2,952,298**	**4,800**	**0.65%**	2,590,936	4,620	0.72%

Non interest-bearing liabilities

Demand deposits	**473,578**			425,366		
Other liabilities	**34,434**			43,383		
Total liabilities	**3,460,310**			3,059,685		
Stockholders equity	**185,996**			177,692		
Total liabilities & stockholders equity	**$ 3,646,306**			$ 3,237,377		
Net interest income on a fully taxable equivalent basis		**19,200**			16,620	
Less taxable equivalent adjustment		**(2,446)**			(2,108)	
Net interest income		**$ 16,754**			$ 14,512	
Net interest spread (3)			**2.10%**			2.04%
Net interest margin (4)			**2.20%**			2.16%

(1) On a fully taxable equivalent basis calculated using a federal tax rate of 34%.
(2) Nonaccrual loans are included in average amounts outstanding.
(3) Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(4) Net interest margin represents net interest income as a percentage of average interest-earning assets.
(5) Average balances of securities available-for-sale calculated utilizing amortized cost.

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

	Six Months Ended					
	June 30, 2014			June 30, 2013		
	(In thousands)					
	Average Balance	Interest Income/ Expense (1)	Rate Earned/ Paid (1)	Average Balance	Interest Income/ Expense (1)	Rate Earned/ Paid (1)
ASSETS						
Interest-earning assets:						
Loans (2)						
Loans taxable	**$ 763,474**	**$ 16,436**	**4.34%**	$ 757,468	$ 16,695	4.44%
Loans tax-exempt	**514,506**	**13,399**	**5.25**	382,809	11,251	5.93
Securities available-for-sale (5):						
Taxable	**458,939**	**1,509**	**0.66**	1,395,196	11,023	1.58
Tax-exempt	**36,466**	**159**	**0.87**	51,000	252	0.99
Securities held-to-maturity:						
Taxable	**1,507,529**	**15,800**	**2.10**	259,812	2,939	2.26
Interest-bearing deposits in other banks	**157,958**	**211**	**0.27**	188,730	264	0.28
Total interest-earning assets	**3,438,872**	**47,514**	**2.79**	3,035,015	42,424	2.81
Non interest-earning assets	**163,195**			174,857		
Allowance for loan losses	**(21,380)**			(19,828)		
Total assets	**$ 3,580,687**			$ 3,190,044		
LIABILITIES AND STOCKHOLDERS EQUITY						
Interest-bearing deposits:						
NOW accounts	**$ 776,427**	**$ 831**	**0.22%**	$ 694,068	$ 805	0.23%
Savings accounts	**336,797**	**438**	**0.26**	316,449	454	0.29
Money market accounts	**919,844**	**1,308**	**0.29**	727,499	1,114	0.31
Time deposits	**388,236**	**2,226**	**1.16**	391,005	2,568	1.32
Total interest-bearing deposits	**2,421,304**	**4,803**	**0.40**	2,129,021	4,941	0.47
Securities sold under agreements to repurchase	**219,336**	**194**	**0.18**	203,755	179	0.18
Other borrowed funds and subordinated debentures	**252,022**	**4,420**	**3.54**	214,979	4,092	3.84
Total interest-bearing liabilities	**2,892,662**	**9,417**	**0.66%**	2,547,755	9,212	0.73%
Non interest-bearing liabilities						
Demand deposits	**471,114**			421,646		
Other liabilities	**34,025**			41,724		

Total liabilities	**3,397,801**			3,011,125		
Stockholders equity	**182,886**			178,919		
Total liabilities & stockholders equity	**$ 3,580,687**			$ 3,190,044		
Net interest income on a fully taxable equivalent basis		**38,097**			33,212	
Less taxable equivalent adjustment		**(4,829)**			(4,155)	
Net interest income		**$ 33,268**			$ 29,057	
Net interest spread (3)			**2.13%**			2.08%
Net interest margin (4)			**2.23%**			2.21%

(1) On a fully taxable equivalent basis calculated using a federal tax rate of 34%.
(2) Nonaccrual loans are included in average amounts outstanding.
(3) Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(4) Net interest margin represents net interest income as a percentage of average interest-earning assets.
(5) Average balances of securities available-for-sale calculated utilizing amortized cost.

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The following table presents certain information on a fully-tax equivalent basis regarding changes in the Company s interest income and interest expense for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided with respect to changes attributable to changes in rate and changes in volume.

