

Looking around this remarkable structure - the oldest continuously used house of worship in the United States -- built in 1681 --- I see the austere simple lines of the very early classic New England architects and I am reminded of our heritage as an institution. That heritage is reflected in our philosophy of “simple banking, honest value.” A business philosophy that prods us to remain focused on the basics, to avoid the cluttered group think of competitors and the panicked “sky is falling” cackling of the consultants.

Yes, technology is transforming how we deliver services. Yes, the particular skill sets required of each of us change on a frequent basis --- but the fundamentals of sound lending and risk management are as enduring as this structure. It is by focusing on those basics that we have continued to achieve some truly remarkable results.

In 2014, we achieved a 66% increase in earnings per share. It was our 7th consecutive year of record earnings -- even when you exclude the net insurance benefit of approximately \$5.7 million, we had net operating earnings of \$16.5 million --- a 24% increase over the \$13.4 million of 2013. This allowed us to increase cash dividends declared to shareholders for the 22nd consecutive year. And we returned \$4.5 million to shareholders in regular and special dividends. Measured by return on equity in each of the past five years, we have been the highest of all of the 57 savings banks in Massachusetts. Looking beyond the savings banks to a broader group of direct competitors, you can see that we compare quite favorably. These earnings are reflected in our shareholder equity --- a 67% increase in book value per share over the past four years.

This earnings performance is rooted in strong measured growth in the balance sheet and effective cost control. You can see the strong and consistent growth over the past five years from just over \$1 billion to \$1.5 billion at year end. We have been particularly successful in our ability to grow the loan portfolio - 15% last year - a compound annual growth rate of 12% over the last five years. We have seen good growth on both the residential and commercial sides and we remain enthused by the significant opportunities going forward --- not only here on the South Shore, but in our newer markets in Boston and Cambridge as well as out on Nantucket.

The deposit growth has also been strong and consistent - 16% in 2014. We have continued our focus on attracting checking account growth and this past year we achieved a 33% increase in year-over-year personal checking account balances and a 22% increase in business checking balances.

Equally impressive is the quality of the growth. I opened my remarks by speaking about the immutable fundamentals of banking -- not Apple Pay or whether we are on Facebook or Twitter -- but something very basic but often overlooked.

When you lend money, will the people you lend it to pay you back?

Well, by focusing on this question, we have gotten quite good at making sure that they do, in fact, pay us back.

This chart represents net charge-offs for 2014 and compares ours with those of the 57 savings banks and also with those of all Massachusetts banks. The savings banks charged off about 6 basis points. All Massachusetts banks charged off about 35 basis points. We charged off nothing. In terms of delinquencies, on total non-accruals at year end, we had the lowest % of non-accruals of all 57 savings banks in the state.

Another fundamental that we focus on is cost control. Our efficiency ratio has been the best of the Massachusetts savings banks for many years. This chart depicts non-interest expense as a % of total assets. As you can see, whether you are a savings bank or trust company or any other charter, you are spending on average about 2.7% of assets per year to operate the bank (not including interest on deposits or borrowings). We are spending 1.37% on our current balance sheet of \$1.7 billion. That means we are spending approximately \$19.5 million less (pre-tax effect) per year than if we were merely average.

How do we do this?

By watching dimes as well as dollars.

By constantly seeking to reduce complexity both in product offerings and in processes.

By disciplined expenditure of marketing dollars.

By limiting the use of consultants and by hiring and retaining well-paid people who actually enjoy work.

We have also been successful in simplifying our processes and products and streamlining our workflows.

This has allowed us to function well with less than half the staff of some of our more bloated brethren. The other day I was looking over the Bank's 1989 offering circular when it converted to a stock company. It listed the Bank's total employees as 45 full-time and 11 part-time. At the time, the Bank was approximately \$130 million in assets. About 8.5% of our current size. Today, at 11 times that size with 11 branches (not 3) and in a much more heavily regulated environment, we have only twice the number of employees!

All of this focus on fundamentals had produced remarkable returns --- not just during the past year --- but over a much longer time horizon. This next chart gives us the very long view of our efforts and what they have achieved for our owners. This chart shows our total return over the period of April 1992, shortly before our proxy contest began, up through March of 1993. It compares our total return to that of some others. To the gold standard set by Mr. Buffett at Berkshire Hathaway in Omaha. To those of our well-respected local competitors, Independent Bancorp (Rockland Trust) and Brookline Bank, as well as Bank of America.

These returns are the product of our focused strategy and the talented people who implement it. I commented earlier on our success in growing our commercial checking balances this past year. Much of that success can be attributed to the great work of Holly Cirignano, our AVP/Business Banking. Holly has had a number of roles with us over the past 11 years: teller, assistant branch manager, etc. Her recent efforts in developing and implementing more efficient and customer friendly business checking services have produced strong customer relationships and made the work of our front line staff easier. On behalf of all of us, I want to recognize these efforts and thank her.

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