UNITED STATES FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20429

FORM 10 - Q

(Mark one)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2010

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: FDIC Certificate No. 90211-0

HINGHAM INSTITUTION FOR SAVINGS
(Exact name of registrant as specified in its charter)

Massachusetts	04-1442480
(State of incorporation)	(I.R.S. Employer Identification Number)

55 Main Street, Hingham, MA 02043
(Address of Principal Executive Offices)

(781) 749-2200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
(1) YES __X__ NO____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ___ No __ [Not Applicable]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer _________ Accelerated filer ______________
Non-accelerated filer __________ Smaller reporting company _____X______

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ___ No _X_

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

At April 30, 2010, there were 2,124,250 shares of common stock outstanding.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Consolidated Balance Sheets – March 31, 2010 and December 31, 2009 3
Consolidated Statements of Income – Three months ended March 31, 2010 and 2009.......... 4
Consolidated Statements of Changes in Stockholders' Equity - Three months ended March 31, 2010 and 2009.......... 5
Consolidated Statements of Cash Flows – Three months ended March 31, 2010 and 2009 6
Condensed Notes to Unaudited Consolidated Financial Statements – March 31, 2010.......... 8

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.......... 15

Item 3. Quantitative and Qualitative Disclosures About Market Risk.......... 26

Item 4. Controls and Procedures. 27

PART II OTHER INFORMATION

Item 1. Legal Proceedings.......... 28

Item 1A. Risk Factors. 28

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds. 28

Item 3. Defaults Upon Senior Securities.......... 28

Item 4. Removed and Reserved.......... 28

Item 5. Other Information. 28

Item 6. Exhibits 28

Signatures 29

<u>Exhibit No.</u>

31.1 Certifications – Chief Executive Officer
31.2 Certifications – Chief Financial Officer
32.1 Certification Pursuant to 18 U.S.C. §1350 – Chief Executive Officer
32.2 Certification Pursuant to 18 U.S.C. §1350 – Chief Financial Officer

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)	March 31, 2010	December 31, 2009
	(In thousands)	
ASSETS		
Cash and due from banks	$ 10,170	$ 7,372
Short-term investments	77,861	45,265
Cash and cash equivalents	88,031	52,637
Certificates of deposit	13,610	13,150
Securities available for sale, at fair value	92,009	96,374
Federal Home Loan Bank stock, at cost	13,373	13,373
Loans, net of allowance for loan losses of $6,127,000 in 2010 and $5,737,000 in 2009	727,698	718,242
Other real estate owned	2,685	3,185
Bank-owned life insurance	13,729	13,615
Premises and equipment, net	5,448	5,434
Accrued interest receivable	3,246	3,392
Prepaid FDIC assessment	3,185	3,409
Deferred income tax asset, net	2,033	1,990
Other assets	1,340	759
Total assets	$ 966,387	$ 925,560
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$ 675,347	$ 631,087
Federal Home Loan Bank advances	216,417	222,636
Mortgage payable	1,175	1,184
Mortgagors' escrow accounts	2,078	1,968
Accrued interest payable	697	714
Other liabilities	3,635	2,678
Total liabilities	899,349	860,267
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 shares issued and outstanding	2,124	2,124
Additional paid-in capital	10,412	10,412
Undivided profits	54,125	52,299
Accumulated other comprehensive income	377	458
Total stockholders' equity	67,038	65,293
Total liabilities and stockholders' equity	$ 966,387	$ 925,560

See accompanying Notes to Unaudited Consolidated Financial Statements.

