

The Cape Cod Five Cents Savings Bank

Quarterly Report

Period ending December 31, 2008

Since our audited 2008 annual financial results are reported as an integral part of our Annual Report, which will be available following our Annual Meeting in May, the format of this Quarterly Report will differ from those of earlier quarters. However, this report continues to feature recent and ongoing economic developments in our Trust and Asset Management's quarterly Market Review. It also touches on our efforts to assist local food pantries.

As we all know, 2008 was a challenging and tumultuous year for most of the world. At the Cape Cod Five, we worked hard to adapt to the changed financial environment, prepare for the future, and build our capital and reserves.

We look forward to sharing our audited annual results with you and thank you for your continued support.

Dorothy A. Savarese
President and Chief Executive Officer

Secure Your IRA

Protect your retirement funds by transferring them to an IRA CD. In addition to the safety and security of working with a local institution with over 150 years of dedication to personal and professional service, at Cape Cod Five, your IRA will be fully insured and protected by a combination of FDIC and DIF* insurance. Our Retirement Department offers traditional and Roth IRAs with maturities ranging from three months to five years, and our retirement specialists will guide you through the transfer process to ensure a smooth and efficient transition.

*As a member of the Deposit Insurance Fund (DIF), 100% of IRA deposits above the FDIC limit of \$250,000 are insured.

Helping Local Food Pantries

Due to the growing need for food assistance on Cape Cod, we recently implemented a way to make it easy to go from caring to sharing. In all of our Bank facilities, there is a drop-off bin provided by one of four participating food pantries covering most of the Cape. They are: the Lower Cape Outreach Council, serving all towns in the Lower and Outer Cape; the Family Pantry, serving the mid-Cape; Falmouth Service Center, serving Falmouth and Mashpee; and the Sandwich Food Pantry. They make sure the food is distributed to the local families and individuals who need it most.

In addition to encouraging Cape Codders to stop by with non-perishable grocery items or cash donations, we have made donations and helped fund some of the pantries' expenses. It's one of the many ways the Bank and its Foundation support the community. Donations continue to be welcome.

MARKET REVIEW FOURTH QUARTER 2008

In the final months of 2008, the carnage in the financial markets intensified, making 2008 one for the record books. Hedge funds, mutual funds and individual investors alike irrationally dumped “risky” assets in favor of

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government bonds and money markets. A global flight to quality and liquidity punctuated this period as investors demanded the perceived safety of U.S. Treasuries and the world's reserve currency, the dollar. In 2008, fear trumped greed in the equity markets and volatility reigned supreme. In October alone, the Dow experienced two of the six biggest percentage gains in all of the market's 113 year history. While in the last four months of 2008, the Dow posted 4 of the 20 biggest percent declines in market history.

The annual losses in the global equity/credit markets, commodities, and real estate violently accelerated into year-end. Aggressive monetary and fiscal efforts designed

to temper deflationary forces and to resuscitate the credit markets were set in motion. These programs, which committed billions of dollars to unlock the credit markets, backstop short term credit facilities, lend to financial institutions, and guarantee bank debt, began to show promise as the credit markets slowly began to thaw.

In 2008, commodity markets went from boom to bust with the Dow AIG Commodity Index losing 37%. Investment gains that took years to accumulate evaporated in a matter of weeks as speculators fled the markets. Global economic contraction occurred as well, with countries and consumers drastically curbing demand. Side effects included extremely volatile oil prices which eventually dropped 54% in 2008.

By the numbers, 2008 was marked with painful milestones. The Dow Jones Industrials ended the year at 8776, a decline of 32% for the year and 38% below its record high in October 2007. This signified the worst drop in percentage terms since 1931 and the third worst in the DJIA's history. The NASDAQ finished the year at 1577, down 1075 points, or 40%, which represented the composite's worst decline in its 38 year history. It was steeper than the 39.3% plunge that occurred when the tech bubble burst. The S&P 500 ended the year at 903, down 565 points, off 37% in 2008, with an over 20% decline in the fourth quarter alone. This represented its third worst return on record, behind 1927's 38.6% decline and 1931's drop of 47.1%. In dollar terms, U.S. stocks lost \$10.4 trillion in market value since its pinnacle in October 2007, representing an approximately 54% loss in total market value. As a result, equity performance over a ten year period lags almost every other asset class, including government bonds, gold and even real estate.

INDEX	YTD Return as of December 31, 2008
Standard & Poor's 500	-37.00%
Dow Jones Industrial Average	-31.93%
NASDAQ Composite	-40.50%
Standard & Poor's 400	-37.15%
Russell 2000	-33.79%
MSCI EAFE International	-43.21%

Generally speaking, investors need to remember that the stock market is a leading indicator trading on future expectations. The bear market correction we experienced in 2008 has priced-in deteriorating corporate profits, declining interest rates, and current deflationary environment. What unfolds in 2009 will hinge on the success policymakers have stabilizing the economy and the credit markets. As portfolio managers, we will continue to focus on quality, whether evaluating fixed income or equity investments, and will continue to intimately understand the companies and the investment vehicles we utilize in our clients' portfolios.

Michael S. Kiceluk, Chief Investment Officer
Edward R. Eastman, III, Senior Investment Officer
Rachael Aiken, CFP, Senior Investment Officer

These facts and opinions are provided by the Cape Cod Five Trust and Asset Management Department. The information presented has been compiled from sources believed to be reliable and accurate, but we do not warrant its accuracy or completeness and will not be liable for any loss or damage caused by reliance thereon. Investments are NOT FDIC INSURED, NOT DIF INSURED, NOT BANK GUARANTEED and MAY LOSE VALUE.

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