

This has been a simply tremendous year for Hingham Institution. Against the backdrop of a very strong local and national economy and continued consolidation in our industry, we were able to register dramatic increases in every significant statistic by which we are measured.

Let's review those increases. First, let's look at the growth in the balance sheet - a 15% increase in total assets this past year, \$175 million to \$201 million at year end. Since our restructuring in 1993, we have increased assets by over 36%. Indeed, for 1996 we had the highest rate of asset growth of any savings bank of our size in Massachusetts. For the second consecutive year, we increased deposits by over 12%. This compares to an average growth rate of only 5.52% among all 101 savings banks in the state.

Perhaps the most significant balance sheet statistic for 1996 was the growth in our loan portfolio. The loan portfolio, as a result of \$60 million in new loan originations during the year, increased from \$119 million to \$151 million. This 26% growth in our total loan portfolio was the second highest out of all banks our size in Massachusetts and the eighth highest out of the 101 savings banks in the state. This increased our loans to total assets ratio up to the 75% target range established by the Board. This is reflective of our belief that local banks serve both shareholders and their communities best when they are assessing local risk and making local loans -- not by managing large securities portfolios.

What was the impact of all this growth? A third consecutive year of double digit increases in pretax earnings. These earnings grew by nearly \$500,000 or 17% from \$2.9 million to \$3.4 million. This progress was additionally confirmed by the results of the first quarter of 1997. We announced last week that our bottom line earnings increased by 48% over those of the same quarter last year and that the balance sheet growth which fueled those increases in continuing.

This earnings performance allowed us to increase the total dividends paid to stockholders from \$0.35 per share in 1995 to \$0.45 per share in 1996 and also to announce in the first quarter of 1997 the fifth increase in our quarterly dividend since we restored it in 1994.

These statistics give us good reason to be extremely optimistic.

During the past few years, we have moved from a battle to survive to a struggle to achieve stability and create momentum to our present position --- a position from which we are well situated to achieve a level of real preeminence in the coastal communities that we serve.

Our strengths are many. We are blessed with an extremely attractive and growing market. We have a seasoned staff, a strong management group, an active Board, and committed shareholders. We have a high capital level, strong earnings, good asset quality, and low operating expenses (indeed, our noninterest expense, both as a percent of average total assets and operating income, is lower than about 80% of the other savings banks in the state).

Many industry observers assume that our small size is a weakness. In fact, quite the opposite is true. The industry consolidation continues to provide us with real opportunity. Just this past year, the Shawmut signs came down and the Fleet signs went up, the mortgage customers of the late Quincy Savings Bank had their loans sold off to a distant servicing company, the customers of the late Bank of Braintree had no sooner been informed of their acquisition by the Cooperative Bancorp and the great benefits of that firm than they were told that they were to be sold again to the US Trust.

Our opportunity to gain additional market share by extolling the benefits of doing business with a bank that has been here for over 163 years and intends to remain independent really cannot be overemphasized.

On a more cautious note, these opportunities will not last forever. At some point, the consolidation will slow, the resultant agglomerated institutions will eventually overcome their operational difficulties and become more effective competitors. We need to seize this window of opportunity to achieve some real dominance in our local area.

The growth of the last few years must continue. We have the financial strength to go forward. The necessary technology is available to us. We have the marketplace, and perhaps more importantly, we have the people that will enable us to move to the next level.

In recent years, I have used this meeting as a forum for recognizing an individual whose level of service symbolizes the qualities that separate us from some of our competitors. There is perhaps no area of operations that provides a greater test of a bank's ability to know its customers as individuals, to respond to their inquiries and to demonstrate why we are so very different from larger, impersonal organizations, than the transaction or NOW account department. Whether it is questions relating to account balances or transfers, bounced checks, or assistance in balancing their checking accounts, for fourteen years our customers and our bank have benefitted from the dedication, enthusiasm, and good judgement of Barbara Dean. I would like you to join me in recognizing her efforts. It is with great respect and gratitude that I present this to you on behalf of all of our stockholders.

Barbara and all of the other people that make up this organization give us as much cause to be optimistic about our future as all of the statistics we have reviewed today.

I thank you for your attendance and attention, and if you have any questions, I'd be happy to try to answer them.