

Local bank. Exceptional commitment.
Strong future.



WEBSTER FIVE™
We're Different. We're Better. Believe It.

LETTER FROM THE

President and Chief Executive Officer

There were a considerable number of challenges and successes that the Bank experienced during 2010. The economy moved at a much slower pace than anticipated, and the financial industry overall faced significant changes, including increased regulations as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which will continue over the next few years.

Webster Five's year-end financials reflect a decrease by \$4.7 million in total assets as a result of the reduction in our loan portfolio. This was caused primarily by a soft economy and the fact that both personal and business consumers are deleveraging. Our deposits experienced a healthy growth of \$31.8 million and capital increased by \$5.6 million, due to profits and an improved market value of our investment portfolio. The Bank has plenty of liquidity and an ability to lend. We continue to be a strong, well-capitalized bank that is facing the challenges of a slow economy and a high unemployment rate.

Because technology is so important in the delivery of financial services, we upgraded the Bank's Information Technology infrastructure by installing virtual service technology and new data storage capability that will improve the delivery of products and services to our customers.

The uncertainty of our economy and the changes that will take place in the financial industry will make for challenging times. However, as a community bank with smart, credible, hands-on leadership and a great team of employees, Webster Five is prepared for what's ahead, and looks forward to a strong 2011.

I would like to thank our directors, management and staff for their continued dedication throughout the year. In addition, I want to thank our customers for their loyalty and continued support.

Yours truly,



Richard T. Leahy
President and Chief Executive Officer
Webster Five Cents Savings Bank



FINANCIAL OVERVIEW

The following is an overview of our net growth from loan, deposit, asset, and surplus perspectives:

- Loans decreased by 6.7% (or \$26 million) to \$362 million.
- Deposits increased by 7.4% (or \$32 million) to \$462 million.
- Assets slightly decreased by 0.8% (or \$5 million) to \$555 million.
- Surplus increased by 9.2% (or \$6 million) to \$66 million—representing a capital ratio of 11.9%.

ACCOMPLISHMENTS

- To better understand our market areas and the needs of our current and prospective customers, we invested in a Marketing Customer Information File software system. This database 'warehouse' will allow the Bank to identify niche markets, analyze customer behaviors, and customize products based on the diverse needs of our customers.
- We implemented contracts with third-party vendors to provide data-processing services for our core deposit and loan accounting system and to perform the printing and mailing of our monthly deposit and loan statements. These changes will provide more time for bank operations staff to focus on directly supporting the business needs of our customers and bank business units.
- We upgraded our online banking system which enables us to offer our customers increased services, including eStatements.
- In 2008, we began a mortgage modification program to help consumers through the difficult economy. This program continued throughout 2010, and we are happy to report that we were able to help customers by modifying their current mortgages.

COMMUNITY SUPPORT

- In 2010, the Webster Five Foundation contributed over \$120,000 to more than 50 nonprofit organizations and agencies throughout our region, bringing our total donations to over \$1.5 million.
 - We are proud to report that in October, Worcester Community Housing Resources, Inc., awarded us with their Opening Doors Award. This award is presented to organizations that have shown a demonstrated commitment to opening doors to affordable housing for low- and moderate-income families.
 - Webster Five was one of 28 countrywide volunteer banks participating in the Federal Deposit Insurance Corporation's Small Dollar Loan Pilot program. This was a two-year case study designed to illustrate the feasibility of banks offering alternative safe, affordable, and feasible small dollar loans. Webster Five's pilot product is called the First Step Loan and is for personal loans ranging between \$300 and \$1,000.
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WEBSTER FIVE CENTS SAVINGS BANK

Consolidated Balance Sheet

ASSETS	December 31, 2010	December 31, 2009
Cash and Due from Banks	\$ 23,119,605.09	\$ 12,156,826.74
Available-for-Sale Securities	133,717,325.91	127,795,491.68
Loans	361,825,356.44	387,789,144.03
Less: Allowance for Loan Losses	(4,460,500.02)	(5,978,757.55)
Premises and Equipment, Net	10,547,841.49	9,445,595.40
Other Real Estate Owned	1,118,884.85	0.00
Accrued Interest Receivable	1,872,511.16	2,173,305.14
Net Deferred Tax Assets	5,240,838.19	7,366,609.40
Other Assets	22,138,505.59	19,062,414.25
Total Assets	<u>\$ 555,120,368.70</u>	<u>\$ 559,810,629.09</u>

LIABILITIES AND SURPLUS

Deposits	\$ 462,295,555.33	\$ 430,467,807.12
Federal Home Loan Bank Advances	18,137,480.42	62,334,039.61
Accrued Expenses and Other Liabilities	<u>8,623,851.88</u>	<u>6,521,155.54</u>
Total Liabilities	\$ 489,056,887.63	\$ 499,323,002.27
Common Stock	10,000.00	10,000.00
Undivided Profits	66,381,938.51	63,080,176.65
Accumulated Other Comprehensive Income (Loss)	<u>(328,457.44)</u>	<u>(2,602,549.83)</u>
Total Surplus	<u>\$ 66,063,481.07</u>	<u>\$ 60,487,626.82</u>
Total Liabilities and Surplus	<u>\$ 555,120,368.70</u>	<u>\$ 559,810,629.09</u>

LOOKING AHEAD IN 2011

- The Bank purchased property at 266 Chandler Street, Worcester, MA, and will relocate our Park Avenue Branch to a new branch that will be built at this location. The new 3,000 square ft. office will open in the Fall of 2011 and will feature a modern design, additional parking, two drive-up teller stations, a walk-up ATM, and a drive-up ATM to make customers' banking experiences easy and enjoyable.
- As part of our continued local commitment, Webster Five will offer a series of community educational seminars. We will begin the series in the Spring with three First-Time Homebuyer seminars.
- From a product standpoint, we now have the ability to provide consumers with a full suite of mortgage products, including selling to the secondary market and providing government loans, which will give our customers better rates and more customized options.

OFFICERS

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CONTACT US TODAY

To learn more about Webster Five's products and services, contact us today at **1-800-696-9401** or online at **www.web5.com**.

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