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Income

(Unaudited)	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(In thousands, except for share amounts)	
Interest and dividend income:		
Loans	$ 10,873	$ 10,151
Debt securities	449	562
Equity securities	28	30
Short-term investments and certificates of deposit	110	123
Total interest and dividend income	11,460	10,866
Interest expense:		
Deposits	2,168	2,878
Federal Home Loan Bank advances	1,809	1,861
Mortgage payable	18	18
Total interest expense	3,995	4,757
Net interest income	7,465	6,109
Provision for loan losses	400	550
Net interest income, after provision for loan losses	7,065	5,559
Other income:		
Customer service fees on deposits	200	215
Increase in bank-owned life insurance	114	111
Miscellaneous	63	51
Total other income	377	377
Operating expenses:		
Salaries and employee benefits	2,044	1,944
Data processing	215	222
Occupancy and equipment	344	362
Deposit insurance	280	178
Foreclosure	126	78
Marketing	108	100
Other general and administrative	530	516
Total operating expenses	3,647	3,400
Income before income taxes	3,795	2,536
Income tax provision	1,480	964
Net income	$ 2,315	$ 1,572
Weighted average common shares outstanding:		
Basic	2,124	2,122
Diluted	2,124	2,123
Earnings per common share:		
Basic	$ 1.09	$ 0.74
Diluted	$ 1.09	$ 0.74

See accompanying Notes to Unaudited Consolidated Financial Statements.

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity
For the Three Months Ended
March 31, 2010 and 2009

(Unaudited)	Common Stock	Additional Paid-In Capital	Undivided Profits	Accumulated Other Comprehensive Income	Total Stockholders' Equity
			(In thousands)		
Balance at December 31, 2008	$ 2,122	$ 10,364	$ 46,569	$ 770	$ 59,825
Comprehensive income:					
Net income	--	--	1,572	--	1,572
Change in net unrealized gain on securities available for sale, net of tax effect	--	--	--	(127)	(127)
Total comprehensive income					1,445
Stock options exercised, including tax effect of $12,000	2	48	--	--	50
Cash dividends declared – common ($0.21 per share)	--	--	(446)	--	(446)
Balance at March 31, 2009	$ 2,124	$ 10,412	$ 47,695	$ 643	$ 60,874
Balance at December 31, 2009	$ 2,124	$ 10,412	$ 52,299	$ 458	$ 65,293
Comprehensive income:					
Net income	--	--	2,315	--	2,315
Change in net unrealized gain on securities available for sale, net of tax effect	--	--	--	(81)	(81)
Total comprehensive income					2,234
Cash dividends declared – common ($0.23 per share)	--	--	(489)	--	(489)
Balance at March 31, 2010	$ 2,124	$ 10,412	$ 54,125	$ 377	$ 67,038

See accompanying Notes to Unaudited Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)	Three Months Ended March 31, 2010	2009
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 2,315	$ 1,572
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	400	550
Amortization of securities, net	167	165
Amortization of deferred loan origination costs, net	39	32
Excess tax benefits from share-based compensation arrangements	--	(12)
Depreciation and amortization of premises and equipment	112	123
Increase in bank-owned life insurance	(114)	(111)
Net gain on sale and write-down of foreclosed assets	(20)	--
Changes in operating assets and liabilities:		
Accrued interest receivable and other assets	(211)	500
Accrued interest payable and other liabilities	1,407	1,918
Net cash provided by operating activities	4,095	4,737
Cash flows from investing activities:		
Activity in certificates of deposit:		
Maturities	1,077	2,526
Purchases	(1,537)	(2,366)
Activity in available-for-sale securities:		
Maturities, prepayments and calls	12,141	10,258
Purchases	(8,067)	--
Loans originated, net of payments received	(9,895)	(21,043)
Proceeds from sale of other real estate owned	520	--
Additions to premises and equipment	(126)	(28)
Net cash used in investing activities	(5,887)	(10,653)

(continued)

See accompanying Notes to Unaudited Consolidated Financial Statements.

Consolidated Statements of Cash Flows (concluded)

