

# The Cape Cod Five Cents Savings Bank

## Quarterly Report

Period ending December 31, 2010

Since our audited 2010 annual financial results are reported as an integral part of our Annual Report, released in May each year, this quarterly report does not contain a detailed Treasurer's message that you are accustomed to receiving in our other quarterly reports.

2010 was another year filled with challenges on many fronts - chronically high unemployment, economic uncertainty and the growing complexity and cost in complying with a changing regulatory environment. On the other hand, the manufactured low interest rate environment provided an opportunity for high residential mortgage refinance volume and the decision on the part of the FDIC to forego an increase in the annual assessment resulted in cost savings. By adhering to its core mission and continuing to work closely with its customers, the Bank was able to produce solid financial results that exceeded both budget and prior year results. Strong earnings allowed us to continue to add to capital and increase reserves in 2010.

The Bank achieved a number of strategic objectives, maintaining its prominent deposit and mortgage market share on Cape Cod, growing its trust assets under management and forging a new initiative on Nantucket.

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

Sincerely,

Dorothy A. Savarese, President and Chief Executive Officer

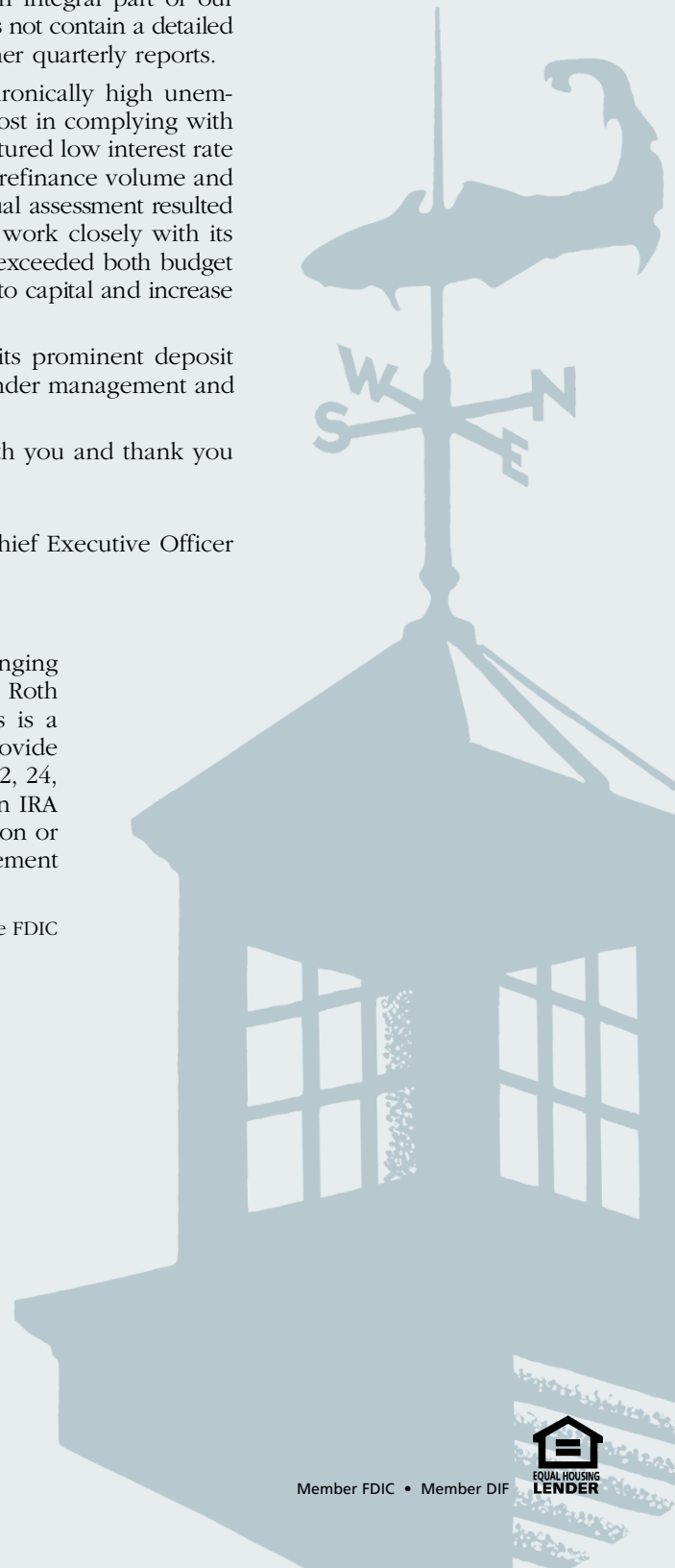
### **Many IRA Choices are available at Cape Cod Five**

The Bank's IRA products include twelve retirement CD choices ranging from 91 days to 60 months, and all are available as Traditional and Roth IRAs, secured by FDIC and DIF\* insurance. One of these choices is a 'Ladder CD' program that earns a higher rate of interest and can provide income annually by spreading a single investment over a series of 12, 24, 36, 48 and 60 month "rungs." For many adults, regardless of age, an IRA investment is a great way to save for retirement. For more information or assistance, stop by any of our branch locations, or call our Retirement Department at 508-247-2144.

