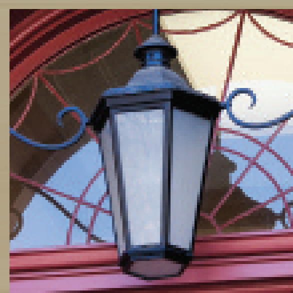
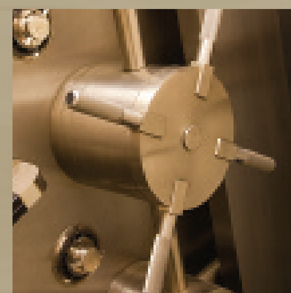
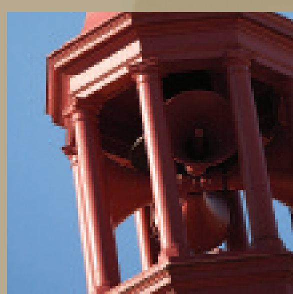
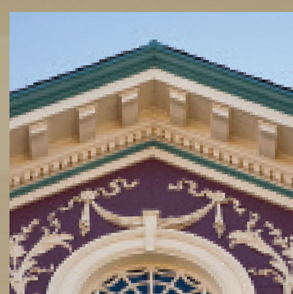
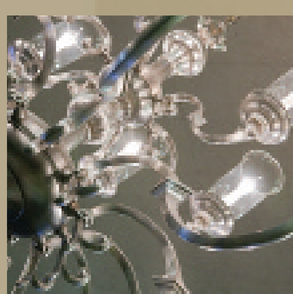
Hingham Institution for Savings

175 years

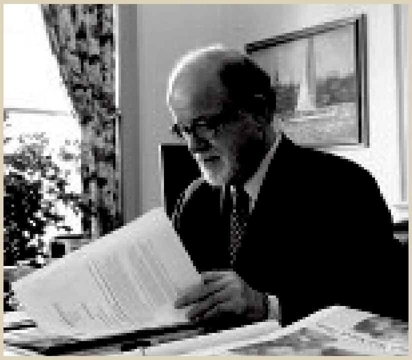


Annual Report 2009

Simple Banking. Honest Value. Happy Customers.

FROM THE PRESIDENT

Dear Shareholders:



This was a year of tremendous opportunity for strong community banks. Our national competitors, with their tattered reputations, stumbled through a year marked by government bailouts and startling losses. The disillusioned consumer sought the services of institutions of a scale and character that they could appreciate and trust. At Hingham, we greatly benefitted from this opportunity.

In 2009, deposits increased by a record $105,753,000, or 20% over year-end 2008. Total loans increased by 11% and total assets increased by 15%. Our net income increased by 28% over that of 2008. Net income for the year ended December 31, 2009 was $8,045,000 or $3.79 per share (basic and diluted), as compared to $6,285,000 or $2.96 per share (basic and diluted) in 2008. Total assets as of December 31, 2009 were $925,560,000, as compared to $806,193,000 at December 31, 2008.

Stockholders' equity increased from $59,825,000 at December 31, 2008 to $65,293,000 at December 31, 2009 with a concomitant increase in book value per share from $28.20 to $30.74. Our Return on Equity increased to 12.78%.

The 28% increase in net income was achieved despite a net increase in deposit insurance premiums (both regular and special) of nearly $1,000,000 above those of 2008. This increase was also achieved while at the same time we increased our provision for loan losses by $895,000 over that of 2008.

This performance allowed us to reward our stockholders by increasing the cash dividends declared for the 15th consecutive year.

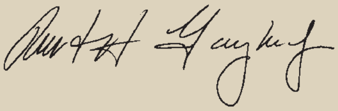
Looking forward, we have reason for optimism. Our soundness as a bank has resonated with many of our new customers. Their disappointment with the larger banks continues to provide us with new opportunities to develop these relationships. Our conservative underwriting practices have positioned us to expand our lending activities at a time when many competitors are preoccupied with troubled portfolios.

These opportunities require some investment in infrastructure, and this summer we intend to commence construction of a major addition to our headquarters in Hingham. We also intend to continue the judicious expansion of our branch network.

We are excited to build upon our 175-year history of exceptional banking products and superb customer service. I have a deep appreciation for the dedication and integrity of our people. Our staff is exceptional, and their commitment and belief in the values that built this company bring our core philosophy to life every day. Our Board of Directors, as always, is outstanding, and I am grateful for their insight and support. I would also like to thank our shareholders for their continued loyalty and faith in Hingham Savings.

We look forward with confidence to a strong 2010.

Very truly yours,



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

"We believe that savings institutions are admitted to be among the most useful which have been devised for the protection of the interest of the frugal and industrious, who wish to make provisions for times of need. Parents, by making their children depositors, can teach them the advantages of savings habits and inculcate lessons of economy which may be remembered throughout life."

FOUNDERS, HINGHAM INSTITUTION FOR SAVINGS, 1834

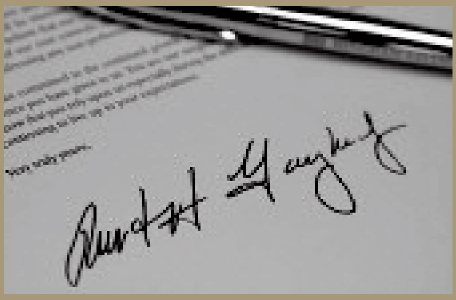
A CULTURE OF AUTHENTICITY

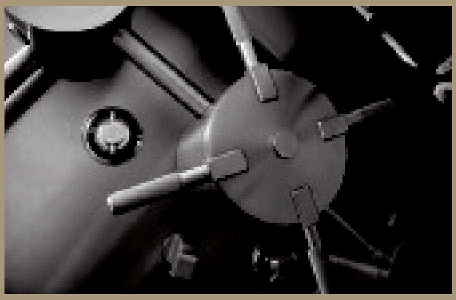
We credit our success to a philosophy which has endured throughout our 175-year history. On April 2 of 1834, Hingham Institution for Savings was established by a group of public-minded citizens whose vision served as a blueprint that guided both the Bank and the town of Hingham through many challenging times. Our founders were some of Hingham's oldest families who held positions of leadership and fiscal responsibility in the town. They were community pillars; their values, sound judgment and integrity have defined a culture of authenticity that rests upon their legacy, as intrinsic to the Bank as its architecture.

Through the years, the Bank has grown as Hingham and the surrounding communities have grown. We began as a small storefront business in Hingham Square when the town's population totaled 3,500. Early waterfront industries such as shipbuilding and windmill-powered saltworks in those Victorian times gave way to steamboats, amusement parks and railways, and the Bank continued to prosper. In 1860, we moved to our present location, where the shared experiences of the Civil War, Depressions and World Wars resonated both inside and outside the bank's walls. As the town of Hingham marks its 375th anniversary, Hingham Savings is now approaching $1 billion in assets, with 32,000 deposit accounts and nine branches that reach from Norwell to Boston's South End. We have plans for a major expansion that will unite our buildings in Hingham Square and serve as home to our administrative staff. In all this time, we have never lost touch with the values and philosophy that have served as our foundation. Together, we have built a company with a clear sense of both history and purpose.

This year, we will share with you some of the everyday activities inside our bank that make our success possible. Our people bring our core values of integrity, excellence and commitment to life every day, and they are at the heart of what keeps our culture authentic. The passion they bring to their jobs is reflected in other places in their lives, as soccer coaches, artists, and school volunteers. They are the face of Hingham Savings to our customers and in our community. For nearly two centuries, we have prospered by remaining true to our founding principles, and it is the outstanding service of the Hingham Savings staff that continues to shape our enthusiasm for what the future will hold.


SAFE DEPOSIT DEPARTMENT


Very truly yours,



"It is a pleasure to get to know our customers on so many levels, in the Bank as well as out in the community. I am proud to serve as both trusted resource and friend, whether we are talking about their banking, their business, or their mortgage."

Denise Quirk, AVP, Branch Manager, Norwell

In a time when videoconferencing, web meetings and email have taken the place of personal meetings at many of the big banks, here at Hingham Savings, regular face-to-face meetings are central to our culture. Each month, we gather together in person – our branch managers, senior management and members of each department – to review our performance and exchange information and ideas on how to best serve the needs of our customers. Working together around the table, our team members are engaged and inspired, and can be counted upon to speak with candor, whether we are brainstorming or problem solving. Our shared focus on our customers and performance excellence allows for timely decision-making and an ability to bring relevant products and services to our customers quickly.

"I never forget that our products will make a difference in our customers' lives, and the opportunity to share my knowledge and assist them in financing their home is truly fulfilling."

PAT TALBOT, ASSISTANT VICE PRESIDENT, RESIDENTIAL LENDING

Residential Lending Officer Pat Talbot brings a seasoned expertise to our loan relationships. Like all of our loan officers, she lives and works within the neighborhoods that we serve. At a time when the big banks treat home mortgage applications as little more than commodities, we believe that each and every one of our customers is unique. We listen to our customers before offering our insights on home financing solutions. Our depth of understanding brings value to each of our loan relationships, and guides us in making good loan decisions. Our customers are assured of personal, first-class treatment throughout their loan process and with in-house servicing, they truly appreciate that they are able to reach a real person whenever they call.

RESIDENTIAL LENDING

"At Hingham Savings we share a sense of ownership that comes from many years of working together as a trusted team, with a purpose that has remained both clear and constant."

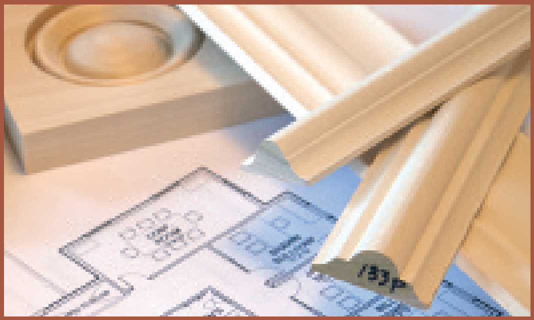
SHAWN SULLIVAN, VICE PRESIDENT, COMMERCIAL LENDING

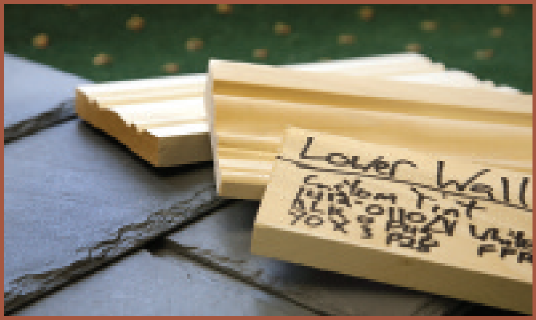
During a year when commercial credit markets were tight and the rest of the economy stopped lending, at Hingham Savings our commercial loan portfolio grew significantly. We have money to lend, and the experience to do it wisely. The most senior members of our Commercial Real Estate Loan Department, Vice President Shawn Sullivan and Vice President Peter Smollett, have a combined history of 65 years in commercial real estate lending. Strong knowledge of the market and our well-capitalized position have been key to our stability and strength. As a portfolio lender, our in-house decisions offer efficient loan turnaround time, and our hands-on approach brings an informed flexibility to our loan terms. Our clients appreciate our depth of understanding as we work personally with them throughout their loan process, building partnerships and earning their trust.

COMMERCIAL LENDING

"I attribute the many accomplishments of our bank, such as the controlled balance sheet growth and increased branches, to an outstanding staff, which I feel privileged to work with every day."

BILL DONOVAN, VICE PRESIDENT, ADMINISTRATION





As Vice President of Administration, Bill Donovan is point person for Hingham Savings' investor relations. He is also keeper of the company's infrastructure, integral to the planning and management of every aspect of our facilities, insurance, personnel, marketing, and safety functions. Currently, Hingham Savings is planning an expansion of our headquarters in Hingham Square which will be home to our entire administrative staff. The three-story, 14,350 square foot addition will attach to our main office buildings in Hingham Square, and represents the largest capital facility investment in our history. It will ensure our capacity to meet future needs as our company continues to grow. The expansion will follow the historic styling and signature colors of our present loan offices at 49 Main Street. We are scheduled to break ground on this project this summer.

Hingham Savings has grown to nine branches. Several of our beautiful banking offices involved historic renovations and close work with local historical authorities to ensure authenticity. We are proud to be able to provide our customers with a sense of place to do their banking, in safe and dignified settings that reflect our deep awareness of the importance of historical preservation.

"Hingham Savings provides a perfect work/family balance, which is professionally rewarding and has also allowed me to enjoy some of life's most important experiences, like the pride of volunteering at my children's school."

EILEEN TRAINOR, CPA, CONTROLLER

Bob Bogart has been with the company for one year, yet he already has a solid familiarity with our Accounting, Technology and Security operations. He refers to the leadership transition as "seamless." He credits a willing and talented staff for the welcoming atmosphere and strong skills which have continued to bring responsible accounting, informed perspective, and a judicious use of available technologies to the Bank. The success and efficiency of our accounting and technology functions are essential to our high caliber rating as a bank. Our customers appreciate the peace of mind that comes with knowing that their funds are safe and their banking is secure.

ACCOUNTING

"The most gratifying experience for me is the wealth of knowledge that comes from the Operations staff, with an average individual HIFS experience of 13 years."