	Three Months Ended June 30, 2014 Compared with Three Months Ended June 30, 2013 Increase/(Decrease)			Six Months Ended June 30, 2014 Compared with Six Months Ended June 30, 2013 Increase/(Decrease)		
	Due to Change in			Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(in thousands)			(in thousands)		
Interest income:						
Loans						
Taxable	$ 46	$ (152)	$ (106)	$ 132	$ (391)	$ (259)
Tax-exempt	1,770	(700)	1,070	3,539	(1,391)	2,148
Securities available-for-sale						
Taxable	(2,561)	(2,195)	(4,756)	(5,088)	(4,426)	(9,514)
Tax-exempt	(21)	(12)	(33)	(66)	(27)	(93)
Securities held-to-maturity						
Taxable	6,701	(100)	6,601	13,093	(232)	12,861
Interest-bearing deposits in other banks	(8)	(8)	(16)	(42)	(11)	(53)
Total interest income	5,927	(3,167)	2,760	11,568	(6,478)	5,090
Interest expense:						
Deposits:						
NOW accounts	61	(27)	34	91	(65)	26
Savings accounts	9	(32)	(23)	28	(44)	(16)
Money market accounts	133	(46)	87	278	(84)	194
Time deposits	38	(131)	(93)	(18)	(324)	(342)
Total interest-bearing deposits	241	(236)	5	379	(517)	(138)
Securities sold under agreements to repurchase	6	(2)	4	14	1	15
Other borrowed funds and subordinated debentures	293	(122)	171	667	(339)	328
Total interest expense	540	(360)	180	1,060	(855)	205
Change in net interest income	$ 5,387	$ (2,807)	$ 2,580	$ 10,508	$ (5,623)	$ 4,885

Net Interest Income

For the three months ended June 30, 2014, net interest income on a fully taxable equivalent basis totaled $19.2 million compared to $16.6 million for the same period in 2013, an increase of $2.6 million or 15.5%. This increase in net interest income for the period is primarily due to an increase in interest earning assets as well as a decrease in rates paid on deposits and borrowed funds. The net interest margin increased from 2.16% on a fully taxable equivalent basis in 2013 to 2.20% on the same basis for 2014. This was primarily the result of a decrease in rates paid on deposits and borrowed funds. Also, interest expense increased slightly as a result of an increase in deposit balances and there was a 13.6% increase in the average balances of earning assets, combined with a similar increase in average deposits.

For the six months ended June 30, 2014, net interest income on a fully taxable equivalent basis totaled $38.1 million compared to $33.2 million for the same period in 2013, an increase of $4.9 million or 14.7%. This increase in net interest income for the period is primarily due to an increase in interest earning assets as well as a decrease in rates paid on deposits and borrowed funds. The net interest margin increased from 2.21% on a fully taxable equivalent basis in 2013 to 2.23% on the same basis for 2014. This was primarily the result of a decrease in rates paid on deposits and borrowed funds. Also, interest expense increased slightly as a result of an increase in deposit balances and there was a 13.3% increase in the average balances of earning assets, combined with a similar increase in average deposits.

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Provision for Loan Losses

For the three months ended June 30, 2014, the loan loss provision was $450,000 compared to a provision of $750,000 for the same period last year. For the six months ended June 30, 2014, the loan loss provision was $1.1 million compared to a provision of $1.5 million for the same period last year. The decrease in the provision was primarily as a result of changes in the portfolio composition and changes in qualitative economic factors.

Non-Interest Income and Expense

Other operating income for the quarter ended June 30, 2014 decreased by $1.6 million to $3.6 million from $5.2 million for the same period last year. This was mainly attributable to a decrease in net gains on sales of investments of $781,000. Also, there was a decrease in gains on sales of mortgage loans held for sale of $740,000. There was a decrease in service charges on deposit accounts of $22,000, which was mainly attributable to a decrease in overdraft fees. Lockbox fees increased by $7,000 as a result of increased customer volume.

Other operating income for the six months ended June 30, 2014 decreased by $2.6 million to $7.1 million from $9.7 million for the same period last year. This was mainly attributable to a decrease in gains on sales of investments of $1.7 million. Also, there was a decrease in gains on sales of mortgage loans held for sale of $903,000. There was an increase in service charges on deposit accounts of $70,000, which was mainly attributable to an increase in debit card fees and deposit related fees. Lockbox fees increased by $12,000 as a result of increased customer volume.

For the quarter ended June 30, 2014, operating expenses increased by $427,000 or 3.1% to $14.1 million, from the same period last year. The increase in operating expenses for the quarter was mainly attributable to an increase of $394,000 in salaries and employee benefits, $129,000 in occupancy expenses, and $44,000 in FDIC assessments. Equipment expenses and other expenses decreased by $25,000 and $115,000, respectively. Salaries and employee benefits increased mainly as a result of merit increases, increased staffing levels, and increased bonus expense. This was offset, somewhat by a decrease in pension costs. Occupancy increased mainly as a result of costs associated with the Chestnut Hill branch opening during the fourth quarter of 2013. Other expenses decreased mainly as a result of a decrease in marketing and legal expense.

