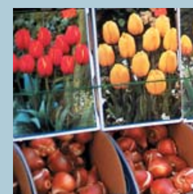
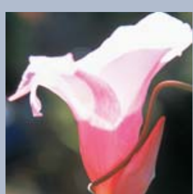
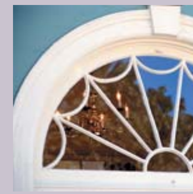
Hingham Institution for Savings





Details make the difference.

2003 Annual Report



Small improvements have a large impact.

While a large multi-national bank looks to financial issues on a global scale, a true community bank must also pay attention to details much closer to home. At the Hingham Institution for Savings, we are constantly working to improve the quality of service to every customer in our area. While much of the minutia takes place behind the scenes, small business owners, first-time mortgage holders, and neighbors with savings and checking accounts invariably enjoy the benefits.

This past year, we installed high-speed data connection lines, resulting in quicker teller transactions. The bank's Internet access and e-mail systems have been upgraded. Click to hinghamsavings.com on your computer and you will find our web site more user-friendly, offering new features for young and old alike.

We have also been working hard to make it easier to contact us through our Customer Call Center, and have improved services to **Business***Online* customers. Our new Automated Payment Products allow businesses to generate employee payroll or debit client accounts automatically, providing increased efficiency for their day-to-day business management.

Our convenient drive-up windows are growing significantly in popularity, as are telephone and online banking, web site visits and ATM usage.

This past summer, the bank completely redesigned and updated our largest branch lobby in South Hingham. The remodeling includes a makeover of the lobby and tellers desk, new rugs, and furniture. Visiting the bank and chatting with old friends is more enjoyable than ever.

Some changes are obvious, others are subtle, but none are unimportant. By taking care of the details, we are taking care of our customers, and that's what we continue to work at each and every day.

From the President

Dear Shareholders:

In 2003 we again achieved extraordinary results by staying focused on the details of our business.

Our lenders made the specific needs of our community their priority, and our loan portfolio grew by 12% while our asset quality remained outstanding. Our branch personnel worked to further strengthen customer relationships with the businesses and families they serve. As a result, our deposits grew by 6%, including a 59% increase in our money market account balances. Our operations, technology and administrative personnel continued to improve upon our use of technology, increase our productivity, and rigorously control our expenses. We have received recognition for our efforts. For the second year in a row, well-known analyst SNL Financial has ranked us the #1 Small Savings Institution in the country.

We have had another year of strong growth in loans, deposits, and total assets. Pretax earnings again reached record levels with an 8% increase over those of 2002. Trends of recent years continued with a 13% increase in total assets as well as the 6% increase in total deposits and 12% increase in total loans over those of December 31, 2002. Loan originations increased from $159,000,000 in 2002 to $204,000,000 in 2003.

Despite a general economy marked by listless job growth, our asset quality remains very strong. During the year 2003, we had absolutely no loan chargeoffs; and as of December 31, 2003, we had no foreclosed property and only one nonperforming loan representing a minimal 0.04% of total assets.

For our stockholders, 2003 brought significant increases in book value per share, market value per share, and dividends declared.

Many community banks share our aspirations. Very few achieve our results. We believe it is the details that make the difference. The difference can be seen in our quiet commitment to our customers and a value-driven line of banking products. It is also in our judicious use of technology that constantly improves upon efficiency, without compromise to our personal service. Our details not only define us, they have become our primary competitive advantage.

The results described in this report are the combined efforts of our Board, management and staff, who bring to their work a shared standard of excellence and steady commitment to the things that really matter. Our outlook is positive. The changes facing our South Shore marketplace will provide exciting new opportunities, and we are looking to the future with confidence in our continued success.

We are grateful to our customers and shareholders for their support.

Very truly yours,

Robert H. Gaughen, Jr.
President

Successful fundraising gets us pulling together.

The Lincoln Sailing & Rowing Center is delighted to steer you right in the arts of sailing and rowing, whether you're seven years or seventy years old. A not-for-profit organization founded in 1970, it boasts a fleet of vessels for use by enthusiasts from Hingham and surrounding areas. Group and private sailing lessons are offered for ages 7 through adult, and rowing from age 13. After learning the basic principles and terminology of sailing and rowing, students move on to building skills and developing confidence through hands-on participation and physical effort. The bank has been an enthusiastic participant in the Center's fundraising efforts for a number of years. Lincoln Sailing & Rowing Center has been making waves in Hingham Harbor for over thirty years, and with our support, we expect it to bring joy to young and old salts for generations to come.


LSC

Friendly service is appetizing for a restaurant.

Combine a spectacular, waterfront location with award-winning food and you have all the ingredients for a successful restaurant. This is true of The Atlantica Restaurant, situated on Cohasset Harbor. It features a glass-walled dining room that extends over the water, creating the illusion of being onboard ship while enjoying a gourmet dining experience. The Atlantica is part of the Roy family's Cohasset Harbor Resort, offering dining, accommodations and an array of services with wide appeal. Their personal banking as well as commercial, business operation and deposit accounts have been with the bank for a decade. The Roys and their resort management are confident in our ability to handle their sophisticated needs. They also enjoy the small town feel of our Cohasset Village branch. Providing quality service and greeting customers by name creates a friendly atmosphere that we consider to be a recipe for success.

Cultivating relationships allows business to bloom.

Bunny Thomas had a vision that extended beyond the 13.5 acres of the Milton landscaping and garden center he took over from his father in 1970. Thanks to a strong business relationship with the bank, Bunny supervised the Belgian design and construction of a magnificent, heated, steel and glass showroom in 2002. Today, the team at A.Thomas & Sons can offer customers an intriguing and impressive array of tropical and exotic plants in addition to landscaping materials, trees, shrubs, annuals and perennials. Bunny found that we have an enviable reputation for providing small businesses with flexible financing. This allowed him the opportunity to realize his dreams and literally grow his business, something gardeners everywhere can appreciate.

Building trust is a bright idea for a contractor.

Jack Livingstone's Cohasset painting and building firm's interior modeling of offices for local physician Dr. Robert Belknap was extremely well received. As a specialist in Developmental Behavioral Pediatrics, the project required creating a non-threatening, child-friendly environment with warm colors throughout. Livingstone's expertise runs the gamut from modern to historical. In painting the bank's Hingham Square administration building, for instance, he was careful to maintain its historic integrity. Subsequently, his firm refreshed the delicate scrollwork at our Cohasset branch. The bank's long association with Jack includes deposit accounts and financing for a number of real estate ventures on the South Shore. We believe that partnering with businesses like Jack's, that maintain high standards in everything they do, benefits our community as a whole. Jack's keen eye for detail is complemented by our keen eye for companies that provide quality services.

Supporting homeowners helps our community grow.

Maria and Greg Murphy have three small children, relatives close by, and a strong commitment to the community. We were delighted to guide them through the residential and commercial loan processes, smoothing the way for Maria to secure a permanent location in Hingham Square for her clothing and home decoratives shop, Round Hill Designs. Over the years, Hingham Institution for Savings has prided itself on helping residents put down healthy roots in this area. Residents who are actively involved in schools, local government and businesses, as well as social and cultural activities are the life-blood of a vibrant community. We encourage participation because after all, we too live and work here.

Senior Officers

Top row (left to right):

SHAWN T. SULLIVAN, Vice President-Commercial Lending

EDWARD P. ZEC, Vice President

MICHAEL J. SINCLAIR, Vice President-Retail Lending

PETER R. SMOLLETT, Vice President-Commercial Lending

THOMAS I. CHEW, Vice President-Branch Operations

Front row(left to right):

DEBORAH J. JACKSON, Senior Vice President and Treasurer

ROBERT H. GAUGHEN, Jr., President and Chief Executive Officer

WILLIAM M. DONOVAN, Jr., Vice President-Administration

Board of Directors

Top row (left to right):

JULIO R. HERNANDO, ESQ.

GEOFFREY C. WILKINSON, SR.

KEVIN W. GAUGHEN, ESQ.

RONALD D. FALCIONE

ROBERT A. LANE, ESQ.

Second row (left to right):

WARREN B. NOBLE

DONALD M. TARDIFF M.D.

STACEY M. PAGE

JOSEPH A. RIBAUDO, C.P.A.

JAMES R. WHITE

MARION J. FAHEY

EDWARD L. SPARDA

Front row (left to right):

JACQUELINE M. YOUNGWORTH

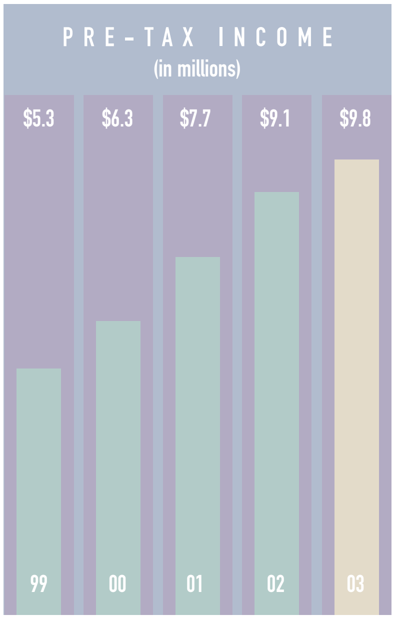
ROBERT H. GAUGHEN, JR., ESQ.

JAMES V. CONSENTINO

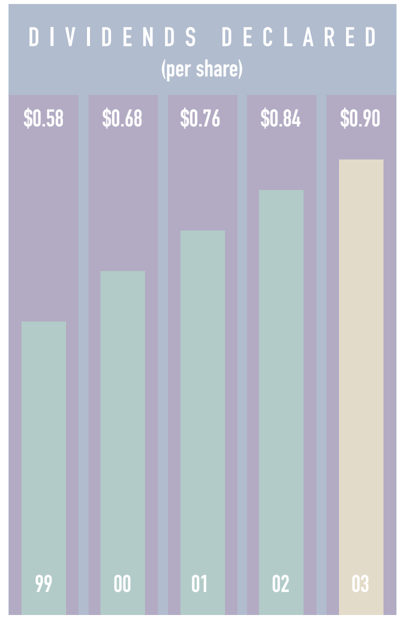
Missing from photo:

HOWARD M. BERGER, ESQ.

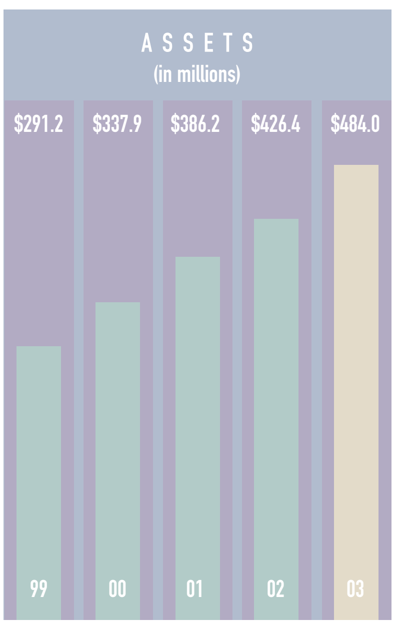
Financial Highlights



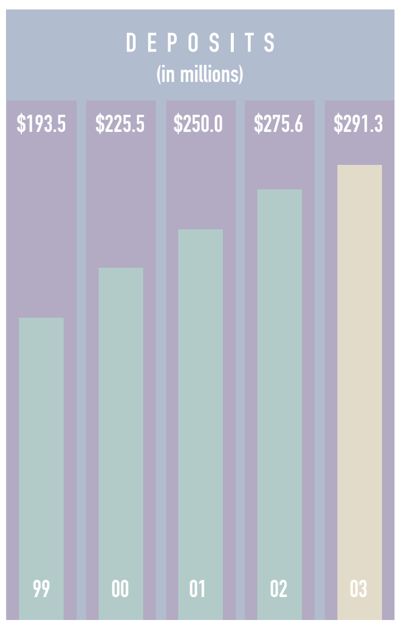
Pre-tax income rose 8% in 2003 despite tightening in the Bank's net interest margin. Net income in 2003 was negatively impacted by approximately $700,000 related to a State tax settlement.