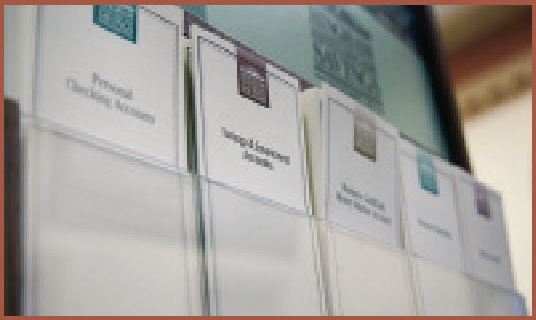
VENITA BELL SHAW, ASSISTANT VICE PRESIDENT, OPERATIONS

Our Operations Department is largely responsible for the daily function of our many banking conveniences; from account statements to ATM, telephone and Internet banking. Behind it all is team leader Venita Bell Shaw, whose steady hand and years of experience have brought cross-training and a policy of ownership to the department. The Operations staff has been trained to back each other up on job responsibilities. Each team member wears many hats, and that means a stronger, more effective department. Friendly professionals answer customer calls personally, and follow through until the concern has been resolved. In an age of automated messaging, annoying transfers and big bank voicemail, our customers truly appreciate the efficient service and respect for their time. Our dedicated staff ensures that the day-to-day operations of the Bank run smoothly and invisibly, and our customers are free to enjoy our many banking conveniences.

OPERATIONS

"People first. Whether it is our customers or our employees, people come first at HIFS."

Janet Rice, Assistant Vice President, Personnel



Our culture helps us to attract the strong candidates we hire and those we choose to represent us. When we invite a new employee to join our company, our decisions are based chiefly on character. While technical skills can be taught, it is most important to us that each member of our staff embody our core values: putting the customer first, teamwork, honesty and high performance standards.

As we begin 2010, Assistant Vice President, Personnel Janet Rice, and Peggie Warner, Assistant Vice President, Marketing, are rolling out a new Workplace Wellness program, designed to inspire healthy lifestyle awareness and wellness events as a special benefit for our employees.

Our Marketing Department creates and produces all of Hingham Savings' advertising materials in-house, including cable ads, website, product brochures, direct mail, print ads and point-of-purchase displays. Our hands-on approach has ensured that we reach our customers and markets with a clear voice and advertising materials that are both effective and truthful.

HUMAN RESOURCES, MARKETING

Board of Directors

Howard M. Berger, Esq.

Marion J. Fahey

Ronald D. Falcione

Kevin W. Gaughen, Esq.

Robert H. Gaughen, Jr., Esq.

Julio R. Hernando, Esq.

Robert A. Lane, Esq.

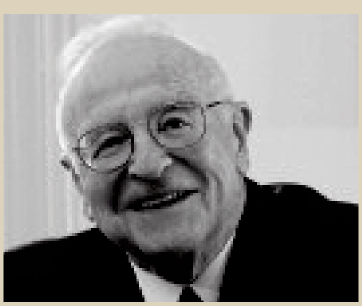
Scott L. Moser

Warren B. Noble

Stacey M. Page

Joseph A. Ribaudo, CPA

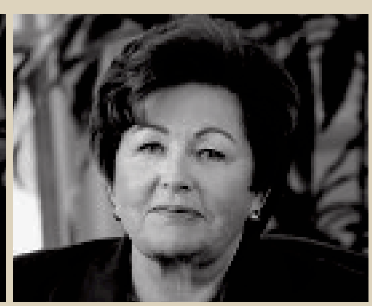
Edward L. Sparda



Donald M. Tardiff M.D.

James R. White

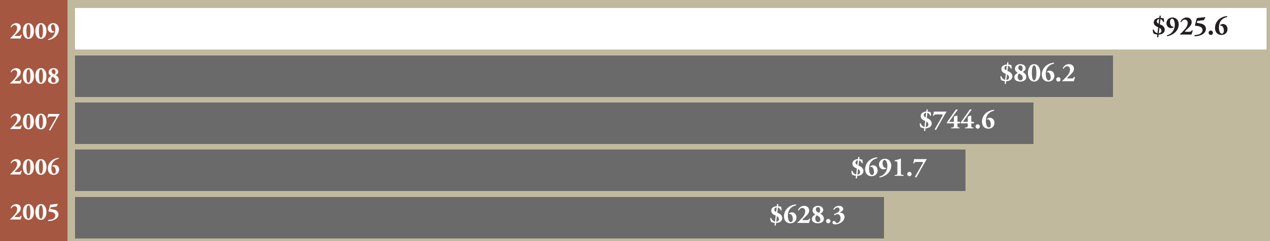
Geoffrey C. Wilkinson, Sr.



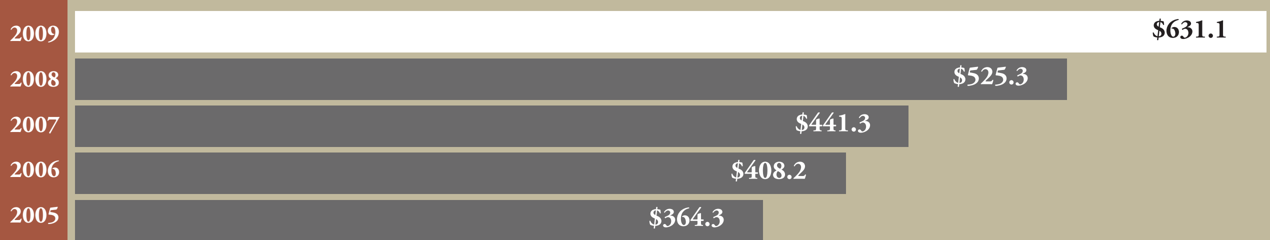
Jacqueline M. Youngworth

Financial Highlights

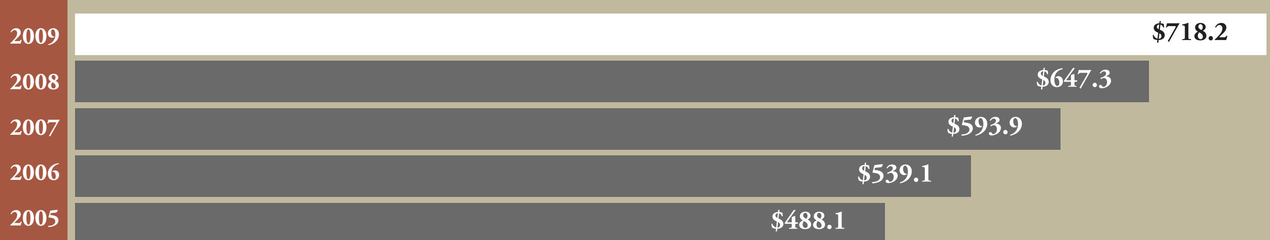
Assets
(in millions)



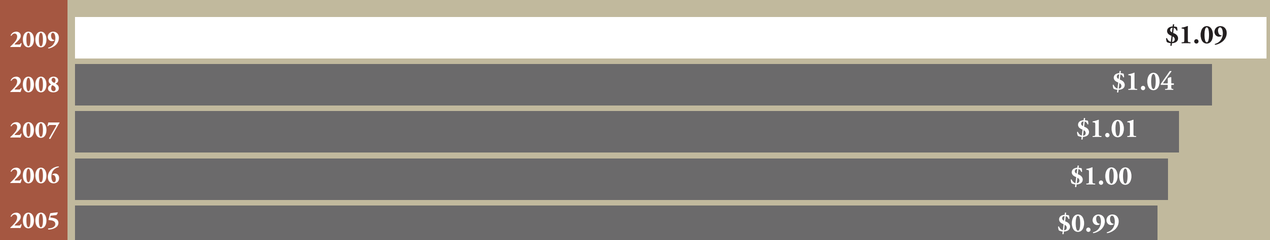
Deposits
(in millions)



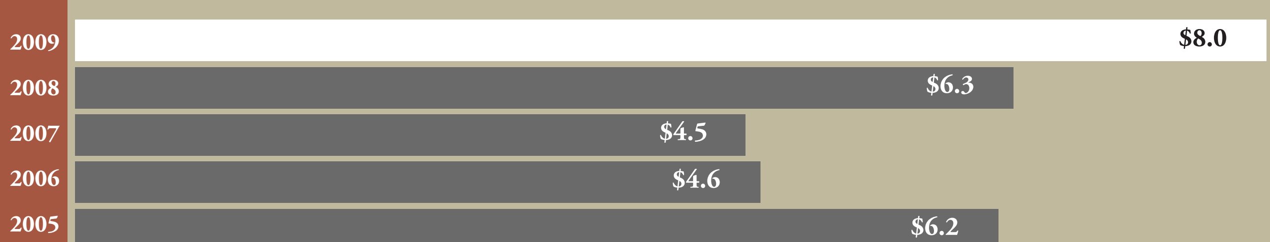
Loans, net
(in millions)



Dividends Declared
(per share)



Net Income
(in millions)



Selected Consolidated Financial Data

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,				
	2009	2008	2007	2006	2005
			(In Thousands)		
Balance Sheet Data:					
Total assets	$ 925,560	$ 806,193	$ 744,602	$ 691,652	$ 628,251
Securities available for sale	96,374	87,380	77,432	94,732	91,513
Loans:					
Residential mortgage	350,433	299,866	273,323	254,073	233,138
Commercial mortgage	348,700	317,162	299,739	267,917	238,408
Construction	23,228	33,315	23,464	19,426	18,982
Other	833	799	755	811	481
Allowance for loan losses	5,737	4,530	3,925	3,603	3,316
Deposits	631,087	525,334	441,275	408,190	364,295
Federal Home Loan Bank advances	222,636	214,994	243,738	227,576	211,816
Stockholders' equity	65,293	59,825	54,771	51,818	48,458

	Years Ended December 31,				
	2009	2008	2007	2006	2005
	(Dollars In Thousands, Except Per Share Amounts)				
Income Statement Data:					
Total interest and dividend income	$ 44,798	$ 43,309	$ 42,101	$ 37,089	$ 30,418
Total interest expense	17,599	21,980	26,073	21,212	12,389
Net interest income	27,199	21,329	16,028	15,877	18,029
Provision for loan losses	1,700	805	322	287	244
Other income	2,008	1,664	1,708	1,693	1,598
Operating expenses	14,371	12,123	10,587	10,116	9,520
Income before income taxes	13,136	10,065	6,827	7,167	9,863
Income tax provision	5,091	3,780	2,337	2,527	3,692
Net income	$ 8,045	$ 6,285	$ 4,490	$ 4,640	$ 6,171
Earnings per common share:					
Basic	$ 3.79	$ 2.96	$ 2.12	$ 2.19	$ 2.95
Diluted	$ 3.79	$ 2.96	$ 2.12	$ 2.19	$ 2.92
Financial Ratios:					
Return on average assets	0.93%	0.81%	0.63%	0.71%	1.07%
Return on average equity	12.78	11.08	8.40	9.18	13.20
Average equity to average assets	7.26	7.33	7.51	7.72	8.08
Interest rate spread	3.11	2.52	1.87	2.08	2.91
Net yield on average earning assets	3.30	2.86	2.33	2.51	3.24
Dividend payout ratio (basic)	28.76	35.14	47.64	45.66	33.56
Efficiency ratio	49.20	52.72	59.69	57.58	48.50
Cash dividends declared per common share	$ 1.09	$ 1.04	$ 1.01	$ 1.00	$ 0.99
Book value per common share	$ 30.74	$ 28.20	$ 25.85	$ 24.47	$ 23.01

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 conformity with accounting principles generally accepted in the United States of America, or "U.S. 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 most 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 the Bank's 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. If management's assumptions and judgments prove to be incorrect and the allowance for loan losses is inadequate to absorb inherent losses, the Bank's earnings and capital could be significantly and adversely affected.

COMPARISON OF THE YEARS 2009, 2008, and 2007

RESULTS OF OPERATIONS

For the year ended December 31, 2009, the Bank earned $8.0 million as compared to $6.3 million in 2008 and $4.5 million in 2007. On a basic and dilutive per-share basis, the Bank earned $3.79 in 2009, $2.96 in 2008 and $2.12 in 2007. Earnings for 2009 compared to 2008 were impacted by a $5.9 million increase in net interest income, a gain of $454,000 from the sale of $25.3 million in fixed rate residential loans offset, in part, by a $2.2 million increase in operating expenses and an $895,000 increase in the provision for loan losses. Earnings for 2008 compared to 2007 were impacted by a $5.3 million increase in net interest income offset, in part, by a $1.5 million increase in operating expenses and a $483,000 increase in the provision for loan losses.

Total interest and dividend income increased in 2009 compared to 2008 due to a 10% increase in average interest earning assets offset by a 36 basis point decrease in the yield on earning assets, reflecting market conditions. Interest expense decreased by 20% due to a 95 basis point decrease in the rate paid on interest-bearing liabilities reflecting a combination of market conditions and a shift from borrowed funds to lower cost deposit products offset, in part, by a 13% increase in average interest-bearing liabilities. Total interest and dividend income increased in 2008 as compared to 2007 due to a 9% increase in average earning assets offset by a 32 basis point decrease in the yield on earning assets, reflecting market conditions. Interest expenses decreased in 2008 due to a 97 basis point decrease in the rate paid on interest-bearing liabilities reflecting market conditions offset, in part, by a 9% increase in average interest-bearing liabilities.

Other income increased in 2009 by $344,000 over 2008 primarily due to gains on sale of mortgage loans of $454,000 offset by reductions of $130,000 in customer service fees on deposits. During 2009, the Bank sold $25.3 million in fixed rate residential mortgages (with servicing retained) as part of a strategy to reduce its long-term interest rate risk. Other income in 2008 compared to 2007 was relatively flat at $1.7 million for each year.

Increased operating expenses were reported for each of the past three years primarily in the categories of salaries and employee benefits, deposit insurance, foreclosure and occupancy and equipment. In 2009, deposit insurance expense increased by $994,000 due to the Federal Deposit Insurance Corporation ("FDIC") charging a special assessment to all insured banks along with an increase in its regular assessment. Increased operating expenses in 2009 and 2008 can also be attributed to foreclosure-related expenditures, which increased to $678,000 in 2009 compared to $202,000 for 2008 and $3,000 in 2007. Increases in salaries and employee benefits expense along with occupancy and equipment expenses can be attributed, in part, to the opening of a new branch in Norwell, Massachusetts in 2008 along with annual salary increases and increased benefit costs. The efficiency ratio, a measure of operating expenses as a percentage of operating income, was 49%, 53% and 60% for 2009, 2008 and 2007, respectively.

