

CAPE 5 COD 5

Quarterly Report

Quarter ended September 30, 2018

From our President



Through the first nine months of the year, Cape Cod 5 generated net income of \$18.4 million, a 3.7% improvement over 2017 and representing a return on average assets of 0.74%. These results were driven by continued strong business line results and favorable market conditions, highlighted by solid economic growth in both our local economy and the US at large, while unemployment levels remain near a 50 year low.

During the third quarter, the FDIC released its annual deposit market share data. The Bank continues to be the deposit market share leader in Barnstable County with 30.5% market share, up from 29.9% in 2017. On Nantucket, the Bank exceeded \$250.0 million in deposits and maintained its position in the market. On Martha's Vineyard, the Bank's market share has grown to 4.8% from 3.0% in 2017, while in Wareham the Bank's market share was 7.6%.

Total assets grew \$198.5 million or 6.2% year-over-year, ending the quarter at \$3.4 billion. This increase was driven by growth

in the Bank's loan portfolio, while our credit quality remained strong with delinquencies representing just 0.27%.

Capital finished the third quarter at \$313.6 million, representing an increase of \$18.4 million or 6.1% year-over-year, and Cape Cod 5 remains well-capitalized according to all regulatory definitions.

Along with strong financial results, we continued to make progress on all of our 2018 strategic priorities as well as our community commitment through Community Banking, Responsible Business Practices, Corporate Leadership and Volunteerism, Advancement of Financial Know-How and Philanthropy.

The Bank's accomplishments reflect the dedication of our talented employees who remain committed to earning the trust of our customers and serving our communities as One Bank. As always, we appreciate the opportunity to serve our customers and communities on their financial journey.

Sincerely,

President & CEO

Cape Cod 5 Donates \$100,000 to Outer Cape Health Services to Fund New Health Center



An architect's rendering of Outer Cape Health Services, Inc.

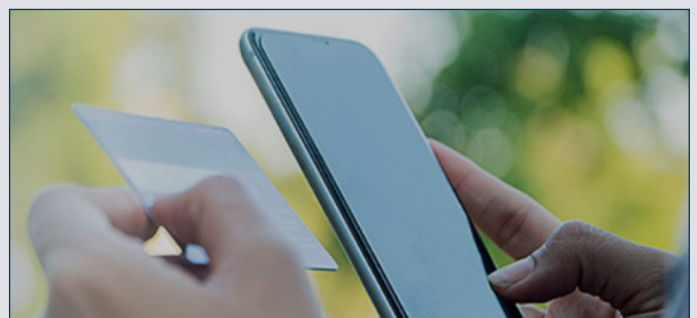
Cape Cod 5 recently announced a donation of \$100,000 from its Foundation to Outer Cape Health Services to be paid over 5 years to assist in funding construction of a new facility in Harwich Port. The new health center will create greater access and capacity to serve the Lower Cape and will triple the capacity of the former facility in a medically underserved region with a large year-round and summer

population. Further, the health center will contribute to the vibrancy of the regional economy with increased employment opportunities and enhanced healthcare resources. Cape Cod 5's contribution to this project aligns with its community commitment and focus on supporting the region's economic sustainability, community health and human need.

Cape Cod 5 launches MyCardRules mobile app

Cape Cod 5 recently launched MyCardRules – a free and easy-to-use mobile app that allows Cape Cod 5 debit card customers to set card controls, add restrictions and receive transaction alerts from an iOS or Android mobile device. The MyCardRules app also includes features such as reviewing recent

card transactions, setting spending limits and controlling how and where a CC5 debit card is used. This is another way that Cape Cod 5 provides its customers with fraud detection and prevention tools to help protect their accounts. Learn more at capecodfive.com/mycardrules.



Consolidated Balance Sheets - Unaudited

As of September 30,

	<u>2018</u>	<u>2017</u>
	(In thousands)	
Assets		
Cash and Cash Equivalents	\$41,998	\$102,551
Investment Securities	395,477	389,628
Loans:		
Residential Real Estate	2,091,235	1,866,003
Commercial Real Estate	588,525	523,389
Commercial & Industrial	147,883	142,453
Consumer	19,485	9,853
Gross Loans	2,847,128	2,541,698
Allowance For Loan Losses	(17,642)	(16,879)
Net Loans	2,829,486	2,524,819
Other Assets	\$151,400	131,548
Total Assets	<u>\$3,418,361</u>	<u>\$3,148,546</u>
Liabilities and Retained Earnings		
Deposits	\$2,814,829	\$2,679,957
Borrowed Funds	268,749	147,177
Other Liabilities	21,192	24,142
Total Liabilities	3,104,770	2,851,276
Retained Earnings	313,591	297,270
Total Liabilities and Retained Earnings	<u>\$3,418,361</u>	<u>\$3,148,546</u>

Consolidated Income Statements - Unaudited

Year to Date September 30,

	<u>2018</u>	<u>2017</u>
	(In thousands)	
Interest Income		
Interest on Loans	\$80,690	\$72,871
Interest on Investments	7,571	5,986
Total Interest Income	<u>88,261</u>	<u>78,857</u>
Interest Expense		
Interest on Deposits	10,874	8,046
Interest on Borrowed Funds	3,735	2,378
Total Interest Expense	<u>14,609</u>	<u>10,424</u>
Net Interest Income	73,652	68,433
Loan Loss Provision	750	-
Net Interest Income after Loan Loss Provision	<u>72,902</u>	<u>68,433</u>
Non Interest Income		
Service Charges	5,474	5,189
Loan Servicing Fees, net	1,917	1,662
Net Gain on Sales of Mortgage Loans	2,586	6,975
Trust and Investment Services Fees	7,750	8,106
Other Income	1,263	991
Total Non Interest Income	<u>18,990</u>	<u>22,927</u>
Total Operating Income	91,892	91,360
Operating Expenses		
Salaries and Benefits	43,647	41,324
General Operating	9,101	8,737
Occupancy and Equipment	8,768	8,101
Professional Services	2,910	2,687
Data Processing Charges	2,193	1,701
Deposit Insurance	984	1,024
Total Operating Expenses	<u>67,603</u>	<u>63,574</u>
Net Operating Income Before Taxes	24,289	27,786
Provision for Income Taxes	5,910	10,056
Net Income	<u>\$18,379</u>	<u>\$17,730</u>