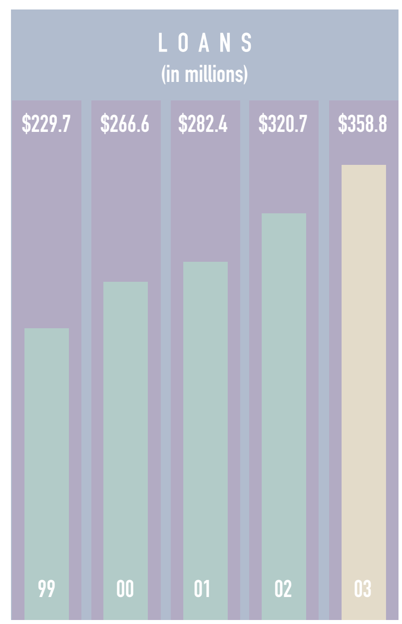
The Bank declared its ninth consecutive special dividend in 2003. Dividends, as a percentage of basic earnings per share, rose to 35% in 2003.



The Bank posted its ninth consecutive year of double-digit asset growth with 13% in 2003.



Core deposits grew 24% in 2003, with $25.0 million growth in the money market category alone.



Loans grew by 12% in 2003, despite historically high nationwide mortgage refinancings. Non-performing loans were less than 0.01% of total loans.

The following information does not purport to be complete and is qualified in its entirety by the more detailed information contained elsewhere herein.

	At December 31,				
	2003	2002	2001	2000	1999
			(In Thousands)		
Balance Sheet Data:					
Total assets	$ 483,954	$ 426,430	$ 386,181	$ 337,881	$ 291,183
Securities available for sale	74,007	49,333	49,619	39,440	35,532
Loans:					
Residential mortgage	170,491	153,293	130,723	124,175	108,999
Commercial mortgage	174,077	156,683	142,200	128,892	114,513
Construction, net	15,924	12,482	10,855	13,259	6,395
Other	923	765	894	2,285	1,592
Allowance for loan losses	2,992	2,810	2,510	2,272	1,976
Deposits	291,313	275,573	249,970	225,510	193,514
Federal Home Loan Bank advances	148,701	106,386	96,827	77,887	68,445
Other borrowed funds	—	394	134	204	248
Stockholders' equity	40,913	38,202	33,537	29,501	26,181

	Years Ended December 31,				
	2003	2002	2001	2000	1999
	(In Thousands, Except Per Share Amounts)				
Income Statement Data:					
Total interest and dividend income	$ 25,558	$ 25,801	$ 26,041	$ 23,946	$ 20,259
Total interest expense	9,035	10,422	12,571	12,105	9,968
Net interest income	16,523	15,379	13,470	11,841	10,291
Provision for loan losses	182	200	240	284	200
Other income	1,753	1,606	1,025	858	734
Operating expenses	8,325	7,715	6,567	6,068	5,540
Income before income taxes	9,769	9,070	7,688	6,347	5,285
Income tax provision	4,415	3,090	2,599	2,120	2,039
Net income	$ 5,354	$ 5,980	$ 5,089	$ 4,227	$ 3,246
Earnings per common share:					
Basic	$ 2.58	$ 2.91	$ 2.49	$ 2.07	$ 1.65
Diluted	$ 2.56	$ 2.87	$ 2.46	$ 2.06	$ 1.62
Financial Ratios:					
Return on average assets	1.18%	1.48%	1.43%	1.35%	1.19%
Return on average equity	13.53	16.58	15.95	15.17	13.07
Average equity to average assets	8.75	8.92	8.98	8.91	9.07
Interest rate spread	3.49	3.51	3.31	3.29	3.38
Net yield on average earning assets	3.81	3.94	3.90	3.90	3.88
Dividend payout ratio (basic)	34.88	28.87	30.52	32.85	35.15
Efficiency ratio	46.68	47.10	45.73	47.78	50.30
Cash dividends declared per common share	$ 0.90	$ 0.84	$ 0.76	$ 0.68	$ 0.58
Book value per common share	$ 19.68	$ 18.48	$ 16.38	$ 14.46	$ 12.83

The following information should be read in conjunction with the Consolidated Financial Statements and Notes contained in this report.

SIGNIFICANT ACCOUNTING POLICIES; CRITICAL EARNINGS ESTIMATES

The Bank's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or "GAAP", including prevailing practices within the financial services industry. The preparation of consolidated financial statements requires management to make judgments, involving significant estimates and assumptions, in the application of certain of its accounting policies about the effects of matters that are inherently uncertain. These estimates and assumptions, which may materially affect the reported amounts of certain assets, liabilities, revenues and expenses, are based on information available as of the date of the consolidated financial statements, and changes in this information over time could materially impact amounts reported in the consolidated financial statements as a result of the use of different estimates and assumptions. Certain accounting policies, by their nature, have a greater reliance on the use of estimates and assumptions, and could produce results materially different from those originally reported.

Based on the sensitivity of financial statement amounts to the methods, estimates and assumptions underlying reported amounts, the relatively more significant accounting policy followed by the Bank has been identified by management as the determination of the allowance for loan losses. This policy requires the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available. An understanding of the judgments, estimates and assumptions underlying this accounting policy is essential in order to understand our reported financial condition and results of operations. This accounting policy and its application in recent periods is described in more detail in the "Provision for Loan Losses" section of this discussion and analysis and in Note 1 to the Consolidated Financial Statements contained in this annual report.

COMPARISON OF THE YEARS 2003, 2002, and 2001

RESULTS OF OPERATIONS

For the year ended December 31, 2003, the Bank earned $5.4 million as compared to $6.0 million in 2002 and $5.1 million in 2001. On a per-share basis, the Bank earned $2.58 in 2003, $2.91 in 2002, and $2.49 in 2001. On a dilutive basis, which assumes that certain stock options have been exercised, earnings per share were $2.56 in 2003, $2.87 in 2002, and $2.46 in 2001. The decrease in earnings in 2003 over 2002 was due primarily to a retroactive change in Massachusetts state tax laws which reduced 2003 earnings by $0.34 per share ($0.33 per share on a diluted basis). On a pre-tax basis, the Bank showed steady growth in earnings with $9.8 million, $9.1 million and $7.7 million reported for 2003, 2002 and 2001, respectively.

Growth in earnings in each of the three periods was achieved primarily from growth in earning assets. In particular, loan originations were $204.5 million in 2003, as compared to $158.7 million in 2002 and $105.0 million in 2001, which resulted in net loan growth of $38.1 million, $38.3 million and $15.8 million for 2003, 2002 and 2001, respectively. Contributing to the growth in earnings for 2003 over 2002 was a $441,000 gain on sale of securities. Included in earnings in 2002 was the $605,000 gain on termination of the Bank's defined benefit pension plan.

Partially offsetting improvements in earnings were increases in expenses in each of the three years, resulting primarily from increased salaries and employee benefits expenses, occupancy and equipment expenses, and data processing expenses. Despite increased expenses, the Bank's efficiency ratio, which measures the percent of net operating revenues consumed by operating expenses, remained at a low 46.7% for 2003 as compared to 47.1% for 2002 and 45.7% for 2001.

Net Interest Income

During 2003, market interest rates remained at their lowest in nearly forty years, following a slight decline in 2002 and a significant decline in 2001. Low market interest rates spurred historically high mortgage prepayment rates in 2003, as mortgage customers refinanced higher rate mortgages. During these periods, the Bank refinanced its maturing borrowings at lower market rates. The effect of this environment was evident in the declining yields on earning assets and cost of interest-bearing liabilities reported by the Bank over the three periods. Despite a declining margin, the Bank reported steady increases in net interest income.

The Bank reported $16.5 million in net interest income for 2003 as compared to $15.4 million in 2002 and $13.5 million in 2001. This positive trend was primarily the result of continued growth in loans. Outstanding loans averaged $343.6 million for 2003 as compared to $307.4 million for 2002 and $280.7 million for 2001. Average other earning assets, consisting of securities and short-term investments, grew by $7.7 million in 2003 over 2002 and by $18.6 million in 2002 over 2001. Loans, however, were the most significant component of assets, accounting for approximately 79% of average total earning assets in each of the past three years.

Interest income is derived from residential and commercial mortgages, home equity, installment and commercial loans, the investment portfolio, and short-term investments. The Bank earned an average yield of 5.9% on these assets in 2003 as compared to 6.6% in 2002 and 7.6% in 2001. For 2003, 2002, and 2001, interest income totaled $25.6 million, $25.8 million, and $26.0 million, respectively. Average total earning assets increased $43.9 million, or 11%, in 2003 over 2002 and $45.3 million, or 13%, in 2002 over 2001. The Bank achieved this growth by continuing its focus on real estate lending.

In response to market conditions, the Bank lowered the rates it paid on each of its interest bearing deposit accounts in 2003 and 2002. As a result, the average rate paid on certificates of deposit, NOW, savings, and money market deposit accounts decreased a total of 75 basis points in 2003 over 2002 and 134 basis points in 2002 over 2001. Despite lower rates, the Bank continued to attract new deposits as evidenced by the 8% increase in average interest-bearing deposit balances in 2003 over 2002 and the 9% increase in 2002 over 2001.

Interest expense on borrowed funds increased in each of the past three years due to the increased volume of borrowed funds, partially offset by declines in market rates. During 2003, the Bank refinanced $46.8 million in Federal Home Loan Bank (FHLB) advances. When comparing 2003 with 2002, the average rate decreased 77 basis points and, when comparing 2002 with 2001, it decreased 82 basis points.

Provision for Loan Losses

The provision for loan losses is based on management's assessment of the adequacy of the allowance for loan losses. Management considers the size of the loan portfolio, the risks associated with certain loan types, and the underlying collateral values of individual loans as well as other factors. Also considered are net recoveries on previously charged-off loans which increase the allowance for loan losses. The provision for loan losses for 2003 was $182,000 as compared to $200,000 in 2002 and $240,000 in 2001. As a percentage of the gross loan portfolio, the allowance for loan losses declined to 0.83% for 2003, from 0.87% for 2002 and 0.88% for 2001. Generally, the decline in the provision for loan losses over the three periods reflects the absence of significant loan charge-offs and the stability in real estate values.

Other Income

Other income rose in each of the three periods. Despite discretionary items, such as the gains on sales of securities in 2003 and 2001 and the gain on termination of the Bank's pension plan in 2002, the Bank reported strong customer service fees and steady improvement in other income.

Fees earned on customer accounts were $751,000 for 2003, $698,000 for 2002 and $704,000 for 2001. Customer service fee income in each of the three years was derived primarily from deposit account transaction fees and ATM/debit card usage fees. The increase in 2003 resulted primarily from the volume of fee-based transactions and, to a significantly lesser degree, modest increases in the fee schedule. Partially offsetting improvements in this area was a decline in fees earned on debit card transactions resulting from a settlement arrangement between MasterCard® and retailers in April 2003.

