2014 Annual Meeting
Hingham Institution for Savings
President Robert H. Gaughen Jr. Remarks

2013 was a remarkable year for your Bank. In a performance that has become almost routine, but never taken for granted, we once again grew faster, spent less, and earned more than our competitors. This performance has again earned us accolades as one of the country's strongest community banks and has continued to produce outstanding real returns for our stockholders.

Moving through the growth numbers for 2013: first, the deposits. As you can see, deposits increased by approximately $71 million or 8% over the previous year end. On a comparative basis, you can see that this was more than double the rate of growth experienced by the state chartered savings banks. Next --- our loan portfolio --- it grew by 14% or $129 million. This also was a higher growth rate than that experienced by the average of our peer group or the universe of state chartered savings banks. Asset growth reflects these achievements. With a 12% or $150 million net increase --- more than double that of our competitors. The quality of this growth is reflected in a very favorable comparison of non-performing assets. A perhaps more telling assessment of the quality of our portfolio is a comparative review of net charge offs. As you can see, last year, we actually had net recoveries as opposed to peer or state charge-offs.

I initiated this discussion by commenting that we grew faster and with stronger quality than our competitors. I also attributed our success to spending less, and, as these statistics indicate, we again operated the most efficient savings bank out of the 59 state chartered savings banks in the state and within the top 2.5% of all of the banks in the country. That efficiency is a prime driver in providing a sixth consecutive year of record earnings. Producing these earnings was quite challenging given the compression of the net interest margin, but our serious efforts at cost containment made it possible. It is encouraging to note that that pressure is easing a bit, and in the first quarter of this year, our operating earnings were up 13% over those of the first quarter of 2013.

Our 2013 return on equity of 13.63% was again the highest among the 59 savings banks in Massachusetts. Not only did we earn at a rate more than double that of the other 59 savings banks, but we compare quite favorably to other competitors both large and small. Those earnings produced an approximate $10.4 million increase in stockholders equity and that was after accounting for the cash dividends declared of $1.34 which were increased for the 19th consecutive year. In terms of our stock performance, we had a nice increase last year, but I prefer to view ownership in the bank as a long-term investment, as it has been for myself and my family. This chart gives you a comparison of the total return % on the S&P 500 from 4/1/1993 through 12/31/2013, a little over twenty years. The S&P over that time has experienced a 517% total return, whereas during that same time frame, Hingham has produced for its owners a 2,068% total return.

In addition to the financial metrics, this year was marked by numerous milestones and changes at the Bank. We opened our new Nantucket branch in August and have experienced greater than expected growth with deposits in excess of $42 million. On the loan side, in the first quarter of 2014, we were the largest lender by dollar volume on the Island. We also became the largest purchase money mortgage lender in Quincy by making substantial inroads in the servicing of the Asian-American community there. On the deposit side, we accomplished a complete review of our products and services and greatly simplified our offerings. We also rolled out mobile deposit capture for our personal customers.

All of these accomplishments were made possible by the efforts of so many individuals here at the Bank. One of our real strengths has been the ability to attract and retain quality people. One of the downsides of the ability to retain quality staff is that eventually they will retire and we are challenged with trying to fill their shoes. In that vein, I want to specifically mention the upcoming retirements of Lynn Tilden, Head of Quality Control for the past 18 years, and Ann Tompkins, our Collection Officer for the past 20 years. Both have contributed much to our success and they will be greatly missed.

I particularly want to thank Bill Donovan, a friend and colleague of almost thirty years, who is retiring from his position as Vice President - Administration today. Bill's advice and judgement have always proved sound and valuable over the years. He will be greatly missed. The good news is that Bill and Ann will be staying on part-time to assist in our future success. I also want to welcome some new additions, particularly Mark Constable, our Chief Compliance Officer, and John Parillo, our new retail banking head, and Katherine Gray, our new Head of Quality Control. We hope that their tenures are as long and as satisfying as those of the individuals who are retiring.

We also take this opportunity each year to acknowledge a particular employee whose effort and dedication can serve as an example to all of us. This year, we are recognizing an individual who consistently performs with a level of dedication that is recognized by all. Lorri Costell is the individual who, for the past 7 years, has kept so much of our commercial real estate lending effort on track, for which we are all very grateful.

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