Net Interest Income

The Bank reported $27.2 million in net interest income in 2009 compared to $21.3 million in 2008 and $16.0 million in 2007. Through mid-2007, loans repriced and new loans were originated at higher interest rates. Beginning in September 2007, and throughout 2008, interest rates dropped dramatically and remained low during 2009. The cost of deposits and borrowings, which are more susceptible to interest rate changes, dropped dramatically during 2008 and remained low in 2009 allowing a large portion of deposit and borrowing balances to reprice to lower interest rates. The Bank's net interest margin has been positively impacted by this change in the interest rate environment and increased from 2.33% in 2007 to 2.86% in 2008 and 3.30% in 2009. Additionally, during the same period the Bank recognized significant increases in loan and deposit balances contributing to net interest income.

Average total earning assets increased 10% in 2009 compared to 2008 and 9% in 2008 over 2007. The Bank earned an average yield of 5.44% on its assets in 2009 as compared to 5.80% in 2008 and 6.12% in 2007. Interest income is derived from commercial and residential mortgages, home equity, installment and commercial loans, the securities portfolio and short-term investments. Interest income increased 3% in both 2009 over 2008 and 2008 over 2007, resulting from continued growth in loans, the most significant component of assets, accounting for 84% of average total earning assets in both 2009 and 2008 and 83% in 2007. Mortgage loans accounted for more than 99% of average outstanding loans in each of the past three years. Interest income derived from securities and short-term investments decreased in 2009 as compared to 2008, and 2008 as compared to 2007, due to lower market rates. This category also includes dividends paid on Federal Home Loan Bank ("FHLB") stock. In early 2009, the FHLB announced a capital retention plan and, as such, discontinued the payment of dividends. The Bank maintains $13.4 million in stock at the FHLB and did not receive any income in 2009 compared to $490,000 paid in 2008 and $798,000 for 2007. It is uncertain when the FHLB will resume paying dividends on its stock.

Non-accrual loans totaled $9.4 million at December 31, 2009 as compared to $7.1 million at December 31, 2008 and $1.5 million at December 31, 2007. Interest income includes actual payments made on loans classified as non-accrual. Excluded from interest income is interest not paid on such loans, which totaled $407,000 for 2009 as compared to $424,000 for 2008 and $80,000 for 2007.

In response to market conditions, the Bank decreased the rates it paid on the more volatile of its interest-bearing deposit accounts in both 2009 and 2008 while most core deposit rates were unaffected. As a result, interest expense on deposits decreased by 14% in 2009 over 2008. The average rate paid on certificates of deposit decreased by 110 basis points in 2009 over 2008 and the average rate paid for money market accounts decreased by 68 basis points in 2009 over 2008. Certificates of deposit were 51% of total deposits at year end 2009 as compared to 59% at year end 2008 and 61% at year end 2007. Given the current economic environment, management believes it is unlikely that deposit market rates will rise significantly in 2010 and, as a result, the low cost of these liabilities is expected to continue for the next fiscal year.

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,					
	2009 Compared to 2008 Increase (Decrease)			2008 Compared to 2007 Increase (Decrease)		
	Due to			Due to		
	Volume	Rate	Total	Volume	Rate	Total
	(In Thousands)					
Interest and dividend income:						
Loans	$ 4,123	$ (1,408)	$ 2,715	$ 3,563	$ (593)	$ 2,970
Securities	358	(1,021)	(663)	(1,116)	(889)	(2,005)
Short-term investments and certificates of deposit	(3)	(560)	(563)	815	(572)	243
Total interest and dividend income	4,478	(2,989)	1,489	3,262	(2,054)	1,208
Interest expense:						
Interest-bearing deposits:						
Regular	12	1	13	(2)	(1)	(3)
Money market deposits	1,089	(706)	383	638	(132)	506
NOW	3	—	3	2	(3)	(1)
Term certificates	1,200	(3,342)	(2,142)	814	(3,479)	(2,665)
Total interest-bearing deposits	2,304	(4,047)	(1,743)	1,452	(3,615)	(2,163)
Borrowed funds	(1,089)	(1,549)	(2,638)	421	(2,351)	(1,930)
Total interest expense	1,215	(5,596)	(4,381)	1,873	(5,966)	(4,093)
Net interest income	$ 3,263	$ 2,607	$ 5,870	$ 1,389	$ 3,912	$ 5,301

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

	Years Ended December 31,								
	2009			2008			2007		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
	(Dollars in Thousands)								
Assets:									
Loans:									
Real estate loans	$ 691,457	$ 42,134	6.09%	$ 624,483	$ 39,417	6.31%	$ 568,360	$ 36,456	6.41%
Commercial loans	252	28	11.11	170	22	12.94	119	17	14.29
Other loans	518	37	7.14	555	45	8.11	483	41	8.49
Total loans (1) (2)	692,227	42,199	6.10	625,208	39,484	6.32	568,962	36,514	6.42
Securities (3) (4)	85,427	2,120	2.48	74,748	2,783	3.72	101,548	4,788	4.72
Short-term investments and certificates of deposit	46,251	479	1.04	46,385	1,042	2.25	17,292	799	4.62
Total interest-earning assets	823,905	44,798	5.44	746,341	43,309	5.80	687,802	42,101	6.12
Other assets	42,928			27,211			23,745		
Total assets	$ 866,833			$ 773,552			$ 711,547		
Liabilities and stockholders' equity:									
Interest-bearing deposits:									
Regular	$ 46,478	117	0.25	$ 41,747	104	0.25	$ 42,646	107	0.25
Money market deposits	154,034	2,132	1.38	85,015	1,749	2.06	54,490	1,243	2.28
NOW (5)	28,366	27	0.10	24,706	24	0.10	23,153	25	0.11
Term certificates	313,932	8,058	2.57	277,977	10,200	3.67	260,572	12,865	4.94
Total interest-bearing deposits	542,810	10,334	1.90	429,445	12,077	2.81	380,861	14,240	3.74
Borrowed funds	212,841	7,265	3.41	241,362	9,903	4.10	232,820	11,833	5.08
Total interest-bearing liabilities	755,651	17,599	2.33	670,807	21,980	3.28	613,681	26,073	4.25
Demand deposits	42,873			42,803			42,161		
Other liabilities	5,338			3,230			2,237		
Stockholders' equity	62,971			56,712			53,468		
Total liabilities and stockholders' equity	$ 866,833			$ 773,552			$ 711,547		
Net interest income		$ 27,199			$ 21,329			$ 16,028	
Weighted average interest rate spread			3.11%			2.52%			1.87%
Net yield on average earning assets (6)			3.30%			2.86%			2.33%

(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.

Interest expense on borrowed funds decreased in 2009 as compared to 2008 due to decreased market rates along with a reduction in average borrowed funds. Borrowings from the FHLB are drawn to fund growth in the loan portfolio, however, due to strong deposit growth in 2009, the Bank was able to fund loan growth with deposits along with lowering the average balance of FHLB advances. At December 31, 2009, the weighted average rate on Federal Home loan bank borrowings was 3.33% compared to 3.42% at December 31, 2008. The average cost of all borrowings was 3.41% for 2009 as compared to 4.10% for 2008 and 5.08% for 2007. Beginning in late 2008 and throughout 2009, the Bank began to replace some of its maturing debt with longer-term advances to take advantage of low, long-term funding costs and reduce the Bank's reliance on short-term debt. The Bank intends to continue this practice through early 2010 and possibly beyond, to the extent that longer-term market rates remain attractive.

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 historical charge-offs, loan-to-value ratios, underlying collateral values, payment history, the size of the loan portfolio and the risks associated with certain loan types as well as other factors such as local economic trends, real estate market conditions and credit concentrations. (Refer to Note 1 to the Consolidated Financial Statements for more details.)

In 2009, the Bank had net loan charge-offs of $493,000 compared to $200,000 in 2008. The Bank continues to closely monitor its non-accrual loans, which were 1.30% of total loans at December 31, 2009 compared to 1.09% at December 31, 2008 , and its loans past due greater than 30 days, which have increased to 1.85% of total loans at December 31, 2009 as compared to 1.70% at December 31, 2008. The provision for loan losses for 2009 was $1.7 million as compared to $805,000 in 2008 and $322,000 in 2007, reflecting growth in the loan portfolio, an increase in non-performing loans, a continued deterioration in the housing market and the volatility of economic indicators. As a percentage of the gross loan portfolio, the allowance for loan losses was 0.79% for 2009, 0.70% for 2008, and 0.66% for 2007.

Other Income

Other income in 2009 was $2.0 million compared to $1.7 million in both 2008 and 2007. Other income is comprised of customer service fees, increases in the cash surrender value of life insurance policies, gain on sale of loans and miscellaneous income. During 2009, residential mortgage rates were at their lowest in several years. To minimize the Bank's overall interest rate risk, two pools of fixed rate residential mortgage loans totaling $25.3 million were packaged and sold in the secondary market producing gains totaling $454,000. Fees earned on customer accounts were $857,000 in 2009 compared to $1.0 million in both 2008 and 2007. Customer service fee income was derived primarily from deposit account transaction fees and ATM/debit card usage fees. The 2009 fees reflect a lower volume of fee-based transactions offset, in part, by modest increases in the schedule of fees. ATM/debit card fees were lower due to lower interchange volume.

Also contributing to other income in each of the three years was the increase in the cash surrender value of life insurance policies. The Bank held $13.6 million in life insurance policies at year end 2009 compared to $13.2 million at year end 2008. Income from these assets is fully excludable from income taxes and contributed $458,000 to other income in 2009, $464,000 in 2008 and $480,000 in 2007. The policies accrete at a variable rate of interest with minimum stated guaranteed rates.

Operating Expenses

Total operating expenses, as a percentage of average total assets, were 1.66% for 2009, 1.57% for 2008 and 1.49% for 2007, reflecting additional expenses associated with increased deposit insurance assessments, the opening of a new branch office in mid-2008 and the increased expenses related to foreclosed real estate.

Salaries and employee benefits continues to be the largest component of operating expenses at $7.7 million for 2009, $7.1 million for 2008 and $6.4 million for 2007. Annual merit-based salary increases, which averaged 5% for 2009 compared to 4% in each of 2008 and 2007, accounted for the majority of the increase in each year. Additionally, 2009 was the first full year of recognizing expenses related to the newest branch in Norwell that opened in mid-2008.

Also contributing to the increase in salaries and employee benefits in each year was the expense associated with a Supplemental Employee Retirement Plan for certain Bank officers, which accounted for $595,000 in expense for 2009, $611,000 for 2008 and $581,000 for 2007. For 2009, 2008 and 2007, 401(k) defined contribution expenses were $261,000, $241,000 and $226,000, respectively. The Bank has a post-retirement health care plan for certain Bank officers and expenses an amount reflecting an estimate of such future expenses. In 2009, the Bank recognized a net recovery of expense totaling $43,000 due to the departure of a key executive and the associated forfeiture of benefits. This compares to post-retirement health care plan expense of $59,000 in 2008 and $55,000 in 2007. Health care benefits, including medical and dental, rose 31% in 2009 over 2008 and 3% in 2008 as compared to 2007. During 2009, the Bank noted increased participation in the medical plans due to the addition of staff and increased enrollment.

In 2007, the Bank terminated its split dollar life insurance arrangement with two Bank officers and replaced the benefit with an amendment to each officer's employment agreement which guarantees a death benefit similar to that previously provided by the split dollar agreements. The expense associated with this liability was $421,000 in 2009 compared to $263,000 for 2008. The increase in 2009 was due to the departure of one executive covered under the plan and the associated escalation of service cost that totaled $168,000.

Data processing expenses for 2009, 2008 and 2007 amounted to $859,000, $837,000 and $804,000, respectively. The Bank continually performs upgrades to its information technology infrastructure and increased data processing costs associated with the new Norwell branch, which opened in mid-2008, and system enhancements were offset by lower ATM network fees due to renegotiated contracts and lower volume.

Occupancy and equipment expenses increased by 5% and 11% in each of the past two years and can largely be attributed to the 2008 opening of the Bank's ninth office in Norwell. This category also includes $178,000, $167,000 and $161,000 in rent expenses for 2009, 2008 and 2007, respectively.

Deposit insurance expenses were $1.3 million in 2009, $341,000 in 2008 and $68,000 in 2007. Deposit insurance expense consists of assessments paid to the FDIC and the Deposit Insurance Fund of Massachusetts ("DIF"). In 2009, the FDIC announced a significant increase in regular assessment rates along with a special assessment that amounted to $405,000 for the Bank in 2009. In 2007, the FDIC significantly increased its assessment rate and concomitantly issued a one-time credit which the Bank used in its entirety to offset all 2007 FDIC assessment expenses.

Foreclosure expenses include expenses related to foreclosing on collateral, maintaining properties, subsequent write-downs in the value of collateral and any net losses associated with their disposition. During 2009, total foreclosure related expenses were $678,000 compared to $202,000 in 2008 and $3,000 in 2007. Expenses in 2009 were primarily comprised of $66,000 in losses on disposal of properties, $100,000 in write-downs and $512,000 in legal, real estate taxes, utilities, insurance and other expenses related to the foreclosure process and maintaining properties.

Marketing expenses were $461,000 in 2009, $409,000 in 2008 and $347,000 in 2007. The increase in 2009 was due to additional marketing initiatives to promote the stability of the Bank including the security of full insurance coverage on deposit balances. Additionally, the Bank has been promoting competitive deposit and loan products and rates.