Other income is also comprised of net gains or losses on sales of investments and loans. Generally, the Bank holds investment securities

The following table presents information regarding changes in interest and dividend income and interest expense of the Bank for the years indicated. For each category, information is provided with respect to changes attributable to changes in rate (change in rate multiplied by old volume) and changes in volume (change in volume multiplied by old rate). The change attributable to both volume and rate is allocated proportionately to the changes due to volume and rate.

	Years Ended December 31,					
	2003 Compared to 2002 Increase (Decrease)			2002 Compared to 2001 Increase (Decrease)		
	Due to			Due to		
	Volume	Rate	Total	Volume	Rate	Total
	(In Thousands)					
Interest and dividend income:						
Loans	$ 2,555	$ (2,481)	$ 74	$ 2,068	$ (1,870)	$ 198
Securities	797	(859)	(62)	437	(694)	(257)
Short-term investments and certificates of deposit	(220)	(35)	(255)	255	(436)	(181)
Total interest and dividend income	3,132	(3,375)	(243)	2,760	(3,000)	(240)
Interest expense:						
Interest-bearing deposits:						
NOW	2	(25)	(23)	5	(39)	(34)
Money market deposits	325	(128)	197	250	(201)	49
Regular	70	(306)	(236)	96	(290)	(194)
Term certificates	(298)	(1,062)	(1,360)	41	(2,236)	(2,195)
Total interest-bearing deposits	99	(1,521)	(1,422)	392	(2,766)	(2,374)
Borrowed funds	909	(874)	35	974	(749)	225
Total interest expense	1,008	(2,395)	(1,387)	1,366	(3,515)	(2,149)
Net interest income	$ 2,124	$ (980)	$ 1,144	$ 1,394	$ 515	$ 1,909

The following table details changes in net interest income and net yield on average earning assets.

	Years Ended December 31,								
	2003			2002			2001		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
	(Dollars in Thousands)								
Assets:									
Loans:									
Real estate loans	$ 342,785	$ 23,005	6.71%	$ 306,508	$ 22,916	7.48%	$ 278,655	$ 22,619	8.12%
Commercial loans	100	10	10.00	154	16	10.39	253	25	9.88
Other loans	683	50	7.32	726	59	8.13	1,742	149	8.55
Total loans (1) (2)	343,568	23,065	6.71	307,388	22,991	7.48	280,650	22,793	8.12
Securities (3) (4)	74,202	2,244	3.02	52,196	2,306	4.42	43,826	2,563	5.85
Short-term investments and certificates of deposit	16,363	249	1.52	30,675	504	1.64	20,476	685	3.35
Total earning assets	434,133	25,558	5.89	390,259	25,801	6.61	344,952	26,041	7.55
Other assets	18,207			14,077			10,479		
Total assets	$ 452,340			$ 404,336			$ 355,431		
Liabilities and stockholders' equity:									
Interest-bearing deposits:									
NOW (5)	$ 19,291	29	0.15	$ 18,436	52	0.28	$ 17,422	86	0.49
Money market deposits	59,179	908	1.53	38,922	711	1.83	26,811	662	2.47
Regular	53,312	307	0.58	46,533	543	1.17	40,646	737	1.81
Term certificates	119,796	3,105	2.59	128,908	4,465	3.46	128,105	6,660	5.20
Total interest-bearing deposits	251,578	4,349	1.73	232,799	5,771	2.48	212,984	8,145	3.82
Borrowed funds	125,910	4,686	3.72	103,538	4,651	4.49	83,293	4,426	5.31
Total interest-bearing liabilities	377,488	9,035	2.39	336,337	10,422	3.10	296,277	12,571	4.24
Demand deposits	33,041			28,046			23,862		
Other liabilities	2,250			3,881			3,381		
Stockholders' equity	39,561			36,072			31,911		
Total liabilities and stockholders' equity	$ 452,340			$ 404,336			$ 355,431		
Net interest income		$ 16,523			$ 15,379			$ 13,470	
Weighted average rate spread			3.50%			3.51%			3.31%
Net yield on average earning assets (6)			3.81%			3.94%			3.90%

(1) Before allowance for loan losses.
(2) Includes average non-accrual loans.
(3) Excludes the impact of the average unrealized gain (loss) on securities available for sale.
(4) Includes Federal Home Loan Bank stock.
(5) Includes mortgagors' escrow accounts.
(6) Net interest income divided by average total earning assets.

and loans until their maturity. However, in 2003, the Bank sold its investment in preferred stocks and reported a $441,000 gain on sales of securities and, in 2001, the Bank sold its common stock portfolio and reported a $134,000 gain on sales of securities. There were no such sales in 2002.

Contributing to other income in 2003 and 2002 was the increase in the value of life insurance policies. Approximately $7.3 million in such assets were purchased in August 2002 and an additional $2.8 million were purchased in November 2003. These assets contributed $347,000 to other income in 2003 and $120,000 for 2002.

Operating Expenses

As a percentage of average total assets, total operating expenses remained at or below 1.9% for each of the past three years.

Salaries and employee benefits were the largest component of operating expenses at $4.8 million for 2003, $4.4 million for 2002, and $3.7 million for 2001. Annual merit-based salary increases have been driving the increase in this category. Also contributing to the increase in salaries and employee benefits expenses in 2003 and 2002 was the adoption of a Supplemental Employee Retirement Plan for certain Bank officers, which accounted for $264,000 in expense for 2003 and $87,000 in expense for 2002. The expense for 2004 is anticipated to increase primarily as a result of the cost of split dollar plan benefits which were transferred into the Plan late in 2003. For more information about this topic, please refer to Note 12 - Employee Benefit Plans.

In May 2002, the Bank terminated its defined benefit pension plan and simultaneously enhanced its 401(k) defined contribution plan retroactive to January 1, 2002. The modifications to the pension plans have allowed the Bank to exercise greater control over pension expenses. For 2003, 401(k) defined contribution expenses were $198,000. For 2002, defined benefit and defined contribution plan expenses were $266,000 as compared to $136,000 for 2001. The increase in 2002 reflects the rising costs of the defined benefit plan prior to its termination and the retroactive enhancement and increased participation in the 401(k) defined contribution plan.

Occupancy and equipment expenses increased over the three periods. In 2003, the Bank remodeled its South Hingham branch office and upgraded computer equipment. In 2002, the Bank relocated its Main Office drive-up teller facility to 71 Main Street to provide enhanced customer convenience as well as the addition of much needed office space. During 2001, the Bank installed new computer hardware throughout the organization in order to provide greater functionality, improve processing speed and facilitate an upgrade to a Windows-based teller operating system.

Legal expenses decreased by $15,000 to $102,000 when comparing 2003 to 2002. In 2003, the Bank incurred expenses pertaining to the settlement of the Commonwealth of Massachusetts Department of Revenue ("DOR") tax assessment and the settlement of a Bank-initiated lawsuit to collect a check loss. Legal expenses increased by $103,000 when comparing 2002 to 2001. The increase in this category related to one-time expenditures associated with the modifications to the Bank's retirement plans and the assessment appeal to the DOR which pertained to the tax treatment of dividends paid to the Bank by its real estate investment trust subsidiary.

Data processing expenses increased over the three periods due primarily to the volume of customer accounts and increased usage of the Bank's internet services. All other operating expenses were $1.9 million for 2003, $1.8 million for 2002, and $1.5 million for 2001. The increase in 2003 over 2002 is primarily attributable to increased internal audit fees, offset in part by the partial collection of a check loss. The increase in 2002 over 2001 included such check loss as well as increased spending in auditing, reporting and training.

Income Taxes

The Bank's effective tax rate for 2003 was 45.2%. Included in tax expense for 2003 was $700,000 related to the settlement of a retroactive tax assessment.

Beginning in the year 2000 and continuing throughout 2002, the Bank accrued taxes based on the Massachusetts state tax law which allowed for the deduction of 95% of the dividends paid to the Bank by its real estate investment trust subsidiary. In March 2003, the Massachusetts legislature enacted a law which disallows such deductions, retroactive to tax periods beginning in 1999. As a result, the Bank accrued an additional state tax liability of $2.1 million in the first quarter of 2003, the cumulative effect of the new tax law, and recorded the Federal tax benefit related to such state taxes in the amount of $700,000.

In June 2003, the Bank reached an agreement with the Massachusetts Department of Revenue ("DOR"), whereby the Bank would be liable to the DOR for fifty percent of the contested cumulative amount of taxes due. On June 23, 2003, the Bank paid $1.0 million to the DOR in full and final satisfaction of taxes due related to its REIT and accordingly recorded a reversal of the remaining $1.1 million tax it had expensed in the first quarter of 2003. The Bank also recorded a reversal of the related Federal tax benefit in the amount of $350,000.

Beginning in 2003, the Bank calculated its income tax provision by excluding the use of the 95% dividends received deduction as prescribed by the change in tax law. Previously, the income tax provision included such deduction. The impact of the change in law is reflected in the Bank's effective tax rate for 2003 which, adjusted for the final settlement with the DOR, was 38.2% as compared to 34.1% and 33.8% for 2002 and 2001, respectively.

COMPARISON OF THE YEARS 2003 AND 2002

BALANCE SHEET ANALYSIS

The Bank had total assets of $484.0 million at December 31, 2003, an increase of $57.5 million, or 13%, from the $426.4 million level at year end 2002.

Loans

At December 31, 2003, the Bank reported net loans of $358.8 million, or 74% of total assets. Comparably at December 31, 2002, net loans were $320.7 million, or 75% of total assets. The decline in market rates during 2003 stimulated significant loan refinancing. The Bank originated $204.5 million in mortgage and other loan products which resulted in net loan growth of $38.1 million. The Bank experienced an overall principal repayment rate of approximately 41% in 2003 as compared to 28% for 2002. At December 31, 2003 and 2002, mortgage loans accounted for more than 99% of gross loans with residential mortgages and home equity loans representing approximately 47% and 48% of the mortgage portfolio in 2003 and 2002, respectively.

The Bank's lending strategy during 2003 and 2002 has continued to provide commercial property and multi-family loans at an initial fixed rate for three to seven years with an adjustable rate thereafter. During 2003, residential mortgage loan originations were split between those with fixed and adjustable rates. Residential mortgages are generally underwritten to conform to Federal National Mortgage Association or Federal Home Loan Mortgage Corporation guidelines. The Bank also offers home equity loans indexed to the prime lending rate and construction loans.

The Bank's loan portfolio is reported net of the allowance for loan losses. At December 31, 2003 and 2002, the allowance had a balance of $3.0 million and $2.8 million, respectively. The allowance is maintained at a level adequate to absorb losses. The allowance is reviewed by senior management on at least a quarterly basis to determine its adequacy. Factors considered include loan-to-value ratios, underlying collateral values, payment history, and any other available information specific to a loan. Loan losses are charged against the allowance when the collectibility of loan principal becomes unlikely. Recoveries are recorded as additional reserves when received. For 2003, there were no recoveries or loan charge-offs. For 2002, there were $100,000 in recoveries of previously charged-off loans and no loan charge-offs.

The Bank reported $172,000 in non-accrual loans at December 31, 2003 as compared to $519,000 at December 31, 2002, a decrease of 67%.

Securities

The purpose of the Bank's securities portfolio is to supplement the Bank's lending activities by generating income, by providing liquidity and for use as collateral to obtain borrowed funds. At December 31, 2003, the portfolio was comprised of agency, mortgage-backed, and a single equity issue for a total of $74.0 million, or 15% of total assets, as compared to $49.3 million, or 12% of total assets, at year end 2002. At December 31, 2003 and 2002, the majority of the securities in the portfolio were issued or guaranteed by U.S. Government agencies or U.S. Government sponsored agencies.

