2010 Annual Meeting
Hingham Institution for Savings
President Robert H. Gaughen Jr. Remarks

This past year was marked by a gradual recovery in the general economy from the 2007/2009 downturn that has come to be known as the "Great Recession." Aftershocks continue to occur, but with two quarters of improving GDP, it appears we may have hit bottom and, at worst, be sluggishly bumping along.

While the economy at large may be stabilizing, the reputations of our large national competitors remain in tatters. While many have repaid their TARP funds, the scarlet "A" of government bailout will remain. The negative headlines, the ethical lapses, and the wrath of the taxpayers also remains. The latest Goldman Sachs headlines (regardless of the merits of the situation) seem to have intensified public disgust with larger financial services firms. It will be a very long time before the American people forget the sense of betrayal they experienced when they saw the long-time CEO of Bank of American charged with fraud by the New York State Attorney General or that same bank settling an SEC lawsuit for $150 million dollars for failing to be truthful with the marketplace. Nor will they quickly forget the former head of Citibank, Charles Prince, dancing away with a $94 million dollar severance package on top of $53 million in salary as well as a $1.7 million per year pension and stock options after essentially bankrupting the company. The music has certainly stopped playing, but Prince dances on.

Against this background, the opportunity for strong community banks is an extraordinary one. Many community banks, given their own issues, were not in a position to capitalize on this opportunity. We were in such a position and had great success in taking advantage of this opportunity. The numbers reflect the degree to which we were successful.

Deposit Growth --- As you can see, we grew deposits by a record 20% from $525.3 million to $631 million. This is on top of the previous years 18.96% growth. This growth continued into the first quarter of 2010 with approximately a $45 million net increase in deposits during that quarter. On a comparative basis, this chart compares the Bank to the other 66 state chartered savings banks in Massachusetts and to a peer group of similarly sized savings banks. As you can see, our growth was more than 4 times that of our peer group and over 2.5 times the state average.

Loans --- Our loan growth was also quite strong with an 11% growth in net loans from $647 million to $718 million. On a comparative basis, it is actually more impressive than the deposit growth. The peer group's portfolio actually shrank and the state group grew a mere 1.12% (one ten of our own.)

In terms of the strength of our portfolio, this chart confirms that we had a lower percentage of non-performing assets than others of the peer group or the state and much, much lower than the national average of all banks.

It is also worth noting that of the non-performing assets included in that 1.73%, approximately 50% of that total is represented by only three loans or relationships, all three of which are well along in the resolution process i.e.: we have either spent two years chasing them through successive dodges such as multiple bankruptcy filings or in one instance, a 21E issue that is resolvable but which has required some patience. The point being that 50% of that number is getting much closer to resolution.

So the balance sheet growth is reflected in an increase of $119.4 million this past year and at the end of the first quarter this trend continued with total assets of $966 million at March 31, 2010. Again, on a comparative basis, much stronger than the industry at large. We accomplished this growth while remaining the most efficient of all the 66 savings banks in the state. We do this primarily by having a smaller, more productive, but better paid workforce than our competitors.

On the earnings front, net income increased by 28% this year (on top of the previous year's 40% increase) and this improvement continued in 2010 with a first quarter increase of 47% over that of the first quarter of 2009. The 28% increase in 2009 was achieved despite the fact that deposit insurance cost us an additional $1 million this past year. Those earnings of $8 million represent a return on equity of 12.86% which is, again, the best earnings performance of all of the 66 savings banks in the state. While the peer group returned to profitability this year, both it and the state turned in positively anemic results. Our performance stands up quite well when compared not only to savings banks but against all of our competitors large and small. These earnings resulted in an increase in stockholders' equity from $59.8 million to $65.3 million. This performance allowed us, for the 15th consecutive year, to increase the cash dividends declared to stockholders. This chart depicts those increases over the last 11 years.

Over the last 17 years while we have expanded our branch network and seen an approximately twelve-fold increase in our loan portfolio, we have continued to operate out of essentially the same administrative facilities. With an eye to the ongoing growth opportunities that we perceive, this past year we have engaged in the process of planning for a major expansion of these facilities so that we will be in a position to make the most of this situation. In June of this year, we expect to break ground on a 15,000 square foot addition to the rear of our facilities across the street. This should provide us with the space necessary to continue with the development of one of the country's strongest and most profitable community banks.

There are a number of people that I want to thank for their contributions to our continued success. Last week, I had the opportunity to listen to William Cohan, the author of a book called "House of Cards" which was about the collapse of Bear Stearns in early 2008 that marked the beginning of this banking crisis. He attributes much of the root cause of the financial crisis to the structural changes on Wall Street over the last 25 years, a period of time during which the partnerships that dominated Wall Street converted to publicly traded entities. Prior to these changes, the principals in these firms risked their own net worth in the activities of the firm. After these changes, this was no longer the case. They no longer had skin in the game and behaved accordingly.

I want to thank our Board of Directors because, despite the fact that we are a publicly traded company, many of our directors and their families have invested very heavily in this company. They have a great deal of skin in the game and their deliberations and decision making continue to reflect that.

I also want to thank all of the staff. As we have grown the bank, we have been able to attract and retain some wonderful people. In this year's Annual Report, Vice President Shawn Sullivan is quoted as saying "we share a sense of ownership that comes from many years of working together as a trusted team, with a purpose that has remained both clear and constant." It is that very attitude and focus that produces our success.

Each year at this time, we take the opportunity to recognize an individual whose performance exemplifies the dedication and commitment that serves as an example to all of us. This year we are making an exception. This year we are recognizing two people who, as a team, work so well together that it was impossible to recognize one and not the other. Jane Tardy and Karen Sheehan, our residential loan processors. With the avalanche of residential refinance volume this year, these two individuals worked countless hours and weekends to make sure that we could accommodate our customers. They not only got the job done, but did it with a sense of humor that kept all of us entertained. On behalf of the Board, management, and staff, I want to ask Karen to come up and accept this award.

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