Other general and administrative expenses were $2.0 million in 2009, $1.9 million in 2008 and $1.8 million in 2007. These expenses include audit fees, directors' fees, supplies, postage, legal fees, bank fees, reporting costs and other items.

Income Taxes

The Bank's effective tax rate was 38.8% for 2009, 37.6% for 2008 and 34.2% for 2007. The increase in the effective tax rate in 2009 over 2008 is attributable to tax preference income earned on the Bank's investment portfolio along with income derived from the bank-owned life insurance policies becoming a lower portion of overall income. The increase in the effective tax rate in 2008 over 2007 is attributable to the higher percentage of income taxed at higher state tax rates accompanied by a modest decrease in tax exempt income. The Bank's securities are held in Massachusetts security corporations whose earnings are taxed at lower state rates. Income derived from bank-owned life insurance policies is tax-exempt.

COMPARISON OF THE YEARS 2009 AND 2008

BALANCE SHEET ANALYSIS

The Bank had total assets of $925.6 million at December 31, 2009, an increase of $119.4 million, or 15%, from the $806.2 million level at year end 2008.

Loans

At December 31, 2009, the Bank reported net loans of $718.2 million or 78% of total assets compared to $647.3 million or 80% of total assets at December 31, 2008. In 2009, the Bank originated $242.1 million in mortgage and other loan products and sold $25.3 million in fixed rate residential loans, which resulted in net loan growth of $71.0 million. In 2008, the Bank originated $143.7 million in mortgage and other loan products which resulted in net loan growth of $53.3 million. At December 31, 2009 and 2008, mortgage loans accounted for more than 99% of gross loans. For 2009, commercial mortgages represented 48% of the mortgage portfolio, residential mortgages and home equity loans represented 47% and construction loans represented 3%. For 2008, commercial mortgages represented 49%, of the mortgage portfolio, residential mortgages and home equity loans represented 45%, and construction loans represented 5%.

The Bank's lending strategy during 2009 and 2008 has continued to focus on the origination of commercial, multi-family and single-family mortgage loans. Mortgages increased by 11% in 2009. Approximately 45% of the residential mortgage loan portfolio consists of 20/20 mortgages – a forty-year mortgage with a fixed rate that is subject to change, one time, at the end of the twenty year period. Other residential mortgages are generally underwritten to conform to Federal National Mortgage Association ("FNMA") or Federal Home Loan Mortgage Corporation ("Freddie Mac") guidelines. During 2009, the Bank sold $25.3 million in fixed rate mortgages to Freddie Mac as part of a strategy to limit the Bank's interest rate risk. 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, 2009 and 2008, the allowance had a balance of $5.7 million and $4.5 million, respectively. The allowance is maintained at a level which the Bank believes is adequate to absorb inherent losses in the portfolio. The allowance is reviewed by senior management on at least a quarterly basis to determine its adequacy. Factors considered include historic losses, loan-to-value ratios, underlying collateral values, payment history, the size of the loan portfolio and the risks associated with certain loan types as well as other factors such as local economic trends, real estate market conditions and credit concentrations. (Refer to Note 1 to the Consolidated Financial Statements for more details.) Loan losses are charged against the allowance when the collectibility of loan principal becomes unlikely. In 2009 and 2008, the Bank had net charge offs of $493,000 and $200,000, respectively. In 2007, there were no loan charge-offs.

The Bank works closely with delinquent mortgagors to bring their loans current and foreclosure proceedings commence if the mortgagor is unable to satisfy their outstanding obligation. In 2008, the Commonwealth of Massachusetts enacted a law which grants a mortgagor a 90-day right to cure a default on residential real property mortgages. Land court filings, which are part of the foreclosure process in Massachusetts, experienced a 90-day backlog due to the volume of foreclosure filings in the state. This resulted in a delay in the Bank's collection process.

The Bank had non-accrual loans at December 31, 2009 with a combined outstanding balance of $9.4 million as compared to $7.1 million at December 31, 2008. As a percentage of total loans, these non-accrual loans were 1.30% at December 31, 2009 and 1.09% at December 31, 2008. All loans on non-accrual except consumer loans are considered impaired and, as such, are reviewed for specific reserve allocation. At December 31, 2009 and 2008, $125,000 and $31,000, respectively, was allocated to impaired loans.

Securities

The purpose of the Bank's securities portfolio is to provide liquidity and for use as collateral to obtain borrowed funds. At December 31, 2009, the securities portfolio totaled $96.4 million, or 10% of total assets and was comprised of debt and mortgage-backed securities issued by government-sponsored enterprises and a single equity issue as compared to $87.4 million, or 10% of total assets, at year end 2008. At both December 31, 2009 and 2008, 97% of the Bank's securities were issued or guaranteed by government-sponsored enterprises.

At December 31, 2009, 92% of the securities portfolio consisted of 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. In addition, 35% of the bond issues are subject to redemption at dates earlier than the stated maturity at the discretion of the issuer.

At December 31, 2009, 5% of the portfolio, or $4.8 million, was comprised of mortgage-backed securities, a decrease of $3.7 million over the balances held at December 31, 2008. 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.

The securities portfolio also includes a $3.0 million investment in the CRA Fund, a mutual fund which invests in securities which qualify under the Community Reinvestment Act ("CRA") securities test. This investment accounted for 3% of the investment portfolio at both December 31, 2009 and 2008. The Bank did not hold any equity securities issued by Federal National Mortgage Association ("FNMA") or Federal Home Loan Mortgage Corporation ("FHLMC") and was unaffected by the devaluation of these securities which occurred in 2008.

At year end 2009 and 2008, the entire securities portfolio was classified as available for sale and was carried at fair value with unrealized gains or losses reported in accumulated other comprehensive income, a separate component of stockholders' equity. The net unrealized gain on the portfolio amounted to $458,000, net of tax effects, at December 31, 2009 as compared to $770,000 at year end 2008, reflecting changing market conditions and the maturity of higher yielding securities. The fair value of securities fluctuates with the movement of interest rates and is impacted by maturities. Generally, during periods of falling interest rates, the fair values increase whereas the opposite may hold true during a rising interest rate environment. However, due to the short-term nature of the Bank's investment portfolio, market value adjustments lessen as the maturity date gets closer.

As a member of the Federal Home Loan Bank of Boston, the Bank is required to hold a Membership Stock Investment plus an Activity-based Stock Investment which generally approximates 5% of the Bank's borrowings balance. At both December 31, 2009 and 2008, this investment accounted for less than 2% of total Bank assets. During 2008, the FHLB announced a capital retention plan which prevented the Bank from redeeming its excess stock. At both December 31, 2009 and 2008, the Bank held $13.4 million in FHLB stock. Additionally, in early 2009, the FHLB announced the suspension of dividends on its stock. During 2008, the Bank recorded $490,000 in dividend income, however, in 2009 no dividends were received.

The Bank also holds an investment in certificates of deposit issued by other banks. At December 31, 2009, this investment amounted to $13.2 million, as compared to $13.6 million at December 31, 2008. In 2008, the FDIC increased its maximum insurance coverage to $250,000 per depositor, effective through December 31, 2013. No single certificate held by the Bank maturing within this time frame exceeds this maximum and, therefore, all are insured in full by the FDIC.

Foreclosed Assets

At December 31, 2009, the Bank held four foreclosed properties totaling $3.2 million compared to one foreclosed property totaling $280,000 at December 31, 2008. At December 31, 2009, the foreclosed properties consisted of two commercial real estate properties carried at $2.8 million and two residential properties carried at $395,000. The Bank is carrying the properties as held for sale and as such has marked the properties to the lower of carrying amount or the fair value less cost to sell.

Other Assets

The Bank held $13.6 million in Bank-owned life insurance at December 31, 2009 as compared to $13.2 million at December 31, 2008. The increase in 2009 was attributable to the increase in the cash surrender values of the underlying policies. The policies, which insure the lives of certain Bank officers, accrete at a variable rate of interest with minimum stated guaranteed rates. The Bank monitors the credit ratings of the policy issuers and has determined that, at December 31, 2009, all issuers were rated at or above Bank guidelines.

Deposits

At December 31, 2009, the Bank held a total of $631.1 million in deposits, an increase of $105.8 million, or 20%, from the $525.3 million in deposits at year end 2008. The unprecedented growth experienced in 2009 was attributable to volatility in the financial markets experienced in the latter part of 2008 and throughout 2009 as depositors sought the safe haven offered by fully insured depository institutions. Non-certificate deposits, comprised of savings, NOW, money market, and demand deposit accounts, were $310.5 million at December 31, 2009 as compared to $217.2 million at year end 2008, an increase of $93.3 million, or 43%, which was attributable to growth in money market accounts of $77.4 million or 71%, regular savings accounts of $5.7 million or 13% and transaction accounts of $10.2 million or 16%. Non-certificate deposits comprised 49% of total deposits at December 31, 2009 as compared to 41% at year end 2008. Certificates of deposit were $320.6 million at December 31, 2009 as compared to $308.2 million at year end 2008.

The Bank's primary competition for deposits is other banks and credit unions in the Bank's market area as well as the internet and mutual funds. The Bank's ability to attract and retain deposits depends upon satisfaction of depositors' requirements with respect to insurance, 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. In the second quarter of 2008, the Bank opened a new branch in Norwell which has, thus far, surpassed management's expectations with respect to deposit growth.

Deposits are insured in full through the combination of the FDIC and the DIF. Generally, through December 31, 2013, separately insured deposit accounts are insured up to $250,000 by the FDIC and deposit balances in excess of this amount are insured by the DIF. DIF insurance provides an advantage for the Bank as some competitors cannot offer this coverage.

Borrowings

The Bank had $222.6 million, or 24% of assets, in FHLB advances at December 31, 2009 as compared to $215.0 million, or 27% of total assets, at year end 2008, representing an increase of $7.6 million. During 2009, the average balance of borrowed funds was $212.8 million compared to $241.4 million in 2008. In 2009, the Bank's deposit base increased by $105.8 million. A portion of these funds were used to fund growth in assets and redeem FHLB maturing debt. Generally, borrowings are drawn with a fixed rate and term; however, approximately $51.5 million, or 23%, can be called by the issuer after an initial specified term, and an additional $1.6 million is subject to principal amortization over its stated life. At December 31, 2009, 23% of all borrowings will mature within one year as compared to 39% at December 31, 2008. During 2009, as borrowings matured, the Bank replaced many borrowings at longer terms to lock in lower-cost funding for future periods. The average rate paid on borrowings held at year end 2009 was 3.33%, down from 3.42% at year end 2008, reflecting a combination of a decrease in market interest rates in 2009 along with extended maturities.

In 2008, the Bank purchased property in Norwell for its newest branch location. The Bank financed the purchase through the issuance of a mortgage in the amount of $1.2 million to the seller. The mortgage note is at a market rate, amortizes monthly and matures in 2028.

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 debt securities issued by government-sponsored enterprises, or 57% of the Bank's securities portfolio, is fixed with respect to rate and maturity date. Sixteen securities, or 35%, are subject to redemption, at par, at the discretion of the issuer and, based on current market rates, are expected to be redeemed upon their contractual call dates. Mortgage-backed securities, which comprise 5% 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.

Investment in FHLB stock is illiquid. Certificates of deposit held as an investment are at stated fixed rates and maturity dates.

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. The Bank experienced an overall prepayment rate of 20% on its loan portfolio in 2009 as compared to 14% in 2008. For 2010, prepayment rates are expected to slow as refinancing has slowed and interest rates are expected to remain relatively stable or increase for the next 12 months.

The proceeds to the Bank under key executive life insurance policies are illiquid during the lives of the executives. Such policies total $13.6 million, or less than 2% of total assets, at December 31, 2009 as compared to $13.2 million, or less than 2%, at December 31, 2008.

Non-certificate deposit balances can generally be withdrawn from the Bank at any time. 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 10 years, deposits have exceeded withdrawals resulting in net cash inflows from depositors.

At December 31, 2009, 76% of the Bank's borrowings are fixed in terms of maturity and 23%, or $51.5 million, can be called for earlier repayment at the discretion of the issuer. However, in the current economic environment, it is unlikely that all of these borrowings will be called in the near term.

The Bank also monitors its off-balance sheet items. At December 31, 2009, the Bank had $71.1 million in commitments to extend credit as compared to $59.4 million at December 31, 2008. (Refer to Note 10 to Consolidated Financial Statements for more details.) No other off-balance sheet arrangements existed at December 31, 2009 or 2008.

The Bank takes each of these preceding issues into consideration when measuring its liquidity position. Specific measurements include the Bank's cash flow position from the 30 day to 90 day horizon, the level of volatile liabilities to earning assets and loan to deposit ratios. Additionally, the Bank shocks its cash flow. At December 31, 2009 and 2008, 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 $335.6 million to meet its borrowing needs, based on the Bank's available qualified collateral which consists primarily of 1-4 family residential mortgages, certain multifamily residential property, the Bank's investment in one of its securities corporation subsidiaries and certain commercial mortgages. Upon specific approval from the FHLB, the Bank may also pledge other mortgages or other deposit balances as collateral to secure as much as $127.8 million in additional borrowings. At December 31, 2009, the Bank had $222.6 million in FHLB advances outstanding. Additionally, in 2009 the Bank has agreements with the Federal Reserve Bank to access their discount window. The Bank may access this line by assigning assets as collateral.

At December 31, 2009, the Bank had capital of $65.3 million, or 7.1% of total assets, as compared to $59.8 million, or 7.4%, at December 31, 2008. 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, 2009, the Bank's entire securities portfolio was classified as available for sale which had the effect of increasing capital by $458,000. In comparison, at year end 2008, capital was increased by $770,000.

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 2009 and 2008.

During 2009, the Bank declared dividends of $1.09 per share which included a $0.23 per share special dividend which was declared in the fourth quarter. In comparison, in 2008, the Bank declared dividends of $1.04 per share which included a $0.22 per share special dividend. The Bank's dividend payout ratio, which is calculated by dividing dividends per share into earnings per share, was 28.76% for 2009 as compared to 35.14% for 2008.

