2008 Annual Meeting
Hingham Institution for Savings
President Robert H. Gaughen Jr. Remarks

In my comments last year, I spoke about the unprecedented challenge presented by the longest inverted yield curve in our nation's history. At that time, we were looking at almost a two year period in which short term rates were as high or higher than long term rates. I spoke about the difficulty that this posed for community banks which had traditionally sustained themselves by paying shorter term rates on liabilities and earning longer term rates on assets.

I suggested that the flat or inverted yield curve couldn't go on forever. Well, the situation has certainly changed faster and further than any of us might have predicted. In the past year, the Federal Reserve has cut short term rates by 300 basis points and may yet reduce them further. All of this bodes quite well for those banks that can successfully avoid participating in the loan or investment losses that have become so common.

Our basic operating statistics remained admirably constant during all of this past year's volatility. Our deposits grew by $33.1 million or 8% to $441.3 million. We again outperformed the other savings banks in the state with an average of the other 68 savings banks growing only 4.25%. Our loans grew by $54.8 million or 10%. Loan growth was also higher than the statewide average of 7.8% although slightly less than the peer group of 12.79%. Total asset growth also reflects a very consistent trend line with $52.9 million in growth for 2007. Again larger than the state average and about the same as our peer group. In terms of operating efficiency and cost control, we continued to do an excellent job, remaining among the top three most efficient savings banks in the state.

The strong growth and efficient cost control again allowed us to produce reasonable earnings, despite those pressures on the net interest margin. $4.5 million for 2007. Just about equal to that of 2006. The good news in earnings is somewhat masked by just looking at year over year results. If you look at the two quarters that preceded last year's annual meeting and the same period this year, you see some remarkable changes, with a 34% increase in the bottom line 4th quarter over 4th quarter and a 36% increase in 1st quarter over 1st quarter. Our return on equity for last year remained the 2nd highest out of all 69 savings banks in the state and the highest in our peer group. More than double that of the state average. Stockholders equity increased to $54.8 million from $51.8 million the previous year. This despite the fact that for the 14th consecutive year we increased dividends declared to stockholders.

Last year I stated that we were well positioned to take advantage of a return to a more normal yield curve. We are in the process of doing just that. This year, the real issue is to what extent will we be impacted by the credit crisis and falling real estate values. On a historical basis, we know that it has been over 12 years since we incurred an unrecovered loss on a real estate loan. We also know that on a comparative basis our non-accrual loans as a percentage of total loans compares very favorably to that of other banks. While our percentage of non-accruals has increased from 0.03% at the end of 2006 to 0.26% at the end of 2007, the others have seen a greater increase from 0.21% to 0.62%. We know that at this time, we have a loan loss reserve of over $4 million dollars. Additionally, we also know from comparative information supplied by our independent loan review firm that our level of collateral coverage is very conservative compared to our peers. We also know that our approval process involving experienced professional lenders and highly involved and invested directors provides substantial safeguards.

While all of these factors leave us with significant comfort and the belief that our portfolio will hold up better than the competition, it is not an assurance that we will be completely free from any impact from the current real estate crisis. What we can be assured of is that as an organization we have the skill sets needed to deal effectively with problem credits in an expeditious and clear sighted manner. Senior management all experienced the challenges of the last such crisis, now almost 20 years ago. We have a well-staffed and seasoned collection effort and our understanding of foreclosure and bankruptcy procedures in concert with skilled and focused legal counsel will allow us to face any problem loans in a direct fashion.

While our industry will certainly confront major challenges this year, for the well-positioned few there will also be great opportunities. The tightening of the residential secondary market and the battering of the mortgage giants such as Countrywide, Wells Fargo, and WaMu provides us with real opportunity to regain market share in residential lending. The collapse of most conduit lending and the damage to major bank balance sheets, along with the tightening of credit standards in commercial lending will eliminate some of the more reckless competition. On the deposit side, a flight to safety has already begun and our franchise's reputation for strength and consistency should serve us well in our existing branches and in our new facility in Norwell/Hanover.

In summary, it should prove to be an interesting and exhilarating ride this year. Where we can take advantage, we will.

Each year at this time, we take this opportunity to recognize an individual employee who has contributed greatly to our success. With so much attention focused this year on credit administration and credit quality, management felt that it would be very appropriate to to recognize the true professional and wonderful lady that heads up our Loan Quality Control Group. Lynn Tilden has served with us for twelve years this coming week. She has served as Loan Quality Control Manager for the last eight years. She is an intelligent, knowledgeable and diligent individual who performs the difficult task of discovering the errors of others and in a polite but persistent manner insists on their correction. In trying times such as these, the true value of such quality control will be clearly demonstrated. Lynn, on behalf of the Directors, management, staff and stockholders, please accept this expression of our gratitude for your efforts.

That concludes my prepared remarks and I would be happy to answer any questions you may have.