

2008 will be remembered for a long time to come by Americans as the year their retirement funds were decimated, their credit frozen and their faith in our financial system shattered. Decade-old assumptions of risk free investing and deference to the judgement of the wizards of Wall Street were destroyed. The good news is that as the vulnerabilities of the giants were exposed, the strengths of banks like our own stood in stark contrast. It was the year in which reputation risk finally began to mean something. Banking with well-managed local institutions with solid roots in their communities was suddenly in vogue.

Thanks to many years of prudent and effective effort by our staff, management, and Board, we were very well-positioned to take advantage of these changes. You can see from these charts just what an opportunity this was and how we continue to take advantage of it. Deposit growth was truly remarkable with the largest dollar and percentage increase in our history. From \$441 million to \$525 million - an 18% increase - and this trend is continuing into 2009 with a \$36 million dollar increase in the first quarter, or 32% annualized.

Convincing customers to overcome inertia and transfer operating bank accounts from one bank to another has traditionally been a difficult task. In the 28 years since I first served as President of a bank, I have never seen consumers more amenable to such a change as they have been this past year. It is a window of opportunity that we must vigorously pursue. You can see that on a comparative basis, we pursued it more effectively than our competitors in 2008. This allowed us to continue the expansion of our loan portfolio which grew from \$593 million to \$647 million (a \$54 million net increase). This loan growth also exceeded our peer and state averages.

This growth has been achieved without sacrifice of quality. As you can see, while all banks have experienced non-performing loans, our percentage of non performing loans and OREO as a percentage of total assets was actually less than that of both peer and state groupings. This activity is reflected in total asset growth from \$744 million to \$806 million. This growth was accomplished while we continued to practice the kind of careful cost control reflected in this chart. We were again the most efficient of all the savings banks in the state and by a very wide margin. This despite the fact that we opened a new branch in Norwell and continued to upgrade existing facilities and expand our advertising efforts. All of this resulted in record profits of \$6.3 million, a 40% increase over those of 2007.

This trend has continued in 2009 with a 22% increase in first quarter profits over those of the same quarter in 2008. Our return on equity, the most common measure of profitability, was the highest of all 68 savings banks in Massachusetts. We can be especially pleased with the

consistency of this performance when you consider that we have been either first or second for so many years. You can also see how remarkably different these trend lines are and I think that this also reveals additional opportunities to invest in future growth while competitors struggle. When you take a look at the performance of those regional or local banks against whom we compete most directly, you can see that our performance was much stronger. Our net worth or stockholders equity reflects these earnings, growing from \$54.8 million to \$59.8 million. This was after the declaration of dividends per share of \$1.04, which represented the 14th consecutive year in which we have been able to increase that dividend.

These statistics have always revealed a strong and growing community bank. This past year, they have garnered some very unusual press attention with numerous articles and commentary from Dan Rather Reports, Boston Business Journal, Neil Cavuto, the Wall Street Journal, Quincy Patriot Ledger, and Banker and Tradesman. This attention is merely an indication of the public interest in financial institutions of a scale and nature that they can understand and trust. Our job going forward is to manage that growth opportunity. I remain confident that our staff, management, and Board are well-equipped for that task.

Each year at this time we acknowledge the importance of the people that make up our Bank by recognizing a member of our team who has gone above and beyond in efforts to promote the Bank's best interests. This year we want to recognize an individual who has been with the Bank for over 17 years and whose grace and professionalism reflect so well on this institution. Jane has provided the initial public face of our retail lending group for many years. This year she brought those skills to a significant stint as my assistant during a months long transition. She has been absolutely unflappable and kind to all around her. On behalf of the Board and staff, I personally thank you.

That concludes my prepared remarks and if you have any questions, I would be happy to try to answer them at this time.