At December 31, 2003, 67% of the portfolio consisted of agency bond issues. For the most part, these securities are offered at a fixed rate and term and at spreads above comparable U.S. Treasury issues.

Approximately 33%, or $24.5 million, was comprised of mortgage-backed securities, an increase of $23.0 million over the balances held at December 31, 2002. During 2003, the Bank purchased $24.0 million in Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (Freddie Mac) issued mortgage-backed, fixed rate issues with final maturity of seven years. Mortgage-backed securities are subject to declines in principal balances due to principal repayments. Repayments tend to increase as market interest rates fall and the individual underlying mortgages are refinanced at lower rates. Conversely, repayments tend to decrease as market interest rates rise.

At year end 2003 and 2002, the entire investment portfolio was classified as available for sale and was carried at fair value with unrealized gains or losses reported in accumulated other comprehensive income (loss), a separate component of stockholders' equity. The unrealized loss on the investment portfolio amounted to $265,000, net of tax effects, at December 31, 2003 as compared to a $774,000 gain at year end 2002, reflecting a decline in market conditions. The fair value of securities fluctuates with the movement of interest rates. Generally, during periods of rising interest rates, the fair values decrease whereas the opposite may hold true during a falling interest rate environment.

Other Assets

The Bank held $10.9 million in Bank-owned life insurance at December 31, 2003 as compared to $7.4 million at December 31, 2002. The increase in 2003 was primarily attributable to the purchase of a $2.8 million policy in November 2003. Simultaneously, the ownership of an individual policy with a value of $283,000 was transferred to the Bank, from a Bank officer. The policies, which insure the lives of certain Bank officers, accrete at a variable rate of interest with minimum stated guaranteed rates.

Deposits

At December 31, 2003, the Bank held a total of $291.3 million in deposits, an increase of $15.7 million, or 6%, from the $275.6 million in deposits at year end 2002. Core deposits, comprised of savings, NOW, money market, and demand deposit accounts, were $175.4 million at December 31, 2003 as compared to $141.9 million at year end 2002, an increase of $33.5 million, or 24%. Core deposits comprised 60% of total deposits at December 31, 2003 as compared to 51% at year end 2002. Certificates of deposit were $115.9 million at December 31, 2003 as compared to $133.7 million at year end 2002.

Primary competition for deposits are other banks and credit unions in the Bank's market area and mutual funds. The Bank's ability to attract and retain deposits depends upon satisfaction of depositors' requirements with respect to product, rate, and service. The Bank offers traditional deposit products, competitive rates, convenient branch locations, automated teller machines, debit cards, telephone banking and internet-based banking for consumers and commercial account holders. The Bank continued its success at raising deposits with its "GoldLink" money market account, which was introduced in 2001. At December 31, 2003, this product accounted for $39.9 million, or 14% of total deposits.

The Bank continued to attract deposits of all types in early 2003 as customers shifted their funds from volatile equity markets to the safety of fully-insured bank deposits. This trend began to reverse in the latter part of 2003, however. The Bank expects to attract new deposits from customers displaced and inconvenienced by merger activity. Several community-based institutions in the Bank's market area have been acquired, or are in the process of acquisition, by larger, regional banks. Also, a large regional bank in the area is in the process of acquisition by a national bank. The disruption to customer accounts during these acquisitions provides the Bank with an opportunity to expand its market share. Historically, these customers become dissatisfied with post-merger service levels, product offerings, and fees and have sought out community-based institutions which can provide stability and quality customer service.

Deposits are insured in full through the combination of the Federal Deposit Insurance Corporation (FDIC) and the Deposit Insurance Fund of Massachusetts (DIF). Generally, separately insured deposit accounts are insured up to $100,000 by the FDIC and deposit balances in excess of $100,000 are insured by the DIF. Providing DIF insurance provides a competitive advantage for the Bank as the mid-sized to regional banks cannot offer this coverage.

Borrowings

The Bank had $148.7 million in FHLB advances at December 31, 2003 as compared to $106.4 million at year end 2002. In 2003, borrowings financed the purchase of mortgage-backed securities and a portion of loan originations. Generally, the borrowings are drawn with a fixed rate and term; however, approximately $29.5 million, or 20%, can be called by the issuer after an initial specified term and an additional $20.9 million is subject to principal amortization over its stated life. The decline in interest rates over the course of 2003 and 2002 benefited the Bank by lowering interest expenses. The average rate paid on borrowings held at year end 2003 dropped to 3.23% from 4.32% at year end 2002.

Liquidity, Capital Resources, Off-Balance Sheet Arrangements and Contractual Obligations

The Bank continually assesses its liquidity position by forecasting incoming and outgoing cash flows. In some cases, contractual maturity dates are used to anticipate cash flows. However, when an asset or liability is subject to early repayment or redemption at the discretion of the issuer or customer, cash flows can be difficult to predict. Generally, these prepayment rights are exercised when it is most financially favorable to the issuer or customer.

The majority of the U. S. Government and federal agency obligation portfolio, which accounts for approximately 67% of the Bank's investment portfolio, is fixed with respect to rate and maturity date. Mortgage-backed securities, which comprise 33% of the portfolio, are subject to repayment at the discretion of the underlying borrower. The Bank monitors the trends in prepayment speeds and anticipates how these factors will impact its liquidity targets.

Residential loans are susceptible to principal repayment at the discretion of the borrower. Commercial mortgages, while subject to significant penalties for early repayment in most cases, can also prepay at the borrower's discretion. During the decline in market interest rates in 2003 and 2002, the Bank experienced an overall prepayment rate on its loan portfolio of approximately 41% for 2003 as compared to approximately 28% for 2002.

The proceeds to the Bank under key executive life insurance polices are illiquid during the lives of the executives. Such policies total $10.9 million, or 2% of total assets, at December 31, 2003 as compared to $7.4 million, or 2%, at December 31, 2002.

Core deposit balances can generally be withdrawn from the Bank at anytime. Certificates of deposit, with predefined maturity dates and subject to early redemption penalties, can also be withdrawn. The Bank estimates the volatility of its deposits in light of the general economic climate and recent actual experience. Over the past nine years, deposits have exceeded withdrawals resulting in net cash inflows from depositors.

Approximately 66% of the Bank's borrowings are fixed in terms of rate and maturity. Approximately 14% of the borrowings amortize over their stated lives. The Bank monitors these scheduled cash outflows. The remaining 20%, or $29.5 million, can be called for earlier repayment at the discretion of the issuer. However, in the current economic environment, it is unlikely that these borrowings will be called in the near term.

The Bank also monitors its off-balance sheet items. At December 31, 2003, the Bank had approximately $59.8 million in commitments to extend credit as compared to $69.1 million at December 31, 2002. See Note 9 to the consolidated financial statements for additional information. No other off-balance sheet arrangements existed at December 31, 2003.

The Bank takes each of these issues into consideration when measuring its liquidity position. Specific measurements include the Bank's cash flow position at both the 30 day and 90 day horizon, the level of volatile liabilities to earning assets and its loan-to-deposit ratio. At December 31, 2003 and 2002, each measurement was within predefined Bank guidelines.

To supplement its liquidity position, should the need arise, the Bank maintains its membership in the Federal Home Loan Bank of Boston where it is eligible to obtain both short and long-term credit advances. The Bank can borrow up to approximately $195.0 million to meet its borrowing needs, based on the Bank's available qualified collateral which consists primarily of 1-4 family residential mortgages, the Bank's investment in its securities corporation subsidiary and a portion of the Bank's commercial mortgage portfolio. Upon specific approval from the FHLB, the Bank may also pledge other mortgages or other deposit balances as collateral to secure as much as $51.4 million in additional borrowings. At December 31, 2003, the Bank had $148.7 million in advances outstanding.

At December 31, 2003, the Bank had capital of $40.9 million, or 8.5% of total assets, as compared to $38.2 million, or 9.0%, at December 31, 2002. Total capital is adjusted by the unrealized gains or losses in the Bank's available-for-sale securities portfolio and, as such, it is subject to fluctuations resulting from changes in the market values of its securities available for sale. At December 31, 2003, the Bank's entire securities portfolio was classified as available for sale which had the effect of decreasing capital by $265,000. In comparison, at year end 2002, capital was increased by $774,000.

Massachusetts-chartered savings banks that are insured by the FDIC are subject to minimum capital maintenance requirements. Regulatory guidelines define the minimum amount of qualifying capital an institution must maintain as a percentage of risk-weighted assets and average total assets. The Bank's ratios exceeded these regulatory capital requirements in both 2003 and 2002.

During 2003, the Bank declared dividends of $0.90 per share which included a $0.19 per share special dividend which was declared in the fourth quarter. In comparison, in 2002, the Bank declared dividends of $0.84 per share which included an $0.18 per share special dividend. The Bank's dividend payout ratio, which is calculated by dividing dividends per share into earnings per share, was 35% for 2003 as compared to 29% for 2002.

At December 31, 2003, the Bank had the following contractual obligations outstanding:

	Payments Due by Period (In Thousands)				
	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
Contractual Obligations:					
Federal Home Loan Bank advances	$ 148,701	$ 64,908	$ 44,217	$ 14,582	$ 24,994
Certificates of Deposit	$ 115,908	$ 89,502	$ 23,191	$ 3,215	—

IMPACT OF INFLATION AND CHANGING PRICES

The consolidated financial statements and related consolidated financial data presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America which generally require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on operations of the Bank is reflected in increased operating costs. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

FORWARD-LOOKING STATEMENTS

This annual report may contain statements relating to future results of the Bank (including certain projections and business trends) that are considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to changes in political and economic conditions, interest rate fluctuations, competitive product and pricing pressures within the Bank's market, bond market fluctuations, personal and corporate customers' bankruptcies, and inflation, as well as other risks and uncertainties.

ASSET/LIABILITY MANAGEMENT

The earnings of most banking institutions are exposed to interest rate risk because their balance sheets, both assets and liabilities, are predominantly interest bearing. It is the Bank's objective to minimize, to the degree prudently possible, its exposure to interest rate risk, bearing in mind that the Bank, by its very nature, will always be in the business of taking on interest rate risk. Interest rate risk is monitored on a quarterly basis by the Asset Liability Committee (ALCO) of the Bank. The primary tool used by the Bank in managing interest rate risk is income simulation modeling. Income simulation modeling measures changes in net interest income by projecting the future composition of the Bank's balance sheet and applying different interest rate scenarios.

Management incorporates numerous assumptions into the simulation model, such as prepayment speeds, balance sheet growth, and deposit elasticity. Generally, rates are assumed to rise steadily over a twelve month period, then remain constant over the remaining period. The model assumes a 200 and 300 basis point increase in interest rates where the magnitude of the rate change varies with the term. For example, in the 200 basis point scenario, longer term rates are modeled to rise 168 basis points and short term rates are modeled to rise 200 basis points. The model estimates that, over a twenty-four month period, net interest income will decrease 4.83% if rates rise 200 basis points and will decrease 8.76% if rates rise 300 basis points.

The Bank's interest rate risk exposure is believed to be well managed and within pre-defined limits.

To a significantly lesser degree, the Bank also utilizes GAP analysis which involves comparing the difference between interest-rate sensitive assets and liabilities that mature or reprice during a given period of time. However, GAP analysis does not measure the financial impact of mismatched assets to liabilities, nor does it measure the velocity at which assets and liabilities reprice.