For the six months ended June 30, 2014, operating expenses increased by $1.1 million or 4.1% to $28.2 million, from the same period last year. The increase in operating expenses for the six months was mainly attributable to an increase of $651,000 in salaries and employee benefits, $289,000 in occupancy expenses, $124,000 in FDIC assessments and $92,000 in other expenses. Salaries and employee benefits increased mainly as a result of merit increases, increased staffing levels, and increased bonus expense. Occupancy increased mainly as a result of costs associated with the Chestnut Hill branch opening during the fourth quarter of 2013. Other expenses increased mainly as a result of increased uninsured losses and increased software maintenance expense.

Income Taxes

For the second quarter of 2014, the Company s income tax expense totaled $231,000 on pretax income of $5.8 million resulting in an effective tax rate of 4.0%. For last year s corresponding quarter, the Company s income tax expense totaled $295,000 on pretax income of $5.3 million resulting in an effective tax rate of 5.5%. The decrease in the effective income tax rate was primarily the result of an increase in tax-exempt income.

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For the first six months of 2014, the Company s income tax expense totaled $524,000 on pretax income of $11.1 million resulting in an effective tax rate of 4.7%. For last year s corresponding quarter, the Company s income tax expense totaled $583,000 on pretax income of $10.1 million resulting in an effective tax rate of 5.8%. The decrease in the effective income tax rate was primarily the result of an increase in tax-exempt income.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The Company s market risk arises primarily from interest rate risk inherent in its lending and deposit taking activities. To that end, management actively monitors and manages its interest rate risk exposure. The Company s profitability is affected by fluctuations in interest rates. A sudden and substantial increase or decrease in interest rates may adversely impact the Company s earnings to the extent that the interest rates tied to specific assets and liabilities do not change at the same speed, to the same extent, or on the same basis. The Company monitors the impact of changes in interest rates on its net interest income using several tools. The Company s primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on the Company s net interest income and capital, while structuring the Company s asset-liability structure to obtain the maximum yield-cost spread on that structure. Management believes that there has been no material changes in the interest rate risk reported in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed with the Securities and Exchange Commission. The information is contained in the Form 10-K within the Market Risk and Asset Liability Management section of Management s Discussion and Analysis of Results of Operations and Financial Condition.

Item 4. Controls and Procedures

The Company s management, with participation of the Company s principal executive and financial officers, has evaluated its disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on this evaluation, the Company s management, with participation of its principal executive and financial officers, has concluded that the Company s disclosure controls and procedures are effective. The disclosure controls and procedures also effectively ensure that information required to be disclosed in the Company s filings and submissions with the Securities and Exchange Commission under the Exchange Act is accumulated and reported to Company management (including the principal executive officer and the principal financial officer) as appropriate to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. In addition, the Company has evaluated its internal control over financial reporting and during the second quarter of 2014 there were no changes that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II Other Information

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

Item 1A Risk Factors Please read Risk Factors in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. There have been no material changes since this 10-K was filed. These risks are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely effect the Company s business, financial condition and operating results.

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Item 2 Unregistered Sales of Equity Securities and Use of Proceeds
(a) (b) Not applicable.

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

Issuer Purchases of Equity Securities

Period	Total number of shares purchased	Weighted Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs (1)
April 1 April 30, 2014		$		300,000
May 1 May 31, 2014		$		300,000
June 1 June 30, 2014		$		300,000

(1) On July 10, 2013, the Company announced a reauthorization of the Class A common stock repurchase program to repurchase up to 300,000 shares. The repurchase program expired on July 8, 2014. There were no shares purchased other than through a publicly announced plan or program.

Item 3 Defaults Upon Senior Securities None

Item 5 Other Information None

Item 6 Exhibits

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

+ + 101.INS	XBRL Instance Document
+ + 101.SCH	XBRL Taxonomy Extension Schema
+ + 101.CAL	XBRL Taxonomy Extension Calculation Linkbase
+ + 101.LAB	XBRL Taxonomy Extension Label Linkbase
+ + 101.PRE	XBRL Taxonomy Extension Presentation Linkbase
+ + 101.DEF	XBRL Taxonomy Definition Linkbase

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

+ + As provided in Rule 406T of regulation S-T, this information is filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 and consists of the following materials from Century Bancorp Inc. s Quarterly Report on 10-Q for the quarter ended June 30, 2014, formatted in XBRL: (i) Consolidated Balance Sheets at June 30, 2014 and December 31, 2013; (ii) Consolidated Statements of Income for the three months ended June 30, 2014 and 2013; (iii) Consolidated Statements of Comprehensive Income for the six months ended June 30, 2014 and 2013; (iv) Consolidated Statements of Changes in Stockholders Equity for the six months ended June 30, 2014 and 2013; (v) Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013; and (vi) Notes to Unaudited Consolidated Interim Financial Statements.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 7, 2014 **Century Bancorp, Inc.**

/s/ Barry R. Sloane
Barry R. Sloane
President and Chief Executive Officer

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

(Principal Accounting Officer)