IMPACT OF INFLATION AND CHANGING PRICES

The consolidated financial statements and related consolidated financial data presented herein have been prepared in conformity with U.S. GAAP, which generally requires 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. At December 31, 2009, the model assumed a 100 and 200 basis point increase in interest rates where the magnitude of the rate change varies with the term. For example, longer-term rates are modeled to change by 60 basis points and short term rates are modeled to change by 100 basis points. The model estimates that, over a twenty-four month period, net interest income will decrease 3% if rates rise 100 basis points and will decrease 5% if rates rise 200 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.

At December 31, 2009, loans, as a percent of total earning assets, was 81% compared to 83% at December 31, 2008. The composition of the Bank's liabilities changed such that interest-bearing deposits accounted for 74% of total interest-bearing liabilities at year end 2009 as compared to 69% at the prior year end. During the latter part of 2008 and throughout 2009, the Bank attracted new deposits which were used to reduce borrowings and fund loan growth.

At December 31, 2008, liabilities that reprice within one year exceeded asset repricing within the same period by $175.2 million. Market interest rates remained relatively flat during 2009. The Federal Reserve Bank lowered its targeted Federal Funds rate to near zero in late 2008 and kept it at this level throughout all of 2009. Longer-term rates declined slightly during 2009. The Bank was positively impacted by the lower market interest rates during 2009. The yield on earning assets declined by 36 basis points. However, the average rate on funding costs, in the form of deposits and borrowings, dropped by 95 basis points, contributing $4.4 million, or 75%, of the $5.9 million improvement in net interest income for 2009.

At December 31, 2009, liabilities that reprice within one year exceeded assets repricing within the same period by $187.5 million indicating that the Bank is susceptible to lower net interest income in the event that market rates rise in 2010. To take advantage of the current low cost of long-term funding, the Bank currently anticipates that it will continue to replace a portion of its maturing advances with longer terms to reduce interest rate risk going forward.

At December 31, 2009, the Bank had the following contractual obligations outstanding:

	Payments Due by Year (In Thousands)				
	Total	Less than One Year	One to Three Years	Over Three to Five Years	More than Five Years
Contractual Obligations:					
Federal Home Loan Bank advances	$ 222,636	$ 51,953	$ 60,500	$ 74,000	$ 36,183
Certificates of deposit	320,577	270,351	43,909	6,318	—
Data processing agreements*	905	665	240	—	—
Lease agreements **	1,029	172	361	360	136
Other borrowings	1,184	37	82	93	972

*Estimated payments subject to change based on transaction volume.

** Leases contain provisions to pay certain operating expenses, the cost of which is not included above. Lease commitments are based on the initial contract term, or longer when, in the opinion of management, it is more likely than not that the lease will be renewed.

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 28% 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 current assumptions about the volatility of such deposits.

December 31, 2009

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), short-term investments and certificates of deposit	$ 103,876	$ 53,588	$ 9,996	$ —	$ —	$ —	$ 167,460
	1.69%	2.39%	1.81%	—%	—%	—%	1.92%
Loans:							
Fixed rate	$ 34,307	$ 24,678	$ 22,775	$ 21,364	$ 20,127	$ 88,551	$ 211,802
	6.18%	5.87%	5.86%	5.88%	5.89%	6.18%	6.05%
Adjustable rate	$ 121,159	$ 88,749	$ 70,914	$ 80,868	$ 77,511	$ 72,191	$ 511,392
	5.68%	6.33%	6.42%	6.15%	5.93%	5.84%	6.03%
Interest-bearing liabilities:							
Deposits:							
Non-certificate accounts	$ 124,422	$ 13,778	$ —	$ —	$123,316	$ —	$ 261,516
	1.30%	1.10%	—%	—%	0.42%	—%	0.87%
Term certificates	$ 270,351	$ 34,117	$ 9,792	$ 3,816	$ 2,501	$ —	$ 320,577
	1.86%	2.64%	2.85%	3.29%	2.97%	—%	2.00%
Borrowed funds	$ 52,088	$ 46,642	$ 14,152	$ 15,161	$ 59,170	$ 36,607	$ 223,820
	3.53%	3.27%	2.23%	2.86%	3.18%	4.20%	3.36%

December 31, 2008

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), short-term investments and certificates of deposit	$ 76,121	$ 42,058	$ 6,138	$ —	$ —	$ —	$ 124,317
	2.14%	2.96%	3.50%	—%	—%	—%	2.49%
Loans:							
Fixed rate	$ 77,771	$ 60,977	$ 50,124	$ 37,723	$ 34,512	$ 84,134	$ 345,241
	6.24%	6.03%	6.71%	6.05%	6.09%	6.39%	6.27%
Adjustable rate	$ 100,256	$ 52,390	$ 51,157	$ 40,830	$ 48,792	$ 12,476	$ 305,901
	5.90%	6.27%	6.59%	6.88%	6.46%	6.56%	6.33%
Interest-bearing liabilities:							
Deposits:							
Non-certificate accounts	$ 69,912	$ 10,914	$ —	$ —	$ 94,983	$ —	$ 175,809
	1.92%	1.83%	—%	—%	0.46%	—%	1.13%
Term certificates	$ 273,852	$ 23,446	$ 8,154	$ 1,309	$ 1,404	$ —	$ 308,165
	3.16%	3.44%	3.55%	3.66%	3.65%	—%	3.20%
Borrowed funds	$ 85,539	$ 42,948	$ 46,649	$ 158	$ 168	$ 40,751	$ 216,213
	2.83%	4.19%	3.27%	5.78%	5.76%	4.08%	3.43%

Management's Annual Report on Internal Control over Financial Reporting

It is the responsibility of Management for establishing and maintaining adequate internal control structure and procedures for financial reporting. Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has undertaken a comprehensive review of the Bank's internal controls and has evaluated the effectiveness of such disclosure controls and procedures based on criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Therefore, management does not expect that its internal control over financial reporting will prevent or detect all errors or fraud. A control system, no matter how well designed, implemented and operated, can provide only reasonable, not absolute, assurance that its objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Based on Management's evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that for the year ended December 31, 2009, we have maintained effective control over the preparation of the Bank's consolidated financial statements for external reporting purposes and that there is reasonable assurance that the information required to be disclosed has been completed in accordance with accounting principles generally accepted in the United States of America and in all material respects is fairly stated.

This annual report does not include an attestation report of the Bank's Independent Registered Public Accounting Firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Bank's Independent Registered Public Accounting Firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Bank to provide only management's report in this annual report.

Robert H. Gaughen
Chief Executive Officer
March 2, 2010

Robert A. Bogart
Chief Financial Officer
March 2, 2010

Report of Independent Registered Public Accounting Firm

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, 2009 and 2008, 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, 2009. 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 the standards of the Public Company Accounting Oversight Board (United States). 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, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to examine management's assertion about the effectiveness of the Bank's internal control over financial reporting as of December 31, 2009 included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting", and, accordingly, we do not express an opinion thereon.

Wolf & Company, P.C.

Boston, Massachusetts
March 2, 2010

Consolidated Balance Sheets

ASSETS

	December 31, 2009	December 31, 2008
	(In Thousands)	
Cash and due from banks	$ 7,372	$ 6,119
Short-term investments	45,265	14,099
Cash and cash equivalents	52,637	20,218
Certificates of deposit	13,150	13,648
Securities available for sale, at fair value	96,374	87,380
Federal Home Loan Bank stock, at cost	13,373	13,373
Loans, net of allowance for loan losses of $5,737,000 in 2009 and $4,530,000 in 2008	718,242	647,255
Foreclosed assets	3,185	280
Bank-owned life insurance	13,615	13,157
Premises and equipment, net	5,434	5,632
Accrued interest receivable	3,392	3,380
Prepaid FDIC assessment	3,409	—
Deferred income tax asset, net	1,990	1,362
Other assets	759	508
	$ 925,560	$ 806,193

LIABILITIES AND STOCKHOLDERS' EQUITY

	2009	2008
Deposits	$ 631,087	$ 525,334
Federal Home Loan Bank advances	222,636	214,994
Mortgage payable	1,184	1,219
Mortgagors' escrow accounts	1,968	1,751
Accrued interest payable	714	692
Other liabilities	2,678	2,378
Total liabilities	860,267	746,368
Commitments and contingencies (Note 10)		
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; 2,124,250 and 2,121,750 shares issued and outstanding at December 31, 2009 and 2008, respectively	2,124	2,122
Additional paid-in capital	10,412	10,364
Undivided profits	52,299	46,569
Accumulated other comprehensive income	458	770
Total stockholders' equity	65,293	59,825
	$ 925,560	$ 806,193

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

	Years Ended December 31,		
	2009	2008	2007
	(In Thousands, Except Per Share Amounts)		
Interest and dividend income:			
Loans	$ 42,199	$ 39,484	$ 36,514
Debt securities	2,003	2,167	3,889
Equity securities	117	616	899
Short-term investments and certificates of deposit	479	1,042	799
Total interest and dividend income	44,798	43,309	42,101
Interest expense:			
Deposits	10,334	12,077	14,240
Federal Home Loan Bank advances	7,193	9,832	11,833
Mortgage payable	72	71	—
Total interest expense	17,599	21,980	26,073
Net interest income	27,199	21,329	16,028
Provision for loan losses	1,700	805	322
Net interest income, after provision for loan losses	25,499	20,524	15,706
Other income:			
Customer service fees on deposits	857	987	1,005
Increase in bank-owned life insurance	458	464	480
Gains on sales of loans, net	454	—	—
Miscellaneous	239	213	223
Total other income	2,008	1,664	1,708
Operating expenses:			
Salaries and employee benefits	7,715	7,147	6,408
Data processing	859	837	804
Occupancy and equipment	1,333	1,271	1,148
Deposit insurance	1,335	341	68
Foreclosure	678	202	3
Marketing	461	409	347
Other general and administrative	1,990	1,916	1,809
Total operating expenses	14,371	12,123	10,587
Income before income taxes	13,136	10,065	6,827
Income tax provision	5,091	3,780	2,337
Net income	$ 8,045	$ 6,285	$ 4,490
Earnings per common share:			
Basic	$ 3.79	$ 2.96	$ 2.12
Diluted	$ 3.79	$ 2.96	$ 2.12

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

	Years Ended December 31, 2009, 2008, and 2007				
	Common Stock	Additional Paid-in Capital	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
			(In Thousands)		
Balance at December 31, 2006	$ 2,117	$ 10,252	$ 40,140	$ (691)	$ 51,818
Comprehensive income:					
Net income	—	—	4,490	—	4,490
Change in net unrealized loss on securities available for sale, net of tax effect	—	—	—	563	563
Total comprehensive income					5,053
Stock options exercised, after tax effect of $10,000	2	28	—	—	30
Share-based compensation	—	10	—	—	10
Cash dividends declared-common ($1.01 per share)	—	—	(2,140)	—	(2,140)
Balance at December 31, 2007	2,119	10,290	42,490	(128)	54,771
Comprehensive income:					
Net income	—	—	6,285	—	6,285
Change in net unrealized gain/loss on securities available for sale, net of tax effect	—	—	—	898	898
Total comprehensive income					7,183
Stock options exercised, after tax effect of $14,000	3	72	—	—	75
Share-based compensation	—	2	—	—	2
Cash dividends declared-common ($1.04 per share)	—	—	(2,206)	—	(2,206)
Balance at December 31, 2008	2,122	10,364	46,569	770	59,825
Comprehensive income:					
Net income	—	—	8,045	—	8,045
Change in net unrealized gain/loss on securities available for sale, net of tax effect	—	—	—	(312)	(312)
Total comprehensive income					7,733
Stock options exercised, after tax effect of $12,000	2	48	—	—	50
Cash dividends declared-common($1.09 per share)	—	—	(2,315)	—	(2,315)
Balance at December 31, 2009	$ 2,124	$ 10,412	$ 52,299	$ 458	$ 65,293

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Years Ended December 31, 2009	2008	2007
		(In Thousands)	
Cash flows from operating activities:			
Net income	$ 8,045	$ 6,285	$ 4,490
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	1,700	805	322
Gains on sales of loans	(454)	—	—
Amortization (accretion) of securities, net	822	108	(124)
Amortization of deferred loan origination costs, net	150	127	145
Share-based compensation expense	—	2	10
Excess tax benefits from share-based compensation	(12)	(14)	(10)
Depreciation and amortization of premises and equipment	480	487	429
Increase in bank-owned life insurance	(458)	(464)	(480)
Deferred income tax benefit	(459)	(474)	(189)
Loss on sale and writedown of foreclosed assets	166	7	—
Changes in operating assets and liabilities:			
Prepaid FDIC assessment	(3,409)	—	—
Accrued interest receivable and other assets	(263)	(546)	30
Accrued interest payable and other liabilities	291	(170)	630
Net cash provided by operating activities	6,599	6,153	5,253
Cash flows from investing activities:			
Activity in available-for-sale securities:			
Maturities, prepayments and calls	41,478	73,572	76,228
Purchases	(51,775)	(82,249)	(57,939)
Activity in certificates of deposit:			
Maturities	9,632	4,729	4,744
Purchases	(9,134)	(12,682)	(5,006)
Increase in Federal Home Loan Bank stock	—	(903)	(429)
Loans originated, net of payments received	(103,274)	(54,973)	(55,278)
Proceeds from sale of loans	25,757	—	—
Proceeds from sale of foreclosed assets	2,063	694	—
Additions to premises and equipment	(282)	(1,064)	(328)
Net cash used in investing activities	(85,535)	(72,876)	(38,008)

(continued)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(concluded)

	Years Ended December 31,		
	2009	2008	2007
		(In Thousands)	
Cash flows from financing activities:			
Increase in deposits	105,753	84,059	33,085
Increase in mortgagors' escrow accounts	217	140	98
Proceeds from stock options exercised	38	61	20
Cash dividends paid on common stock	(2,272)	(2,163)	(2,118)
Excess tax benefits from share-based compensation	12	14	10
Net proceeds (repayment) from borrowings with maturities of less than three months	(25,000)	25,000	(50,500)
Proceeds from Federal Home Loan Bank advances with maturities of three months or more	135,000	125,000	289,500
Repayment of Federal Home Loan Bank advances with maturities of three months or more	(102,358)	(178,744)	(222,838)
Repayment of mortgage payable	(35)	(31)	—
Net cash provided by financing activities	111,355	53,336	47,257
Net change in cash and cash equivalents	32,419	(13,387)	14,502
Cash and cash equivalents at beginning of year	20,218	33,605	19,103
Cash and cash equivalents at end of year	$ 52,637	$ 20,218	$ 33,605
Supplementary information:			
Interest paid on deposit accounts	$ 10,327	$ 12,087	$ 14,197
Interest paid on borrowed funds	7,250	10,196	11,710
Income taxes paid	5,648	4,263	2,194
Non-cash activities:			
Real estate acquired through foreclosure	$ 5,134	$ 701	$ —
Note payable for purchase of premises	—	1,250	—

See accompanying notes to consolidated financial statements.