In 2003, the decline in market interest rates stimulated historically high mortgage prepayment rates and prompted customers to demand fixed rate loans. As a result, the Bank's fixed rate loan portfolio grew 38% over 2003 while adjustable rate loans declined 7% over the same period. Partially mitigating this risk were depositors who, to some degree, extended the maturities of their certificates of deposit in order to capture higher yields.

During 2003, the Bank implemented a leverage strategy whereby short-term, mortgage-backed securities were purchased with amortizing, fixed rate FHLB advances. The Bank considers this strategy to be relatively match funded and therefore poses limited additional interest rate risk to the existing balance sheet.

The Bank's one-year negative gap position at December 31, 2003 was approximately 4.43% of assets and well within pre-defined limits.

The following tables present interest-rate sensitive assets and liabilities categorized by expected maturity (or interest rate adjustment date, if earlier) and weighted average rates. Expected maturities are contractual maturities adjusted for amortization and prepayment of principal. Prepayment speeds range from 0% to 54% depending upon the particular asset category. Generally, adjustable rate loans are indexed to Prime or Treasury rates and can reprice as much as 200 basis points per year and 600 basis points over the life of the loan. Non-certificate deposits do not have contractual maturities. The tables reflect management's assumptions about the volatility of such deposits.

December 31, 2003

Maturing or repricing within:	One Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Thereafter	Total
				(Dollars in Thousands)			
Interest-earning assets:							
Securities, at cost	$ 46,972	$ 11,877	$ 11,742	$ 3,473	$ 8,361	$ 11,229	$ 93,654
	3.05%	3.30%	4.62%	3.69%	4.35%	3.69%	3.49%
Loans:							
Fixed rate	$ 47,905	$ 31,171	$ 23,448	$ 17,642	$ 14,492	$ 49,137	$ 183,795
	6.33%	6.43%	6.31%	6.28%	6.16%	5.88%	6.21%
Adjustable rate	$ 63,456	$ 18,761	$ 21,212	$ 23,268	$ 41,669	$ 9,254	$ 177,620
	5.83%	6.46%	6.42%	6.63%	5.72%	6.81%	6.10%
Interest-bearing liabilities:							
Deposits:							
Non-certificate accounts	$ 18,817	$ 18,817	$ 18,817	$ 18,817	$ 18,816	$ 44,538	$ 138,622
	1.20%	1.20%	1.20%	1.20%	1.20%	0.34%	0.93%
Term certificates	$ 89,502	$ 17,443	$ 5,748	$ 2,293	$ 922	$ —	$ 115,908
	2.10%	2.75%	3.30%	3.81%	3.22%	—%	2.30%
Borrowed funds	$ 64,908	$ 34,519	$ 9,698	$ 7,838	$ 6,744	$ 24,994	$ 148,701
	2.15%	3.40%	3.20%	4.68%	3.86%	5.18%	3.23%

December 31, 2002

Maturing or repricing within:	One Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Thereafter	Total
				(Dollars in Thousands)			
Interest-earning assets:							
Securities, at cost	$ 54,653	$ 20,406	$ 388	$ —	$ —	$ —	$ 75,447
	2.51%	3.22%	4.25%	—%	—%	—%	2.71%
Loans:							
Fixed rate	$ 25,722	$ 19,874	$ 16,531	$ 13,163	$ 10,373	$ 47,450	$ 133,113
	7.16%	7.12%	7.00%	6.89%	6.77%	6.40%	6.81%
Adjustable rate	$ 86,556	$ 29,391	$ 23,335	$ 20,978	$ 21,043	$ 8,807	$ 190,110
	6.96%	7.80%	7.64%	7.74%	7.11%	7.45%	7.30%
Interest-bearing liabilities:							
Deposits:							
Non-certificate accounts	$ 24,481	$ 24,489	$ 24,489	$ 10,167	$ 10,167	$ 18,615	$ 112,408
	1.25%	1.25%	1.25%	0.90%	0.90%	0.25%	1.02%
Term certificates	$ 109,508	$ 15,683	$ 5,036	$ 1,577	$ 1,915	$ —	$ 133,719
	2.98%	3.43%	3.87%	4.26%	3.95%	—%	3.09%
Borrowed funds	$ 36,394	$ 14,500	$ 18,500	$ 5,125	$ 6,000	$ 26,261	$ 106,780
	3.02%	4.72%	4.71%	4.41%	5.35%	5.33%	4.32%

To the Board of Directors and Stockholders of
Hingham Institution for Savings

We have audited the consolidated balance sheets of Hingham Institution for Savings and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hingham Institution for Savings and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

Wolf & Company, P.C.

Boston, Massachusetts
January 16, 2004

ASSETS

	December 31, 2003	December 31, 2002
	(In Thousands)	
Cash and due from banks	$ 6,345	$ 5,224
Short-term investments	14,504	29,347
Cash and cash equivalents	20,849	34,571
Certificates of deposit	4,986	1,940
Securities available for sale, at fair value	74,007	49,333
Federal Home Loan Bank stock, at cost	7,435	5,469
Loans, net of allowance for loan losses of $2,992,000 in 2003 and $2,810,000 in 2002	358,778	320,692
Cash value of life insurance	10,859	7,429
Banking premises and equipment, net	3,669	3,785
Accrued interest receivable	1,961	1,991
Deferred income tax asset, net	1,036	564
Other assets	374	656
	$ 483,954	$ 426,430

LIABILITIES AND STOCKHOLDERS' EQUITY

	2003	2002
Deposits	$ 291,313	$ 275,573
Federal Home Loan Bank advances	148,701	106,386
Other borrowed funds	—	394
Mortgagors' escrow accounts	1,248	1,197
Accrued interest payable	448	426
Other liabilities	1,331	4,252
Total liabilities	443,041	388,228
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $1.00 par value, 2,500,000 shares authorized; none issued	—	—
Common stock, $1.00 par value, 5,000,000 shares authorized; 2,079,250 and 2,067,250 shares issued and outstanding at December 31, 2003 and 2002, respectively	2,079	2,067
Additional paid-in capital	9,442	9,188
Undivided profits	29,657	26,173
Accumulated other comprehensive income (loss)	(265)	774
Total stockholders' equity	40,913	38,202
	$ 483,954	$ 426,430

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

	Years Ended December 31,		
	2003	2002	2001
	(In Thousands, Except Per Share Amounts)		
Interest and dividend income:			
Loans	$ 23,065	$ 22,991	$ 22,793
Debt and trust preferred securities	2,017	1,977	2,184
Equity securities	227	329	379
Short-term investments and certificates of deposit	249	504	685
Total interest and dividend income	25,558	25,801	26,041
Interest expense:			
Deposits	4,349	5,771	8,145
Borrowed funds	4,686	4,651	4,426
Total interest expense	9,035	10,422	12,571
Net interest income	16,523	15,379	13,470
Provision for loan losses	182	200	240
Net interest income, after provision for loan losses	16,341	15,179	13,230
Other income:			
Customer service fees on deposits	751	698	704
Gain on sales of securities available for sale	441	—	134
Gain on termination of pension plan	—	605	—
Increase in cash value of life insurance	347	120	—
Other	214	183	187
Total other income	1,753	1,606	1,025
Operating expenses:			
Salaries and employee benefits	4,813	4,358	3,740
Data processing	701	626	551
Occupancy and equipment	846	787	721
Legal	102	117	14
Other	1,863	1,827	1,541
Total operating expenses	8,325	7,715	6,567
Income before income taxes	9,769	9,070	7,688
Income tax provision	4,415	3,090	2,599
Net income	$ 5,354	$ 5,980	$ 5,089
Earnings per common share:			
Basic	$ 2.58	$ 2.91	$ 2.49
Diluted	$ 2.56	$ 2.87	$ 2.46

See accompanying notes to consolidated financial statements.

Years Ended December 31, 2003, 2002, and 2001

(In Thousands)

	Common Stock	Additional Paid-in Capital	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2000	$ 2,041	$ 8,809	$ 18,394	$ 257	$ 29,501
Comprehensive income:					
Net income	—	—	5,089	—	5,089
Net unrealized gain on securities available for sale, net of reclassification adjustment and tax effect	—	—	—	418	418
Total comprehensive income					5,507
Stock options exercised, after tax effect of $17,000	6	82	—	—	88
Cash dividends declared-common($0.76 per share)	—	—	(1,559)	—	(1,559)
Balance at December 31, 2001	2,047	8,891	21,924	675	33,537
Comprehensive income:					
Net income	—	—	5,980	—	5,980
Net unrealized gain on securities available for sale, net of tax effect	—	—	—	99	99
Total comprehensive income					6,079
Stock options exercised, after tax effect of $121,000	20	297	—	—	317
Cash dividends declared-common($0.84 per share)	—	—	(1,731)	—	(1,731)
Balance at December 31, 2002	2,067	9,188	26,173	774	38,202
Comprehensive income:					
Net income	—	—	5,354	—	5,354
Net unrealized loss on securities available for sale, net of reclassification adjustment and tax effect	—	—	—	(1,039)	(1,039)
Total comprehensive income					4,315
Stock options exercised, after tax effect of $126,000	12	254	—	—	266
Cash dividends declared-common($0.90 per share)	—	—	(1,870)	—	(1,870)
Balance at December 31, 2003	$ 2,079	$ 9,442	$ 29,657	$ (265)	$ 40,913

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2003	2002	2001
		(In Thousands)	
Cash flows from operating activities:			
Net income	$ 5,354	$ 5,980	$ 5,089
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	182	200	240
Amortization of securities, net	728	378	39
Amortization of deferred loan origination costs, net	77	97	29
Depreciation	438	398	380
Increase in cash value of life insurance	(347)	(120)	—
Gain on sales of securities	(441)	—	(134)
Gain on sale of loans	(24)	—	(2)
Deferred tax provision (benefit)	69	178	(24)
Changes in operating assets and liabilities:			
Accrued interest receivable and other assets	54	(33)	(158)
Accrued interest payable and other liabilities	(2,820)	87	852
Net cash provided by operating activities	3,270	7,165	6,311
Cash flows from investing activities:			
Activity in available-for-sale securities:			
Sales	4,440	—	597
Maturities, prepayments and calls	26,092	13,429	15,784
Purchases	(57,073)	(13,371)	(25,828)
Activity in certificates of deposit:			
Maturities	485	—	—
Purchases	(3,531)	(970)	(970)
Loans originated, net of payments received	(39,301)	(38,603)	(17,168)
Proceeds from sale of loans	980	—	1,083
Increase in Federal Home Loan Bank stock	(1,966)	(628)	(822)
Payments made for life insurance contracts	(2,800)	(7,309)	—
Additions to banking premises and equipment	(347)	(382)	(1,003)
Net cash used in investing activities	(73,021)	(47,834)	(28,327)

See accompanying notes to consolidated financial statements.

	Years Ended December 31,		
	2003	2002	2001
		(In Thousands)	
Cash flows from financing activities:			
Increase in deposits, net	$ 15,740	$ 25,603	$ 24,460
Increase in mortgagors' escrow accounts	51	109	36
Proceeds from stock options exercised	140	196	71
Cash dividends paid on common stock	(1,823)	(1,644)	(1,496)
Net proceeds (repayments) of borrowings with maturities of less than three months	4,606	260	(3,570)
Proceeds from Federal Home Loan Bank advances with maturities of three months or more	96,800	48,500	88,500
Repayment of Federal Home Loan Bank advances with maturities of three months or more	(59,485)	(38,941)	(66,060)
Net cash provided by financing activities	56,029	34,083	41,941
Net increase (decrease) in cash and cash equivalents	(13,722)	(6,586)	19,925
Cash and cash equivalents at beginning of year	34,571	41,157	21,232
Cash and cash equivalents at end of year	$ 20,849	$ 34,571	$ 41,157
Supplementary information:			
Interest paid on deposit accounts	$ 4,339	$ 5,771	$ 8,144
Interest paid on borrowed funds	4,674	4,629	4,437
Income taxes paid, net of refunds	7,174	2,427	1,649

See accompanying notes to consolidated financial statements.