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

### **Charitable Foundation Sponsors Thanksgiving Day Food Drive**

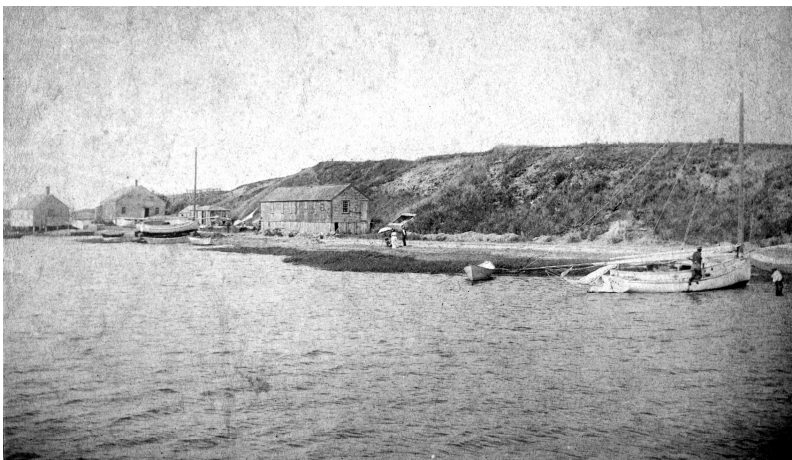
The 10th annual "We Gather Together" Thanksgiving morning run/walk held in Sandwich resulted in approximately 40,000 grocery items being donated within a few hours. It's an event that highlights the significance of the day as all participants must donate groceries destined for the Sandwich Food Pantry and service programs in Bourne and Hyannis. This year a record 2,005 people contributed upwards of 20 items each. With human needs being so critical in this economic environment, the Cape Cod Five Cents Savings Bank Charitable Foundation Trust is increasingly focused on the support of food assistance in all of our communities and was pleased to have been the sponsor of this successful food drive.



## MARKET REVIEW FOURTH QUARTER 2010

2010 ended on a positive note making it the second straight year of gains for the equity markets. Few investors were expecting any gains in equities, and many were looking for a down year following 2009's spectacular performance. In less than two years, the Standard & Poor's 500 Index gained almost 90% from the market bottom recorded in 2009.

This 1880 photograph of Stage Harbor, Chatham is from the collection of Bernard Eldridge.



Given the economic and geopolitical backdrop, the gains for this year are quite impressive. The Dow Jones Industrial Average ended the year at 11,578, up over 14%. The broader Standard & Poor's 500 Index closed at 1,258 gaining slightly more than 15% for the year. The Nasdaq Composite benefited from a revival in smaller company holdings that helped it gain over 18% to close at 2,653. International stocks participated in the market advance with the broader EAFE index gaining a little over 8% for the year. Commodities and precious metals also joined the party with many climbing higher throughout the year. Gold appreciated by almost 30% to \$1,421 as inflation fears started to enter the market.

Reviewing the events of 2010, it seems remarkable that the equity markets gained any ground, let alone double digit advances in the major averages. The shroud of a double dip recession loomed over the economy for most of the first half of the year, eventually giving way to modest expectations for a muted recovery. The chances of any significant recovery seemed slim at best with housing stalling and unemployment staying stubbornly high at close to 10%. Adding to the markets' concerns was the possibility of the European debt contagion spreading across a greater economic landscape. Back at home, our own deficits were increasing and our Gross Domestic Product expectations were decreasing. In the face of all of this, the markets found purchase in the Federal Reserve's decision to continually and significantly inject funds into our economic system. Few wondered what the price paid for this easy money policy would be, but many accepted it as a necessary evil to keep our economy from falling back into the abyss.

INDEX	YTD Return as of December 31, 2010
Standard & Poor's 500	+15.06%
Dow Jones Industrial Average	+14.06%
NASDAQ Composite	+18.15%
Standard & Poor's 400	+26.64%
Russell 2000	+26.86%
MSCI EAFE International	+ 8.21%

All of this negative news kept many investors out of the stock market. Domestic stock funds witnessed a net outflow for most of 2010 with investors coming back into the market in the last two months of the year.

Looking ahead to 2011, investors' redeployment of cash allocations should fuel an early rally as we move through the first part of the year. As in 2010, a few obstacles may emerge for the financial markets this year. One factor will be a decision by the Federal Reserve of when and how quickly to stop injecting cash into the system and whether or not to begin a process of tightening the money supply. Higher interest rates could prove to be a formidable competitor for equities. Other potential issues would be Europe re-surfacing as a concern and inflation becoming more apparent across a wide range of commodities, most noticeably, at the gas pump. Offsetting these concerns will be an improving economic environment. Continued growth in corporate earnings and an improving employment picture may be just what stocks need to continue their advance this year.

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 Edward R. Eastman, III, Senior Investment Officer  
 Kimberly K. Williams, Senior Wealth Management 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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