Years Ended December 31, 2009, 2008, and 2007

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 and Dunbar-Walnut, LLC which holds certain foreclosed properties. All intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

In preparing consolidated 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 nine offices in Boston and 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 in the 2008 and 2007 consolidated financial statements have been reclassified to conform to the 2009 presentation.

Cash and cash equivalents

Cash and cash equivalents include amounts due from banks and short-term investments which mature within ninety days and are carried at cost. At December 31, 2009, the Bank had a concentration of cash on deposit at the Federal Reserve Bank amounting to $47.6 million.

Certificates of deposit

Certificates of deposit are purchased from FDIC-insured depository institutions in amounts not to exceed $250,000, per institution, for principal and accrued interest, combined, have original maturities greater than ninety days and are carried at cost.

Securities available for sale

Securities are classified as available for sale and recorded 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.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on disposition of securities are recorded on the trade date and are determined using the specific identification method.

Each reporting period, the Bank evaluates all securities with a decline in fair value below its amortized cost to determine whether or the impairment is deemed to be other-than-temporary ("OTTI").

Marketable equity securities are evaluated for OTTI based on the severity and duration of the impairment and, if deemed to be other-than-temporary, the declines in fair value are reflected in the earnings as realized losses. For debt securities, OTTI is required to be recognized (1) if the Bank intends to sell the security; (2) if it is "more likely than not" that the Bank will be required to sell the security before recovery of the amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. For all impaired debt securities that the Bank intends to sell, or more likely than not will be required to sell, the full amount of the depreciation is recognized as OTTI through earnings. Credit-related OTTI for all other impaired debt securities is recognized through earnings. Non-credit related OTTI for such debt securities is recognized in other comprehensive income, net of applicable taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Federal Home Loan Bank stock

The Bank, as a member of the Federal Home Loan Bank ("FHLB") system, is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. At its discretion, the FHLB may declare dividends on the stock. The Bank reviews for impairment based on the ultimate recoverability of the cost basis in the FHLB stock. As of December 31, 2009, no impairment has been recognized.

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 conditions.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off 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.

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 impaired, whereby an allowance is established when the discounted cash flow (or collateral value or obtainable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers pools of non-classified loans and is reflective of historical loss experience and qualitative factors.

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 observable 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, unless such loans are subject to a troubled debt restructuring agreement.

The Bank may periodically agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring ("TDR"). All TDRs are initially classified as impaired.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Premises and equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation and amortization computed on the straight-line method over the estimated useful lives of the assets or the expected terms of the leases if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured. It is general practice to charge the cost of maintenance and repairs to earnings when incurred; major expenditures for betterments are capitalized and depreciated.

Bank-owned life insurance

Bank-owned life insurance policies are reflected on the consolidated balance sheet at cash surrender value. Changes in cash surrender value are reflected in other income on the consolidated statement of income and are not subject to income taxes.

Foreclosed assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less cost to sell, at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations, and changes in the valuation allowance and any direct writedowns are included in foreclosure expenses.

Income taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. A valuation allowance is established against deferred tax assets when, based upon the available evidence including historical and projected taxable income, it is more likely than not that some or all of the deferred tax assets will not be realized. The Bank does not have any uncertain tax positions at December 31, 2009 which require accrual or disclosure.

Stock compensation plans

The Bank has two fixed stock option plans as more fully described in Note 12.

The Bank measures and recognizes compensation cost relating to share-based payment transactions based on the grant-date fair value of the equity instruments issued. Share-based compensation is recognized over the period the employee is required to provide services for the award. The Bank uses the Black-Scholes option-pricing model to determine the fair value of stock options granted.

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.

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

	Years Ended December 31,		
	2009	**2008**	**2007**
		(In Thousands)	
Average number of common shares outstanding used to calculate basic earnings per share	2,124	2,121	2,118
Effect of dilutive options	—	1	2
Average number of common shares outstanding used to calculate diluted earnings per common share	2,124	2,122	2,120

Options for 3,000 and 5,000 shares were not included in the computation of diluted earnings per share because to do so would have been antidilutive for the years ended December 31, 2009 and 2008, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 stockholder's 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,		
	2009	2008	2007
		(In Thousands)	
Net unrealized holding gains(losses) on available-for-sale securities	$ (481)	$ 1,379	$ 865
Tax effect	169	(481)	(302)
Net-of-tax amount	$ (312)	$ 898	$ 563

At December 31, 2009 and 2008, accumulated other comprehensive income relates to unrealized gains on available-for-sale securities of $702,000 and $1,183,000, respectively, net of tax effects of $244,000 and $413,000, respectively.

Marketing costs

Marketing costs are expensed as incurred.

Recent accounting pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") approved the FASB Accounting Standards Codification (Codification) as the single source of authoritative nongovernmental U.S. Generally Accepted Accounting Principles (U.S. GAAP). The Codification does not change current U.S. GAAP but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered non-authoritative. The Codification is effective for interim and annual periods ending after September 15, 2009. The Codification was effective for the Bank during its interim period ending September 30, 2009 and it did not have an impact on its financial condition or results of operations.

In December 2007, the FASB issued guidance that establishes principles and requirements for how the acquirer in a business combination recognizes and measures identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree. This guidance further addresses how goodwill acquired or a gain from a bargain purchase is to be recognized and measured and determines what disclosures are needed to enable users of the financial statements to evaluate the effects of the business combination. This guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. This guidance did not have any impact on the Bank's consolidated financial statements.

In March 2008, the FASB issued guidance that changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This guidance is effective for fiscal years and interim periods beginning after November 15, 2008. This guidance did not have any impact on the Bank's consolidated financial statements.

In April 2009, the FASB issued guidance on how to determine the fair value of assets and liabilities in an environment where the volume and level of activity for the asset or liability have significantly decreased and re-emphasizes that the objective of a fair value measurement remains an exit price. This guidance is effective for periods ending after June 15, 2009. Accordingly, the Bank adopted this guidance as of April 1, 2009 and the adoption did not have any impact on the Bank's consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Recent accounting pronouncements (concluded)

In April 2009, the FASB issued guidance that modifies the requirements for recognizing other-than-temporary-impairment on debt securities and significantly changes the impairment model for such securities. Under this guidance, a security is considered to be other-than-temporarily impaired if the present value of cash flows expected to be collected are less than the security's amortized cost basis (the difference being defined as the credit loss) or if the fair value of the security is less than the security's amortized cost basis and the investor intends, or more-likely-than-not will be required, to sell the security before recovery of the security's amortized cost basis. If an other-than-temporary impairment exists, the charge to earnings is limited to the amount of credit loss if the investor does not intend to sell the security, and it is more-likely-than-not that it will not be required to sell the security, before recovery of the security's amortized cost basis. Any remaining difference between fair value and amortized cost is recognized in other comprehensive income, net of applicable taxes. Otherwise, the entire difference between fair value and amortized cost is charged to earnings. Upon adoption of this guidance, an entity reclassifies from retained earnings to other comprehensive income the non-credit portion of an other-than-temporary impairment loss previously recognized on a security it holds if the entity does not intend to sell the security, and it is more-likely-than-not that it will not be required to sell the security, before recovery of the security's amortized cost basis. This guidance also modifies the presentation of other-than-temporary impairment losses and increases related disclosure requirements. This guidance is effective for periods ending after June 15, 2009. Accordingly, the Bank adopted this guidance as of April 1, 2009 and it did not have any impact on the Bank's consolidated financial statements.

In April 2009, the FASB issued guidance that requires companies to disclose the fair value of financial instruments within interim financial statements, adding to the current requirement to provide those disclosures annually. This guidance is effective for periods ending after June 15, 2009. Accordingly, the Bank adopted this guidance as of June 30, 2009.

In June 2009, the FASB issued guidance changing the accounting principles and disclosure requirements related to securitizations and special-purpose entities. Specifically, this guidance eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets and changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. This guidance also expands existing disclosure requirements to include more information about transfers of financial assets, including securitization transactions, and where companies have continuing exposure to the risks related to transferred financial assets. This guidance will be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. The recognition and measurement provisions regarding transfers of financial assets shall be applied to transfers that occur on or after the effective date. The Bank will adopt this new guidance on January 1, 2010, as required. Management does not believe the adoption will have any impact on the Bank's consolidated financial statements.

In May 2009 and February 2010, the FASB issued guidance establishing general standards of accounting for and disclosure of subsequent events, which are events occurring after the balance sheet date but before the date the financial statements are issued or available to be issued. In particular, this guidance requires entities to recognize in the financial statements the effect of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date, including the estimates inherent in the financial preparation process. Entities may not recognize the impact of subsequent events that provide evidence about conditions that did not exist at the balance sheet date but arose after that date. This guidance was effective for interim and annual reporting periods ending after June 15, 2009. The Bank adopted the provisions of this guidance and it did not have any impact on the Bank's consolidated financial statements.

In August 2009, the FASB issued guidance for measuring the fair value of a liability in circumstances in which a quoted price in an active market for the identical liability is not available. In such instances, a reporting entity is required to measure fair value utilizing a valuation technique that uses (i) the quoted price of the identical liability when traded as an asset, (ii) quoted prices for similar liabilities or similar liabilities when traded as assets, or (iii) another valuation technique that is consistent with the existing principles for measuring fair value, such as an income approach or market approach. The new guidance also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The guidance was adopted on September 30, 2009 and did not have any impact 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, 2009 and 2008, cash and due from banks included $688,000 and $300,000, respectively 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:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
December 31, 2009				
Debt securities:				
Government-sponsored enterprises - FHLMC	$ 22,068	$ 184	$ —	$ 22,252
Government-sponsored enterprises - FNMA	12,383	56	(4)	12,435
Government-sponsored enterprises - Other	53,530	435	(58)	53,907
Residential mortgage-backed - FHLMC	2,033	23	(1)	2,055
Residential mortgage-backed - FNMA	2,658	54	—	2,712
Total debt securities	92,672	752	(63)	93,361
Equity securities	3,000	13	—	3,013
Total securities available for sale	$ 95,672	$ 765	$ (63)	$ 96,374
December 31, 2008				
Debt securities:				
Government-sponsored enterprises - FHLMC	$ 10,189	$ 218	$ —	$ 10,407
Government-sponsored enterprises - FNMA	24,313	173	—	24,486
Government-sponsored enterprises - Other	40,177	853	—	41,030
Residential mortgage-backed - FHLMC	3,763	—	(34)	3,729
Residential mortgage-backed - FNMA	4,755	5	(20)	4,740
Total debt securities	83,197	1,249	(54)	84,392
Equity securities	3,000	—	(12)	2,988
Total securities available for sale	$ 86,197	$ 1,249	$ (66)	$ 87,380

At December 31, 2009 and 2008, debt securities with a fair value of $93,361,000 and $84,392,000, respectively, were pledged to secure Federal Home Loan Bank advances. See Note 8.

3. SECURITIES AVAILABLE FOR SALE (continued)

The amortized cost and estimated fair value of debt securities by contractual maturity at December 31, 2009 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	$ 32,815	$ 33,127
Over 1 year to 5 years	55,166	55,467
	87,981	88,594
Residential mortgage-backed securities:		
Over 1 year to 5 years	4,400	4,473
Over 5 to 10 years	170	174
Over 10 years	121	120
	4,691	4,767
Total debt securities	$ 92,672	$ 93,361

Information pertaining to securities with gross unrealized losses at December 31, 2009 and 2008, 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)			
December 31, 2009				
Debt securities:				
Government-sponsored enterprises	$ 62	$ 15,058	$ —	$ —
Residential mortgage-backed - FHLMC	—	—	1	84
Total temporarily impaired securities	$ 62	$ 15,058	$ 1	$ 84

At December 31, 2009, twelve debt securities have unrealized losses with aggregate depreciation of less than 1% from the Bank's amortized cost basis. These unrealized losses relate to debt securities secured by Government-sponsored enterprises and result from changes in the bond markets since their purchase. Because the decline in market value is attributable to changes in interest rates and not the credit quality, and because the Bank does not intend to sell the securities and it is more likely than not that the Bank will not be required to sell the securities before recovery of their amortized cost bases, which may be maturity, the Bank does not consider these securities to be other-than-temporarily impaired at December 31, 2009.