Years Ended December 31, 2003, 2002, and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation

The consolidated financial statements include the accounts of Hingham Institution for Savings ("Bank") and its wholly-owned subsidiaries, Hingham Securities Corporation II and Hingham Unpledged Securities Corporation which hold title to certain securities available for sale. The Bank's majority-owned subsidiary, Hingham Capital Corporation, a real eastate investment trust ("REIT") held title to certain loans, and was liquidated as of December 1, 2003. All intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is susceptible to significant change in the near term relates to the determination of the allowance for loan losses.

Business and operating segments

The Bank provides a variety of financial services to individuals and small businesses through its six offices in southeastern Massachusetts. Its primary deposit products are savings, checking, and term certificate accounts, and its primary lending products are residential and commercial mortgage loans.

Management evaluates the Bank's performance and allocates resources based on a single segment concept. Accordingly, there are no separately identified operating segments for which discrete financial information is available. The Bank does not derive revenues from, or have assets located in foreign countries, nor does it derive revenues from any single customer that represents 10% or more of the Bank's total revenues.

Reclassification

Certain amounts have been reclassified in the 2002 and 2001 consolidated financial statements to conform to the 2003 presentation.

Cash and cash equivalents

Cash and cash equivalents include amounts due from banks and interest-bearing deposits.

Short-term investments

Short-term investments mature within ninety days and are carried at cost, which approximates fair value.

Certificates of deposit

Certificates of deposit mature within three years and are carried at cost.

Securities available for sale

Securities are classified as available for sale and reflected at fair value, with unrealized gains and losses, after tax effects, excluded from earnings and reported in accumulated other comprehensive income (loss) as a separate component of stockholders' equity.

Purchased premiums and discounts are amortized to earnings by a method which approximates the interest method over the terms of the securities. Declines in the value of securities that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on disposition of securities are recorded on the trade date and are determined using the specific identification method.

Loans

The Bank grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans in the southeastern Massachusetts area. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate, construction, and general economic sectors.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge offs, the allowance for loan losses, and net deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on mortgage and commercial loans is discontinued at the time a loan is 90 days past due unless the credit is well-secured and in process of collection. Personal loans are typically charged off no later than becoming 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

A loan is considered impaired when, based on current information and events, it is probable that a creditor will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Impaired loans are generally maintained on a non-accrual basis. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s obtainable market price, or the fair value of the collateral if the loan is collateral dependent. Substantially all of the Bank’s loans which are identified as impaired are measured by the fair value of existing collateral.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer loans for impairment disclosures.

Allowance for loan losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general loss components. The allocated loss component relates to loans that are classified as either doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flow (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on an estimated range of possible losses reflective of historical loss experience and qualitative factors.

Banking premises and equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. It is general practice to charge the cost of maintenance and repairs to earnings when incurred; major expenditures for betterments are capitalized and depreciated.

Transfers of financial assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted accordingly through the provision for income taxes. The Bank's base amount of its federal income tax reserve for loan losses is a permanent difference for which there is no recognition of a deferred tax liability. However, the loan loss allowance maintained for financial reporting purposes is a temporary difference with allowable recognition of a related deferred tax asset, if it is deemed realizable.

Retirement plans

The cost of the defined benefit pension plan was recognized on the net periodic pension cost method over an employee's approximate service period. The aggregate cost method was utilized for funding purposes. See Note 12 regarding termination of the plan in 2002. Supplemental retirement plan costs are recognized over the related service periods.

Stock compensation plans

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," encourages all entities to adopt a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. Stock options issued under the Bank's stock option plans have no intrinsic value at the grant date and under Opinion No. 25 no compensation cost is recognized for them. The Bank has elected to continue with the accounting methodology in Opinion No. 25 and, as a result, has provided pro forma disclosures of net income and earnings per share and other disclosures, as if the fair value-based method of accounting had been applied. The pro forma disclosures include the effects of all awards granted on or after January 1, 1995.

At December 31, 2003, the Bank has two fixed stock option plans as described in Note 11. The Bank applies APB Opinion No.25 and related Interpretations in accounting for the plans. Accordingly, no compensation cost has been recognized for the plans as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Had compensation cost for the plans been determined based on the fair value at the grant dates for awards under the plans consistent with the method prescribed by SFAS No. 123, the Bank's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	Years Ended December 31,		
	2003	2002	2001
Net income:	(In Thousands, Except Per Share Amounts)		
As reported	$ 5,354	$ 5,980	$5,089
Less total stock-based employee compensation expense determined under fair value based method for all awards, net of tax effects	—	6	—
Pro forma	$ 5,354	$ 5,974	$ 5,089
Earnings per common share:			
As reported	$ 2.58	$ 2.91	$ 2.49
Pro forma	2.58	2.90	2.49
Earnings per common share-assuming dilution for stock options:			
As reported	$ 2.56	$ 2.87	$ 2.46
Pro forma	2.56	2.87	2.46

Earnings per common share

Basic earnings per common share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Bank relate solely to outstanding stock options and are determined using the treasury stock method.

For the years ended December 31, 2002, and 2001, options applicable to 1,500 shares, and 1,500 shares, respectively, were anti-dilutive and excluded from the diluted earnings per share computations. There were no anti-dilutive shares at December 31, 2003.

Earnings per common share have been computed based on the following:

	Years Ended December 31,		
	2003	2002	2001
		(In Thousands)	
Average number of common shares outstanding	2,072	2,058	2,045
Effect of dilutive options	23	27	26
Average number of common shares outstanding used to calculate diluted earnings per common share	2,095	2,085	2,071

Comprehensive income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income.

The components of other comprehensive income, and related tax effects, are as follows:

	Years Ended December 31,		
	2003	2002	2001
		(In Thousands)	
Net unrealized holding gains (losses) on available-for-sale securities	$ (1,139)	$ 150	$ 771
Reclassification adjustment for gains realized in income	(441)	—	(134)
Net unrealized gains (losses)	(1,580)	150	637
Tax effect	541	(51)	(219)
Net-of-tax amount	$ (1,039)	$ 99	$ 418

Advertising costs

Advertising costs are expensed as incurred.

Recent accounting pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46) which establishes guidance for determining when an entity should consolidate another entity that meets the definition of a variable interest entity. FIN 46 requires a variable interest entity to be consolidated by a company if that company will absorb a majority of the expected losses, will receive a majority of the expected residual returns, or both. The Interpretation had no effect on the Bank's consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. This Statement had no effect on the Bank's consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement provides new rules on the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. This Statement had no effect on the Bank's consolidated financial statements.

2. RESTRICTIONS ON CASH AND AMOUNTS DUE FROM BANKS

The Bank is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2003 and 2002, cash and due from banks included $200,000 to satisfy such reserve requirements.

3. SECURITIES AVAILABLE FOR SALE

The amortized cost and estimated fair value of securities available for sale, with gross unrealized gains and losses, follows:

	December 31, 2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Debt securities:				
U.S. Government and federal agency obligations	$ 49,178	$ 215	$ (136)	$ 49,257
Mortgage-backed - FHLMC	9,366	3	(244)	9,125
Mortgage-backed - FNMA	15,620	3	(248)	15,375
Total debt securities	74,164	221	(628)	73,757
Equity securities	250	—	—	250
Total securities available for sale	$ 74,414	$ 221	$ (628)	$ 74,007

	December 31, 2002			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Debt securities:				
U.S. Government and federal agency obligations	$ 42,685	$ 777	$ —	$ 43,462
Mortgage-backed - FHLMC	722	7	(1)	728
Mortgage-backed - FNMA	753	8	—	761
Trust preferred	1,750	123	—	1,873
Total debt securities	45,910	915	(1)	46,824
Equity securities	2,250	259	—	2,509
Total securities available for sale	$ 48,160	$1,174	$ (1)	$ 49,333

At December 31, 2002, the Bank had pledged U.S. Government obligations with a fair value of $1,125,000 as collateral against its treasury tax and loan account. Also see Note 7.

SECURITIES AVAILABLE FOR SALE (concluded)

The amortized cost and estimated fair value of debt securities by contractual maturity at December 31, 2003 are shown below. Expected maturities will differ from contractual maturities because of prepayments and scheduled payments on mortgage-backed securities. Further, certain obligors have the right to call bonds and obligations without prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
Bonds and obligations:		
Within 1 year	$ 22,139	$ 22,326
Over 1 year to 5 years	27,039	26,931
	49,178	49,257
Mortgage-backed securities:		
Over 1 year to 5 years	39	42
Over 5 years to 10 years	22,283	21,803
Over 10 years	2,664	2,655
	24,986	24,500
Total debt securities	$ 74,164	$ 73,757

For the years ended December 31, 2003 and 2001, proceeds from the sale of securities available for sale amounted to $4,440,000 and $597,000, respectively, resulting in gross realized gains of $441,000 and $134,000, respectively, and no gross realized losses. There were no sales of securities during 2002.

Information pertaining to securities with gross unrealized losses at December 31, 2003, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Debt securities:				
U.S. Government and federal agency obligations	$ (136)	$ 24,819	$ —	$ —
Mortgage-backed - FHLMC	(241)	8,608	(3)	292
Mortgage-backed - FNMA	(248)	15,312	—	—
Total temporarily impaired securities	$ (625)	$ 48,739	$ (3)	$ 292

At December 31, 2003, certain debt securities have unrealized losses, with aggregate depreciation of less than 2% from the Bank's amortized cost basis. These unrealized losses relate principally to mortgage-backed securities and result from changes in the bond market since their purchase. As management has the ability to hold debt securities until maturity, no declines are deemed to be other than temporary.

4. LOANS

A summary of the balances of loans follows:

	December 31, 2003	December 31, 2002
	(In Thousands)	
Mortgage loans:		
Residential	$ 155,683	$ 138,152
Commercial	170,116	155,720
Construction	15,924	12,482
Equity lines of credit	14,808	15,141
Second mortgages	3,961	963
Total mortgage loans	360,492	322,458
Other loans:		
Personal installment	712	522
Commercial	76	116
Revolving credit	135	127
Total other loans	923	765
Total loans	361,415	323,223
Allowance for loan losses	(2,992)	(2,810)
Net deferred loan origination costs	355	279
Loans, net	$ 358,778	$ 320,692

The Bank has sold mortgage loans in the secondary mortgage market and has retained the servicing responsibility and receives fees for the services provided. Loans sold and serviced for others amounted to $1,918,000 and $2,198,000, at December 31, 2003 and 2002, respectively. All loans serviced for others were sold without recourse provisions and are not included in the accompanying consolidated balance sheets.