3. SECURITIES AVAILABLE FOR SALE (concluded)

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(In Thousands)			
December 31, 2008				
Debt securities:				
Residential mortgage-backed - FHLMC	$ —	$ —	$ 34	$ 3,729
Residential mortgage-backed - FNMA	—	—	20	2,973
Total temporarily impaired debt securities	—	—	54	6,702
Equity securities	—	—	12	2,988
Total temporarily impaired securities	$ —	$ —	$ 66	$ 9,690

4. LOANS

A summary of the balances of loans follows:

	December 31, 2009	December 31, 2008
	(In Thousands)	
Mortgage loans:		
Residential	$ 319,228	$ 271,473
Commercial	348,700	317,162
Construction	23,228	33,315
Equity lines of credit	23,230	20,591
Second mortgages	7,975	7,802
Total mortgage loans	722,361	650,343
Other loans:		
Personal installment	335	357
Commercial	233	198
Revolving credit	265	244
Total other loans	833	799
Total loans	723,194	651,142
Allowance for loan losses	(5,737)	(4,530)
Net deferred loan origination costs	785	643
Loans, net	$ 718,242	$ 647,255

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 $24,898,000, $750,000, and $859,000 at December 31, 2009, 2008 and 2007, respectively. All loans serviced for others were sold without recourse provisions and are not included in the accompanying consolidated balance sheets.

4. LOANS (concluded)

An analysis of the allowance for loan losses follows:

	Years Ended December 31, 2009	2008	2007
		(In Thousands)	
Balance at beginning of year	$ 4,530	$ 3,925	$ 3,603
Provision for loan losses	1,700	805	322
Loans charged off	(627)	(200)	—
Recoveries of loans previously charged off	134	—	—
Balance at end of year	$ 5,737	$ 4,530	$ 3,925

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

	December 31, 2009	2008
	(In Thousands)	
Impaired loans without a valuation allowance	$ 8,521	$ 6,754
Impaired loans with a valuation allowance	868	331
Total impaired loans	$ 9,389	$ 7,085
Valuation allowance related to impaired loans	$ 125	$ 31
Non-accrual loans (including impaired loans)	$ 9,400	$ 7,085
Loans past due 90 days or more and still accruing	$ —	$ —

	Years Ended December 31, 2009	2008	2007
		(In Thousands)	
Average investment in impaired loans	$ 10,309	$ 5,735	$ 1,353
Interest income recognized on impaired loans	$ 526	$ 127	$ 177
Interest income recognized on a cash basis on impaired loans	$ 526	$ 127	$ 177

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

5. FORECLOSED ASSETS

A summary of foreclosed assets is as follows:

	December 31, 2009	December 31, 2008
	(In Thousands)	
Commercial property	$ 2,790	$ 280
Residential property	395	—
	$ 3,185	$ 280

Expenses applicable to foreclosed assets include the following:

	Years Ended December 31, 2009	2008	2007
		(In Thousands)	
Net loss on sales of real estate	$ 66	$ 7	$ —
Writedown of real estate	100	—	—
Operating expenses, net of rental income	512	195	3
	$ 678	$ 202	$ 3

6. PREMISES AND EQUIPMENT

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

	December 31, 2009	December 31, 2008	Estimated Useful Life
	(In Thousands)		
Premises:			
Land	$ 1,608	$ 1,608	N/A
Buildings	5,607	5,492	3-65 years
Leasehold improvements	329	324	10 years
Equipment	3,367	3,304	3-25 years
	10,911	10,728	
Less accumulated depreciation and amortization	(5,477)	(5,096)	
	$ 5,434	$ 5,632	

Depreciation and amortization expense for the years ended December 31, 2009, 2008, and 2007 amounted to $480,000, $487,000 and $429,000, respectively.

7. DEPOSITS

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

	December 31, 2009	December 31, 2008
	(In Thousands)	
Regular	$ 48,273	$ 42,576
Money market deposits	186,139	108,729
NOW	27,104	24,504
Demand	48,994	41,360
Total non-certificate accounts	310,510	217,169
Term certificates less than $100,000	169,829	159,144
Term certificates of $100,000 or more	150,748	149,021
Total certificate accounts	320,577	308,165
Total deposits	$ 631,087	$ 525,334

The maturity distribution of term certificates is as follows:

Maturing During the Year Ending December 31,	2009 Amount	2009 Weighted Average Rate	2008 Amount	2008 Weighted Average Rate
	(Dollars in Thousands)			
2009	$ —	—%	$ 273,852	3.16%
2010	270,351	1.86	23,446	3.44
2011	34,117	2.64	8,154	3.55
2012	9,792	2.85	1,309	3.66
2013	3,816	3.29	1,404	3.65
2014	2,501	2.97	—	—
	$ 320,577	2.00%	$ 308,165	3.20%

A summary of interest expense on deposits is as follows:

	Years Ended December 31, 2009	2008	2007
		(In Thousands)	
Regular	$ 117	$ 104	$ 107
Money market deposits	2,132	1,749	1,243
NOW	27	24	25
Term certificates	8,058	10,200	12,865
	$ 10,334	$ 12,077	$ 14,240

8. BORROWED FUNDS

Federal Home Loan Bank Advances

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

Maturing During the Year Ending December 31,	December 31, 2009 Amount	2009 Weighted Average Rate	2008 Amount	2008 Weighted Average Rate
	(Dollars in Thousands)			
2009	$ —	—%	$ 84,500	2.82%
2010[1]	51,953	3.52	43,713	4.16
2011	46,500	3.26	46,500	3.26
2012	14,000	2.19	—	—
2013	15,000	2.83	—	—
2014	59,000	3.17	—	—
Thereafter[2]	36,183	4.09	40,281	4.05
	$ 222,636	3.33%	$ 214,994	3.42%

(1) At December 31, 2009 and 2008 includes an amortizing advance with a balance of $453,000 and $1,213,000, respectively, due in June, 2010, requiring monthly principal and interest of $65,000.
(2) At December 31, 2009 and 2008 includes an amortizing advance with a balance of $1,183,000 and $1,281,000, respectively, due in November, 2018, requiring monthly principal and interest of $14,000.

All borrowings from the Federal Home Loan Bank of Boston 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, 50% of the carrying value of first mortgage loans on certain non-owner occupied residential property, 65% of the carrying value of first mortgage loans on certain multi-family residential property, 50% of the carrying value of loans on certain commercial property and 90% of the fair value of certain debt securities held in Hingham Securities Corporation II. Expected maturities may differ from contractual maturities because certain borrowings, aggregating $51.5 million at December 31, 2009, can be called by the FHLB after an initial specified term.

Available Lines of Credit

The Bank has an available line of credit with the FHLB at an interest rate that adjusts daily. Borrowings under this line are limited to $4,633,000 at December 31, 2009. No amounts were drawn on the line of credit as of December 31, 2009 and 2008.

During 2009, the Bank established an agreement with the Federal Reserve Bank to access the discount window by pledging collateral.

Mortgage Payable

The balance represents a loan payable by the Bank for the purchase from an unrelated party of property which was used for a new branch office. The note is secured by the real estate and bears interest at a fixed rate of 6.00%. Principal and interest is payable in 240 monthly installments. As of December 31, 2009, future principal payments amounted to $37,000, $40,000, $42,000, $45,000, $48,000 and $972,000, for the years ending December 31, 2010, 2011, 2012, 2013, 2014 and thereafter, respectively.

9. INCOME TAXES

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

	Years Ended December 31,		
	2009	2008	2007
		(In Thousands)	
Current tax provision:			
Federal	$ 4,311	$ 3,407	$ 2,217
State	1,239	847	309
	5,550	4,254	2,526
Deferred tax benefit:			
Federal	(350)	(408)	(145)
State	(109)	(66)	(44)
	(459)	(474)	(189)
Total provision	$ 5,091	$ 3,780	$ 2,337

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

	Years Ended December 31,		
	2009	2008	2007
Statutory rate	34.0%	34.0%	34.0%
Increase (decrease) resulting from:			
State taxes, net of federal tax benefit	5.7	5.1	2.6
Bank-owned life insurance	(0.9)	(1.5)	(2.4)
Effective tax rate	38.8%	37.6%	34.2%

9. INCOME TAXES (concluded)

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

	December 31, 2009	December 31, 2008
	(In Thousands)	
Deferred tax assets:		
Federal	$ 2,195	$ 1,692
State	639	492
	2,834	2,184
Deferred tax liabilities:		
Federal	(715)	(722)
State	(129)	(100)
	(844)	(822)
Net deferred tax asset	$ 1,990	$ 1,362

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

	December 31, 2009	December 31, 2008
	(In Thousands)	
Allowance for loan losses	$ 2,291	$ 1,809
Fees on loans	(456)	(373)
Net unrealized gain on securities available for sale	(244)	(413)
Non-accrual interest	163	168
Employee benefit plans	321	164
Other	(85)	7
Net deferred tax asset	$ 1,990	$ 1,362

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

	Years Ended December 31, 2009	2008	2007
	(In Thousands)		
Balance at beginning of year	$ 1,362	$ 1,369	$ 1,482
Deferred tax benefit	459	474	189
Deferred tax effects of net unrealized gain/loss on securities available for sale	169	(481)	(302)
Balance at end of year	$ 1,990	$ 1,362	$ 1,369

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 $1,512,000 has not been provided.

10. 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, 2009 and 2008, the following financial instruments were outstanding for which contract amounts represent credit risk:

	December 31,	
	2009	2008
	(In Thousands)	
Unused lines of credit	$ 43,290	$ 41,041
Commitments to originate loans:		
Commercial mortgages	10,278	8,515
Residential mortgages	10,729	3,505
Unadvanced funds on construction loans	6,204	6,177
Standby letters of credit	585	135

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. Those letters-of-credit are primarily issued to support public and private borrowing arrangements. All letters of credit issued have expiration dates within five years. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Bank generally holds collateral supporting those commitments.

Lease commitments

Pursuant to the terms of noncancelable lease agreements in effect at December 31, 2009, pertaining to premises and equipment, future minimum rent commitments under various operating leases are as follows:

Year Ending December 31,	Amount
	(In Thousands)
2010	$ 172
2011	178
2012	183
2013	189
2014	171
Thereafter	136
Total	$ 1,029

Lease commitments are based on the initial contract term, or longer when, in the opinion of management, it is more likely than not that the lease will be renewed. Total rent expense for the years ended December 31, 2009, 2008, and 2007 amounted to $178,000, $167,000 and $161,000, respectively.

10. 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. Effective December 27, 2007, two of these agreements were amended to provide for certain death benefits, which are being accrued ratably over the employees' remaining service period. For the years ended December 31, 2009 and 2008, $421,000 and $263,000, respectively were expensed and accrued for these death benefits.

Prior to 2007, the Bank had entered into split-dollar life insurance agreements with certain executives whereby the Bank agreed to pay to the executives' estates or beneficiaries a portion of the death benefit that the Bank would receive as beneficiary of life insurance policies and effective December 27, 2007, these split-dollar agreements were terminated.

Legal claims

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 statements.

11. 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. FDIC-insured depository institutions are prohibited from paying dividends or making capital distributions that would cause the institution to fail to meet minimum capital requirements or if it is already undercapitalized. 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, 2009 and 2008, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2009, 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, 2009 and 2008 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, 2009						
Total Capital to Risk-Weighted Assets	$ 70,578	12.33%	$ 45,788	8.0%	$57,235	10.0%
Tier 1 Capital to Risk-Weighted Assets	64,835	11.33	22,894	4.0	34,341	6.0
Tier 1 Capital to Average Assets	64,835	7.10	36,544	4.0	45,680	5.0
December 31, 2008						
Total Capital to Risk-Weighted Assets	$ 63,573	12.10%	$ 42,026	8.0%	$ 52,532	10.0%
Tier 1 Capital to Risk-Weighted Assets	59,043	11.24	21,013	4.0	31,519	6.0
Tier 1 Capital to Average Assets	59,043	7.39	31,960	4.0	39,950	5.0

12. 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, will have a maximum option term of 10 years and are fully vested immediately upon issuance. At December 31, 2009, there were 9,000 non-qualified 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,					
	2009		2008		2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option:						
Outstanding at beginning of year	7,500	$26.31	9,200	$23.16	8,500	$19.07
Granted	—	—	1,500	30.00	2,000	35.25
Exercised	(2,500)	15.00	(3,200)	18.98	(1,300)	15.00
Outstanding at end of year	5,000	$31.96	7,500	$26.31	9,200	$23.16
Options exercisable at end of year	5,000	$31.96	7,500	$26.31	9,200	$23.16

As of December 31, 2009, 2008 and 2007, the aggregate intrinsic value of options outstanding amounted to $3,000, $25,000 and $71,000, respectively.

The total intrinsic value of options exercised during the years ended December 31, 2009, 2008 and 2007, was $28,000, $34,000 and $25,000, respectively.

There were no options granted during the year ended December 31, 2009. The weighted-average grant-date fair value of options granted during the years ended December 31, 2008 and 2007 was $2,000 and $10,000, respectively.

For the years ended December 31, 2008 and 2007, share-based compensation expense applicable to the plan amounted to $2,000 and $10,000 and the recognized tax benefit related to this expense amounted to $1,000 and $3,000, respectively.

Options outstanding consist of the following:

	December 31,			
	2009		2008	
Option price	Shares	Weighted Average Remaining Contractual Life in Years	Shares	Weighted Average Remaining Contractual Life In Years
$35.25	2,000	7	2,000	8
30.00	1,500	9	1,500	10
29.54	1,500	2	1,500	3
15.00	—	—	2,500	1
	5,000		7,500	

12. STOCK OPTION PLANS (concluded)

The fair value of each option grant is estimated on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions. There were no options granted in 2009:

	2008	2007
Expected dividends	3.3%	2.8%
Expected term	5 years	5 years
Expected volatility	9%	13%
Risk-free interest rate	3.06%	4.81%

The expected volatility is based on historical volatility. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life is based on historical exercise experience. The dividend yield assumption is based on the Bank's history and expectation of dividend payouts.