LOANS (concluded)

An analysis of the allowance for loan losses follows:

	Years Ended December 31,		
	2003	2002	2001
		(In Thousands)	
Balance at beginning of year	$ 2,810	$ 2,510	$ 2,272
Provision for loan losses	182	200	240
Loans charged off	—	—	(22)
Recoveries on loans previously charged off	—	100	20
Balance at end of year	$ 2,992	$ 2,810	$ 2,510

The following is a summary of information pertaining to impaired and non-accrual loans:

	December 31,	
	2003	2002
	(In Thousands)	
Impaired loans without a valuation allowance	$ 172	$ 139
Non-accrual loans (including impaired loans)	$ 172	$ 519
Loans past due 90 days or more and still accruing	$ —	$ —

	Years Ended December 31,		
	2003	2002	2001
		(In Thousands)	
Average investment in impaired loans	$ 286	$ 93	$ 155
Interest income recognized on impaired loans	$ 32	$ —	$ —
Interest income recognized on a cash basis on impaired loans	$ 32	$ —	$ —

There were no additional funds committed to be advanced in connection with impaired loans.

5. BANKING PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of banking premises and equipment follows:

	December 31, 2003	December 31, 2002
	(In Thousands)	
Banking premises:		
Land	$ 873	$ 873
Buildings	3,719	3,648
Equipment	2,021	1,959
	6,613	6,480
Less accumulated depreciation	(2,944)	(2,695)
	$ 3,669	$ 3,785

Depreciation expense for the years ended December 31, 2003, 2002, and 2001 amounted to $438,000, $398,000, and $380,000, respectively.

6. DEPOSITS

A summary of deposit balances, by type, is as follows:

	December 31, 2003	December 31, 2002
	(In Thousands)	
Regular	$ 53,055	$ 51,354
Money market deposits	67,393	42,439
NOW	18,174	18,615
Demand	36,783	29,446
Total non-certificate accounts	175,405	141,854
Term certificates less than $100,000	79,601	88,970
Term certificates of $100,000 or more	36,307	44,749
Total certificate accounts	115,908	133,719
Total deposits	$ 291,313	$ 275,573

DEPOSITS (concluded)

The maturity distribution of term certificates is as follows:

	December 31,			
	2003		2002	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)			
Within 1 year	$ 89,502	2.10%	$ 109,508	2.98%
Over 1 year to 2 years	17,443	2.75	15,683	3.43
Over 2 years to 3 years	5,748	3.30	5,036	3.87
Over 3 years to 5 years	3,215	3.64	3,492	4.09
	$ 115,908	2.30%	$ 133,719	3.09%

A summary of interest expense on deposits is as follows:

	Years Ended December 31,		
	2003	2002	2001
	(In Thousands)		
Regular	$ 307	$ 543	$ 737
Money market deposits	908	711	662
NOW	29	52	86
Term certificates	3,105	4,465	6,660
	$ 4,349	$ 5,771	$ 8,145

7. FEDERAL HOME LOAN BANK ADVANCES

A summary of advances from the Federal Home Loan Bank of Boston follows:

	December 31,			
	2003		2002	
Maturing During the Year Ending December 31,	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)			
2003	$ —	— %	$ 36,000	3.02 %
2004	59,500	2.16	14,500	4.72
2005	29,000	3.67	18,500	4.71
2006(1)	15,377	2.59	5,125	4.41
2007	6,000	5.35	6,000	5.35
2008(2)	9,904	3.24	—	—
Thereafter(3)	28,920	4.87	26,261	5.33
	$ 148,701	3.23 %	$ 106,386	4.32%

All borrowings from the Federal Home Loan Bank of Boston are at a fixed rate and are secured by a blanket lien on "qualified collateral" defined principally as 75% of the carrying value of first mortgage loans on certain owner-occupied residential property and 90% of the fair value of U.S. Government and federal agency securities held in Hingham Securities Corporation II. Expected maturities may differ from contractual maturities because certain borrowings, aggregating $29.5 million at December 31, 2003, can be called by the FHLB after an initial specified term.

The Bank also has an available line of credit with the Federal Home Loan Bank of Boston at an interest rate that adjusts daily. Borrowings under this line are limited to $4,633,000 at December 31, 2003.

(1) At December 31, 2003 includes amortizing advances of $8,640,000 due in June, 2006 and $1,237,000 due in November, 2006, requiring monthly principal and interest of $285,000 and $36,000, respectively.
(2) At December 31, 2003 includes amortizing advance of $4,604,000 due in June, 2008 , requiring monthly principal and interest of $88,000.
(3) At December 31, 2003 includes amortizing advances of $4,728,000 due in June, 2010 and $1,692,000 due in November, 2018, requiring monthly principal and interest of $65,000 and $14,000, respectively.

8. INCOME TAXES

Allocation of federal and state income taxes between current and deferred portions is as follows:

	Years Ended December 31, 2003	2002	2001
		(In Thousands)	
Current tax provision:			
Federal	$ 2,529	$ 2,902	$ 2,617
State	1,817	10	6
	4,346	2,912	2,623
Deferred tax provision (benefit):			
Federal	51	152	(18)
State	18	26	(6)
	69	178	(24)
Total provision	$ 4,415	$ 3,090	$ 2,599

The reasons for the differences between the statutory federal income tax rate and the effective tax rates are summarized as follows:

	Years Ended December 31, 2003	2002	2001
Statutory rate	34.0%	34.0%	34.0%
Increase (decrease) resulting from:			
State taxes, net of federal tax benefit	5.4	0.3	—
Settlement with Commonwealth of Massachusetts, net of federal tax benefit	7.0	—	—
Other, net	(1.2)	(0.2)	(0.2)
Effective tax rate	45.2%	34.1%	33.8%

INCOME TAXES (continued)

The components of the net deferred tax asset are as follows:

	December 31, 2003	December 31, 2002
	(In Thousands)	
Deferred tax assets:		
Federal	$ 1,119	$ 972
State	344	335
	1,463	1,307
Deferred tax liabilities:		
Federal	(341)	(669)
State	(86)	(74)
	(427)	(743)
Net deferred tax asset	$ 1,036	$ 564

The tax effects of each type of income and expense item that give rise to deferred tax assets (liabilities) are as follows:

	December 31, 2003	December 31, 2002
	(In Thousands)	
Allowance for loan losses	$ 1,151	$ 1,077
Other accrued expenses	41	79
Fees on loans	(261)	(175)
Net unrealized (gain)/loss on securities available for sale	142	(399)
Other	(37)	(18)
Net deferred tax asset	$ 1,036	$ 564

A summary of the change in the net deferred tax asset is as follows:

	Years Ended December 31, 2003	2002	2001
	(In Thousands)		
Balance at beginning of year	$ 564	$ 793	$ 988
Deferred tax benefit (provision)	(69)	(178)	24
Deferred tax effects of net unrealized (gain)/loss on securities available for sale	541	(51)	(219)
Balance at end of year	$ 1,036	$ 564	$ 793

INCOME TAXES (concluded)

Tax reserve for loan losses

The federal income tax reserve for loan losses at the Bank's base year was $3,780,000. If any portion of the reserve is used for purposes other than to absorb loan losses, approximately 150% of the amount actually used, limited to the amount of the reserve, will be subject to taxation in the year in which used. As the Bank intends to use the reserve only to absorb loan losses, a deferred tax liability of $1,550,000 has not been provided.

REIT Tax Assessment

Beginning in the year 2000 and continuing throughout 2002, the Bank accrued taxes based on the Massachusetts state tax law which allowed for the deduction of 95% of the dividends paid to the Bank by its real estate investment trust subsidiary. In March 2003, the Massachusetts legislature enacted a law which disallows such deductions, retroactive to tax periods beginning in 1999. As a result, the Bank accrued an additional state tax liability of $2,072,000 in the first quarter of 2003, the cumulative effect of the new tax law, and recorded the Federal tax benefit related to such state taxes in the amount of approximately $700,000.

In June 2003, the Bank reached an agreement with the Massachusetts Department of Revenue ("DOR"), whereby the Bank would be liable to the DOR for fifty percent of the contested cumulative amount of taxes due. On June 23, 2003, the Bank paid $1,036,000 to the DOR in full and final satisfaction of taxes due related to its REIT and accordingly recorded a reversal of the remaining $1,036,000 tax it had expensed in the first quarter of 2003. The Bank also recorded a reversal of the related Federal tax benefit in the amount of approximately $350,000.

9. COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding commitments and contingencies which are not reflected in the consolidated financial statements.

Loan commitments

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include unused lines of credit, commitments to originate loans, and standby letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Bank's exposure to credit loss in the event of non-performance by the other party to its financial instruments is represented by the contractual amount of these commitments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

At December 31, 2003 and 2002, the following financial instruments were outstanding for which contract amounts represent credit risk:

	December 31,	
	2003	2002
	(In Thousands)	
Unused lines of credit	$32,996	$ 26,677
Commitments to originate loans:		
Commercial mortgages	11,947	19,054
Residential mortgages	5,197	14,028
Unadvanced funds on construction loans	9,668	9,266
Standby letters of credit	18	38

Commitments to extend credit are agreements to lend to a customer provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the borrower. The commitments to originate loans, unadvanced construction funds, and the majority of unused lines of credit are secured by real estate.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

COMMITMENTS AND CONTINGENCIES (concluded)

Employment agreements

The Bank has entered into employment agreements with certain senior executives. The original terms of the agreements are for three or two years and can generally be extended for one-year periods. The agreements generally provide for certain lump sum severance payments under certain circumstances, within a one-year period following a "change in control," as defined in the agreements.

Other legal claims

Other legal claims arise from time to time in the normal course of business, which, in the opinion of management, will have no material effect on the Bank's consolidated financial position.

10. MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2003 and 2002, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2003, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2003 and 2002 are also presented in the table.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
December 31, 2003						
Total Capital to Risk-Weighted Assets	$ 44,170	14.91%	$ 23,704	8.0%	$ 29,630	10.0%
Tier 1 Capital to Risk-Weighted Assets	41,178	13.90	11,852	4.0	17,778	6.0
Tier 1 Capital to Average Assets	41,178	8.58	19,200	4.0	24,000	5.0
December 31, 2002						
Total Capital to Risk-Weighted Assets	$ 40,238	15.55%	$ 20,698	8.0%	$ 25,872	10.0%
Tier 1 Capital to Risk-Weighted Assets	37,428	14.47	10,349	4.0	15,523	6.0
Tier 1 Capital to Average Assets	37,428	8.89	16,832	4.0	21,040	5.0

11. STOCK OPTION PLANS

Under the Bank's 1988 and 1996 stock option plans, options may be granted to officers, other employees, and certain directors as the Stock Option Committee of the Board of Directors may determine. A total of 187,500 shares of common stock were reserved for issuance pursuant to the 1988 plan and a total of 90,000 shares of common stock were reserved for issuance pursuant to the 1996 plan. Both "incentive options" and "non-qualified options" could be granted under the plans. All options under both plans will have an exercise price per share equal to, or in excess of, the fair market value of a share of common stock at the date the option is granted and will have a maximum option term of 10 years. At December 31, 2003, there were 12,500 shares remaining available for future issuance under the 1996 plan and no shares remaining under the 1988 plan.

Stock option activity is as follows:

	Years Ended December 31,					
	2003		2002		2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option:						
Outstanding at beginning of year	58,500	$ 11.75	77,000	$ 10.90	83,500	$ 10.90
Granted	—	—	1,500	29.54	—	—
Exercised	(12,000)	11.66	(20,000)	9.79	(6,500)	10.96
Outstanding at end of year	46,500	$ 11.78	58,500	$ 11.75	77,000	$ 10.90
Options exercisable at end of year	46,500	$ 11.78	58,500	$ 11.75	77,000	$ 10.90
Weighted average fair value of options granted during the year		$ —		$ 6.45		$ —

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Years Ended December 31,		
	2003	2002	2001
Dividend yield	—	2.71%	—
Expected life	—	10 years	—
Expected volatility	—	13.87%	—
Risk-free interest rate	—	5.21%	—

Options outstanding consist of the following:

	December 31,			
	2003		2002	
Option price	Shares	Weighted Average Remaining Contractual Life in Years	Shares	Weighted Average Remaining Contractual Life In Years
$29.540	1,500	8	1,500	9
23.500	1,500	5	1,500	6
16.000	—	—	3,000	7
15.000	12,500	6	12,500	7
12.250	1,000	4	4,500	5
9.167	20,000	3	23,500	4
8.500	10,000	2	12,000	3
	46,500		58,500	

12. EMPLOYEE BENEFIT PLANS

Pension Plan

Prior to May 31, 2002, the Bank had a defined pension plan (the "Plan") covering all of its eligible officers and employees. On May 31, 2002, the Bank terminated the Plan and amended the Plan to reallocate excess assets of the Plan to provide additional benefits to its participants and to the Bank. During the second quarter of 2002, the Bank recorded a curtailment gain of $130,000. The termination of the Plan settled in the fourth quarter of 2002, resulting in a settlement gain of $475,000.

Net periodic pension cost is as follows:

	Fourteen Months Ended December 31, 2002	Plan Year Ended October 31, 2001
	(In Thousands)	
Service cost - benefits earned during year	$ 136	$ 226
Interest cost on projected benefits	147	171
Expected return on plan assets	(154)	(243)
Net amortization and deferral	1	3
Amortization of net gain	(44)	(84)
Net periodic pension cost	$ 86	$ 73

For the plan years ended October 31, 2002 and 2001, actuarial assumptions include an assumed discount rate on benefit obligations of 7.00% for 2002 and 7.75% for 2001, and an annual salary increase of 5.50% and an expected long-term rate of return on plan assets of 8.00% for both years.

Information pertaining to the activity in the plan is as follows:

	Fourteen Months Ended December 31, 2002	Plan Year Ended October 31, 2001
	(In Thousands)	
Change in plan assets:		
Fair value of plan assets at beginning of period	$ 2,861	$ 3,036
Actual return (loss) on plan assets	174	(340)
Employer contribution	—	194
Benefits paid	(2,891)	(29)
Amounts recovered by the Bank	(136)	—
Other	(8)	—
Fair value of plan assets at end of period	—	2,861
Change in benefit obligation:		
Benefit obligation at beginning of period	2,697	2,213
Service cost	136	226
Interest cost	147	171
Amendments	(145)	—
Actuarial loss	56	116
Benefits paid	(2,891)	(29)
Benefit obligation at end of period	—	2,697
Funded status	—	164
Unrecognized net actuarial gain	—	(564)
Unrecognized prior service cost	—	16
Accrued pension cost	$ —	$ (384)

EMPLOYEE BENEFIT PLANS (concluded)

401(k) Plan

The Bank has a 401(k) Plan whereby each employee having completed at least three months of continuous service beginning with date of employment, becomes a participant in the Plan. Employees may contribute a percentage of their compensation subject to certain limits based on federal tax laws. Effective January 1, 2001, the Bank matched contributions up to 2% of an employee's compensation. Effective January 1, 2002, the Bank contributed 3% of an employee's compensation, regardless of the employee's contribution. Effective May 1, 2002, the Bank's matching contribution policy is to contribute $0.50 for each dollar contributed by the employee up to a maximum matching contribution equal to 3% of the employee's yearly compensation. Matching contributions vest to the employee after two years, or at age 62, if earlier. For the years ended December 31, 2003, 2002 and 2001, expense attributable to the Plan amounted to $198,000, $162,000 and $46,000, respectively.

Supplemental Employee Benefit Plans

The Bank has supplemental employee retirement plans which were established in 2002 for the benefit of certain senior executives. Benefits commence at age sixty-two, or in the case of one executive, at such earlier time as he may retire, and are to be paid monthly over twenty years. In connection with these plans, the Bank purchased life insurance policies amounting to $7,309,000 in 2002 and $2,800,000 in 2003 and contributed them to a Rabbi Trust. In 2003, the Bank discontinued funding the President's split dollar life insurance policy and substituted additional contributions to the President's existing supplemental employee retirement plan. Simultaneously with the discontinuance of funding the split dollar policy, ownership of such policy was transferred from the President to the Bank. The value of these combined policies is $10,859,000 at December 31, 2003 and is included in cash value of life insurance on the consolidated balance sheet. In accordance with the agreements, a secular trust was established for each executive into which the Bank makes annual contributions which become the property of the executive. Expense related to these plans amounted to $264,000 and $87,000 for the years ended December 31, 2003 and 2002, respectively.

13. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank had granted loans to principal officers and directors and their affiliates amounting to $11,000 at December 31, 2003 and $13,000 at December 31, 2002. In 1993, the Bank established a policy whereby new loans (excluding passbook loans) cannot be granted to employees, officers, or directors.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure of estimated fair values of all financial instruments where it is practicable to estimate such values. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

Accordingly, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. Statement No. 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Bank.

FAIR VALUE OF FINANCIAL INSTRUMENTS (concluded)

The following methods and assumptions were used by the Bank in estimating fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts of cash, due from banks, and interest-bearing deposits approximate fair values.

Certificates of deposit: Fair values for certificates of deposit are based upon quoted market prices.

Securities available for sale: Fair values for securities available for sale are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Federal Home Loan Bank stock: The carrying value of Federal Home Loan Bank stock is deemed to approximate fair value based on the redemption provisions of the Federal Home Loan Bank of Boston.

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for non-performing loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Deposits: The fair values of non-certificate accounts are, by definition, equal to the amount payable on demand at the reporting date which is their carrying amount. Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Federal Home Loan Bank advances: The fair values of the advances are estimated using discounted cash flow analyses based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements.

Other borrowed funds and mortgagors' escrow accounts: The carrying amounts of other borrowed funds and mortgagors' escrow accounts approximate fair value.

Accrued interest: The carrying amounts of accrued interest approximate fair value.

Off-balance-sheet instruments: Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. At December 31, 2003 and 2002, the fair value of commitments outstanding is not significant since fees charged are not material.

The carrying amounts and estimated fair values of the Bank's financial instruments are as follows:

	December 31,			
	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial assets:				
Cash and cash equivalents	$ 20,849	$ 20,849	$ 34,571	$ 34,571
Certificates of deposit	4,986	5,007	1,940	1,991
Securities available for sale	74,007	74,007	49,333	49,333
Federal Home Loan Bank stock	7,435	7,435	5,469	5,469
Loans, net	358,778	361,560	320,692	325,235
Accrued interest receivable	1,961	1,961	1,991	1,991
Financial liabilities:				
Deposits	291,313	292,104	275,573	276,565
Federal Home Loan Bank advances	148,701	152,593	106,386	108,990
Other borrowed funds	—	—	394	394
Mortgagors' escrow accounts	1,248	1,248	1,197	1,197
Accrued interest payable	448	448	426	426

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly results of operations for the years ended December 31, 2003 and 2002 are as follows:

	Years Ended December 31,							
	2003				2002			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(In Thousands, Except Per Share Data)							
Interest and dividend income	$ 6,358	$ 6,508	$ 6,363	$ 6,329	$ 6,511	$ 6,452	$ 6,485	$ 6,353
Interest expense	2,208	2,250	2,190	2,387	2,541	2,642	2,594	2,645
Net interest income	4,150	4,258	4,173	3,942	3,970	3,810	3,891	3,708
Provision (credit) for loan losses	47	45	45	45	(25)	75	75	75
Net interest income, after provision for loan losses	4,103	4,213	4,128	3,897	3,995	3,735	3,816	3,633
Other income	378	300	335	740(2)	815(4)	243	339	209
Operating expenses	2,096	2,030	2,120	2,079	2,094	1,976	1,903	1,742
Income before income taxes	2,385	2,483	2,343	2,558	2,716	2,002	2,252	2,100
Income tax provision	891	950	213(3)	2,361(3)	946	676	759	709
Net income	$ 1,494	$ 1,533	$ 2,130	$ 197	$ 1,770	$ 1,326	$ 1,493	$ 1,391
Earnings per common share:								
Basic	$ 0.72	$ 0.74	$ 1.03	$ 0.10	$ 0.86	$ 0.64	$ 0.73	$ 0.68
Diluted	$ 0.71	$ 0.73	$ 1.02	$ 0.09	$ 0.85	$ 0.64	$ 0.72	$ 0.67
Cash dividends declared per common share	$ 0.37(1)	$ 0.18	$ 0.18	$ 0.17	$ 0.35(5)	$ 0.17	$ 0.16	$ 0.16

(1) Includes a special dividend of $0.19 per common share declared on November 20, 2003.
(2) Includes $439,000 gain on sale of securities.
(3) Includes impact of MA REIT tax legislation.
(4) Includes $475,000 gain on termination of pension plan.
(5) Includes a special dividend of $0.18 per common share declared on November 21, 2002.

Hingham Institution for Savings
55 Main Street
Hingham, MA 02043
(781) 749-2200

President and Chief Executive Officer
Robert H. Gaughen, Jr.

Investor Inquiries
William M. Donovan, Jr.
Vice President - Administration

Transfer Agent and Registrar
Mellon Investor Services, LLC
85 Challenger Road
Overpeck Center
Ridgefield Park, NJ 07660
(800) 288-9541

Online Registered Shareholder Inquiries
www.melloninvestor.com

Stockholder Inquiries
Mellon Investor Services, LLC
P.O. Box 3315
South Hackensack, NJ 07606
(800) 288-9541

Independent Auditors
Wolf & Company, P.C.
99 High Street
Boston, MA 02110

Special Counsel
Hale and Dorr
60 State Street
Boston, MA 02109

Form 10-K
A copy of the Bank's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, as filed with the Federal Deposit Insurance Corporation, may be obtained without charge by any stockholder of the Bank upon written request addressed to the Investor Relations Department.

STOCK DATA

Hingham Institution for Savings' common shares are listed and traded on The Nasdaq Stock Market under the symbol HIFS.

As of December 31, 2003, there were approximately 460 stockholders of record, holding 995,059 outstanding shares of common stock. These shares do not include the number of persons who hold their shares in nominee or street name through various brokerage firms.

The following table presents the quarterly high and low bid prices for the Bank's common stock reported by Nasdaq.

	High	Low
2002		
First Quarter	$ 26.60	$ 23.60
Second Quarter	31.27	26.50
Third Quarter	29.99	28.35
Fourth Quarter	30.77	28.75
2003		
First Quarter	31.95	29.50
Second Quarter	36.25	32.00
Third Quarter	40.05	35.00
Fourth Quarter	44.00	35.82

The closing sale price of the Bank's common stock at December 31, 2003 was $41.54 per share.

Branch Offices

COHASSET
13 Elm Street
Cohasset, MA 02025

HINGHAM
Main Office
55 Main Street
Hingham, MA 02043

Loan Center
49 Main Street
Hingham, MA 02043

Drive-Up
71 Main Street
Hingham, MA 02043

SOUTH HINGHAM
37 Whiting Street
Hingham, MA 02043

HULL
401 Nantasket Avenue
Hull, MA 02045

SCITUATE
400 Gannett Road
North Scituate, MA 02066

SOUTH WEYMOUTH
32 Pleasant Street
South Weymouth, MA 02190

HINGHAM INSTITUTION FOR SAVINGS
ESTABLISHED 1834

55 Main Street, Hingham, MA 02043
Tel: 781-749-2200 Fax: 781-740-4889
www.hinghamsavings.com