13. EMPLOYEE BENEFIT PLANS

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. The Bank contributes 3% of an employee's compensation, regardless of the employee's contribution and makes a matching contribution of $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 59½, if earlier. For the years ended December 31, 2009, 2008 and 2007, expense attributable to the Plan amounted to $261,000, $241,000 and $226,000, respectively.

Supplemental Employee Retirement Plans

The Bank has supplemental employee retirement plans which were established in 2002 for the benefit of certain senior executives. In connection with these plans, the Bank purchased life insurance policies amounting to $10,109,000 and contributed them to a Rabbi Trust. The value of these policies is $13,615,000 and $13,157,000 at December 31, 2009 and 2008, respectively. 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 $595,000, $611,000 and $581,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

14. RELATED PARTY TRANSACTIONS

The Bank has a policy providing that loans (excluding passbook loans) will not be granted to directors, officers and other employees of the Bank.

During the years ended December 31, 2009 and 2008, legal fees paid by the Bank to a law firm owned by certain directors of the Bank amounted to $431,000 and $267,000, respectively. Such fees related to representation of the Bank with foreclosure and collection actions, loan closing costs borne by the Bank and certain other routine legal matters. The Bank believes that the foregoing sums have been reasonable in relation to the services provided to the Bank.

15. FAIR VALUES OF ASSETS AND LIABILITIES

Determination of Fair Value

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. 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 fair value estimates may not be realized in an immediate settlement of the instrument.

15. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

The Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. For example, Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments or mortgage loans held for sale, for which the fair value is based on what the securitization market is currently offering for mortgage loans with similar characteristics.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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

Cash and cash equivalents: The carrying amounts of cash, due from banks, interest-bearing deposits and short-term investments approximate fair values based on the short-term nature of the assets.

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

Securities available for sale: The securities measured at fair value in Level 1 are based on quoted market prices in an active exchange market and generally include marketable equity securities. Securities measured at fair value in Level 2 are based on pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data. These securities include government-sponsored enterprise obligations, FHLMC and FNMA bonds, corporate bonds and other securities.

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 analysis, 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 analysis 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 analysis based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements.

Mortgage payable: The fair value of the Bank's mortgage payable is estimated using discounted cash flow analysis based on the current incremental borrowing rates in the market for similar types of borrowing arrangements.

Mortgagors' escrow accounts: The carrying amounts of mortgagors' escrow accounts approximate fair value.

15. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

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, 2009 and 2008, the fair value of commitments outstanding is not significant since fees charged are not material.

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis at December 31, 2009 and, 2008 are summarized below. There are no liabilities measured at fair value on a recurring basis at December 31, 2009 or 2008.

	December 31, 2009			
	Level 1	Level 2	Level 3	Total Fair Value
	(In Thousands)			
Securities available for sale:				
Government-sponsored enterprises	$ —	$ 88,594	$ —	$ 88,594
Residential mortgage-backed securities	—	4,767	—	4,767
Equity securities	3,013	—	—	3,013
Total securities available for sale	$ 3,013	$ 93,361	$ —	$ 96,374

	December 31, 2008			
	Level 1	Level 2	Level 3	Total Fair Value
	(In Thousands)			
Securities available for sale:				
Government-sponsored enterprises	$ —	$ 75,923	$ —	$ 75,923
Residential mortgage-backed securities	—	8,469	—	8,469
Equity securities	2,988	—	—	2,988
Total securities available for sale	$ 2,988	$ 84,392	$ —	$ 87,380

15. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Assets Measured at Fair Value on a Non-recurring Basis

The Bank may also be required from time to time, to measure certain other assets on a non-recurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting, or write-downs of individual assets. The following table summarizes the fair value of the fair value hierarchy used to determine each adjustment and the carrying value of the related individual assets as of December 31, 2009 and 2008. There were no liabilities measured at fair value on a non-recurring basis at December 31, 2009 or 2008.

	December 31, 2009			Year Ended December 31, 2009
	Level 1	Level 2	Level 3	Total Gains/(Losses)
		(In Thousands)		(In Thousands)
Impaired loans	$ —	$ —	$ 743	$ (125)
Foreclosed assets	—	—	2,300	(100)
	$ —	$ —	$ 3,043	$ (225)

	December 31, 2008			Year Ended December 31, 2008
	Level 1	Level 2	Level 3	Total Gains/(Losses)
		(In Thousands)		(In Thousands)
Impaired loans	$ —	$ —	$ 300	$ (31)

Losses applicable to impaired loans and foreclosed assets are estimated using the appraised value of the underlying collateral, discounting factors and other factors. The losses applicable to impaired loans are not recorded directly as an adjustment to current earnings or comprehensive income, but rather as a component in determining the overall adequacy of the allowance for loan losses. Adjustments to the estimated fair value of impaired loans may result in increases or decreases to the provision for loan losses.

15. FAIR VALUES OF ASSETS AND LIABILITIES (concluded)

Summary of Fair Values of Financial Instruments

The estimated fair values, and related carrying or national amounts, of the Bank's financial instruments are as follows. Certain financial instruments and all nonfinancial instruments are exempt from disclosure requirements. Accordingly, the aggregate fair value amounts presented herein may not necessarily represent the underlying fair value of the Bank.

	December 31, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial assets:				
Cash and cash equivalents	$ 52,637	$ 52,637	$ 20,218	$ 20,218
Certificates of deposit	13,150	13,230	13,648	13,785
Securities available for sale	96,374	96,374	87,380	87,380
Federal Home Loan Bank stock	13,373	13,373	13,373	13,373
Loans, net	718,242	724,591	647,255	652,664
Accrued interest receivable	3,392	3,392	3,380	3,380
Financial liabilities:				
Deposits	631,087	633,803	525,334	527,458
Federal Home Loan Bank advances	222,636	228,320	214,994	222,583
Mortgage payable	1,184	1,355	1,219	1,220
Mortgagors' escrow accounts	1,968	1,968	1,751	1,751
Accrued interest payable	714	714	692	692

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly results of operations for the years ended December 31, 2009 and 2008 are as follows:

	Years Ended December 31,							
	2009				2008			
	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	$ 11,382	$ 11,461	$ 11,089	$ 10,866	$ 10,994	$ 10,989	$ 10,434	$ 10,892
Interest expense	4,139	4,312	4,391	4,757	5,009	5,181	5,459	6,331
Net interest income	7,243	7,149	6,698	6,109	5,985	5,808	4,975	4,561
Provision for loan losses	300	400	450	550	293	244	200	68
Net interest income, after provision for loan losses	6,943	6,749	6,248	5,559	5,692	5,564	4,775	4,493
Other income	543	382	706	377	433	419	410	402
Operating expenses	3,699	3,581	3,691	3,400	3,240	3,027	2,962	2,894
Income before income taxes	3,787	3,550	3,263	2,536	2,885	2,956	2,223	2,001
Income tax provision	1,520	1,367	1,240	964	1,091	1,168	807	714
Net income	$ 2,267	$ 2,183	$ 2,023	$ 1,572	$ 1,794	$ 1,788	$ 1,416	$ 1,287
Earnings per common share:								
Basic	$ 1.07	$ 1.03	$ 0.95	$ 0.74	$ 0.85	$ 0.84	$ 0.67	$ 0.61
Diluted	$ 1.07	$ 1.03	$ 0.95	$ 0.74	$ 0.85	$ 0.84	$ 0.67	$ 0.61
Cash dividends declared per common share	$ 0.45(1)	$ 0.22	$ 0.21	$ 0.21	$ 0.43(2)	$ 0.21	$ 0.20	$ 0.20

(1) Includes a special dividend of $0.23 per common share declared on November 19,2009.

(2) Includes a special dividend of $0.22 per common share declared on November 20, 2008.

Stock Performance Graph

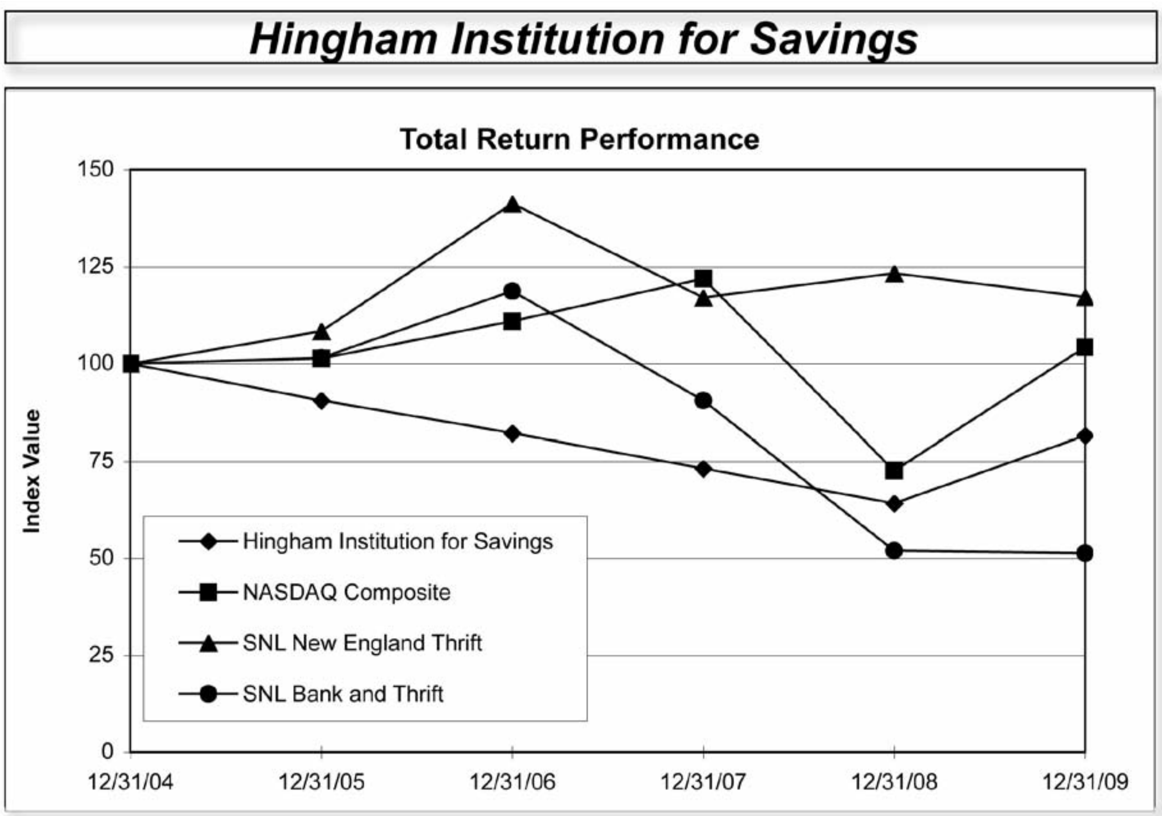
The chart which appears below sets forth the percentage change, on an annual basis, in the cumulative total return of the Bank's Common Stock since December 31, 2004 through December 31, 2009. For comparative purposes, changes in the cumulative total return on three indices of publicly traded stocks (the "Indices") are also set forth on the chart.

The NASDAQ Composite Index reflects the total return of a group of stocks in a cross section of industries. Many of these stocks have substantially larger market capitalizations than the Bank. The SNL Bank and Thrift Index tracks a national group of publicly traded bank and thrift institutions.

The final Index, SNL New England Thrift Index, tracks a peer group of all publicly traded thrift institutions located in New England. SNL Securities is a research and publishing firm specializing in the collection and dissemination of data on the banking, thrift, and financial services industries.

The chart begins with an equal base value of $100 for the Bank's stock and for each of the Indices on December 31, 2004 and reflects year-end closing prices and dividends paid thereafter by the Bank and by the companies which comprise the Indices. The chart assumes full reinvestment of such dividends.

Information about the Indices has been obtained from sources believed to be reliable, but neither the accuracy nor the completeness of such information is guaranteed by the Bank.



	Period Ending					
Index	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
Hingham Institution for Savings	100	90.53	82.09	73.16	64.16	81.52
NASDAQ Composite	100	101.37	111.03	121.92	72.49	104.31
SNL New England Thrift Index	100	108.45	141.33	117.11	123.25	117.27
SNL Bank and Thrift Index	100	101.57	118.68	90.5	52.05	51.35

Stockholder Information

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
BNY Mellon Shareowner Services
480 Washington Boulevard
Jersey City, NJ 07310
(800) 288-9541

Online Registered Shareholder Inquiries
www.bnymellon.com/shareowner/isd

Stockholder Inquiries
BNY Mellon Shareowner Services
For Hingham Institution for Savings
P.O. Box 358015
Pittsburgh, PA 15252-8015
(800) 288-9541

Independent Registered Public Accounting Firm
Wolf & Company, P.C.
99 High Street
Boston, MA 02110

Special Counsel
WilmerHale
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, 2009, 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, 2009, there were approximately 394 stockholders of record, holding 875,189 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
2008		
First Quarter	$ 32.99	$ 28.05
Second Quarter	31.51	28.47
Third Quarter	31.49	26.72
Fourth Quarter	30.00	24.75
2009		
First Quarter	$ 29.85	$ 22.10
Second Quarter	30.05	27.00
Third Quarter	33.95	28.12
Fourth Quarter	32.40	28.31

The closing sale price of the Bank's common stock at December 31, 2009 was $30.69 per share.

Branch Offices

BOSTON – South End
540 Tremont Street
Boston, MA 02116

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

LINDEN PONDS
300 Linden Ponds Way
Hingham, MA 02043
(serving Linden Ponds residents and employees)

HULL
401 Nantasket Avenue
Hull, MA 02045

NORWELL/HANOVER
5 Assinippi Avenue
Hanover, MA 02339

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