(Unaudited)	Three Months Ended March 31, 2010	2009
	(In thousands)	
Cash flows from financing activities:		
Increase in deposits	44,260	36,420
Increase in mortgagors' escrow accounts	110	95
Proceeds from stock options exercised	--	38
Cash dividends paid on common stock	(956)	(913)
Excess tax benefits from share-based compensation arrangements	--	12
Net repayments of borrowings with maturities of less than three months	--	(15,000)
Proceeds from Federal Home Loan Bank advances with maturities of three months or more	4,000	34,000
Repayment of Federal Home Loan Bank advances with maturities of three months or more	(10,219)	(24,212)
Repayment of mortgage payable	(9)	(8)
Net cash provided by financing activities	37,186	30,432
Net change in cash and cash equivalents	35,394	24,516
Cash and cash equivalents at beginning of period	52,637	20,218
Cash and cash equivalents at end of period	$ 88,031	$ 44,734
Supplementary information:		
Interest paid on deposit accounts	$ 2,165	$ 2,847
Interest paid on Federal Home Loan Bank advances and mortgage payable	1,847	1,871
Income taxes paid	548	428

See accompanying Notes to Unaudited Consolidated Financial Statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements of Hingham Institution for Savings (the "Bank") presented herein should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2009 filed on Form 10-K.

Financial information as of March 31, 2010 and the results of operations and cash flows for the three months ended March 31, 2010 and 2009 are unaudited, and in the opinion of management reflect all adjustments necessary for a fair presentation of such information. Interim results are not necessarily indicative of results to be expected for the entire year.

NOTE 2: COMMITMENTS

At March 31, 2010 and December 31, 2009, there were $64.2 million and $71.1 million, respectively in outstanding loan commitments as follows:

	March 31, 2010	December 31, 2009
	(In thousands)	
Mortgage origination	$ 12,588	$ 21,007
Unused lines of credit	45,810	43,290
Unadvanced construction funds	5,830	6,204
Letters of credit	135	585
Total	$ 64,363	$ 71,086

At March 31, 2010, the Bank had the following contractual obligations outstanding:

	Payments Due by Year				
	Total	Less Than One Year	One to Three Years	Three to Five Years	More than Five Years
Contractual Obligations:			(In thousands)		
Federal Home Loan Bank advances	$ 216,417	$ 51,759	$ 50,500	$ 78,000	$ 36,158
Certificates of deposit	330,570	261,665	63,568	5,337	--
Data processing agreements*	810	606	204	--	--
Lease agreements**	987	174	363	340	110
Mortgage payable	1,175	38	83	94	960

* 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.

NOTE 3: DIVIDEND DECLARATION

On March 24, 2010, the Board of Directors declared a cash dividend of $0.23 per share to all stockholders of record as of April 9, 2010, payable April 20, 2010.

NOTE 4: FAIR VALUES OF ASSETS AND LIABILITIES

The Bank groups its assets and liabilities 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 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 from 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.

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 for financial instruments:

Cash and cash equivalents - The carrying amounts of cash, due from banks 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 provided by the broker.

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, Federal Home Loan Mortgage Corporation ("FHLMC") and Federal National Mortgage Association ("FNMA") bonds, corporate bonds and other securities.

Federal Home Loan Bank stock - The carrying value of Federal Home Loan Bank ("FHLB") stock is deemed to approximate fair value based on the redemption provisions of the FHLB 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 in the market 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.

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 March 31, 2010 and December 31, 2009, the fair value of commitments outstanding was not significant since fees charged were not material.

The Bank is also required, from time to time, to measure certain other financial assets on a non-recurring basis in accordance with Generally Accepted Accounting Principles ("GAAP"). These adjustments to fair value usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following tables summarize the fair value hierarchy used to determine each adjustment and the carry value of the related assets. The total losses represent the amount of write downs recorded on the assets held at March 31, 2010 and December 31, 2009. There were no liabilities measured at fair value.

	March 31, 2010				Quarter Ended March 31, 2010
	Level 1	Level 2	Level 3	Assets at Fair Value	Total Losses
			(In thousands)		
Assets					
Recurring:					
Securities available for sale:					
Government-sponsored enterprises	$ --	$ 84,924	$ --	$ 84,924	$ --
Residential mortgage-backed securities	--	4,046	--	4,046	--
Equity securities	3,039	--	--	3,039	--
Non-recurring:					
Impaired loans	--	--	1,118	1,118	40
Other real estate owned	--	--	2,410	2,410	10
Total assets	$ 3,038	$ 88,970	$ 3,528	$ 95,536	$ 50

Notes to Unaudited Consolidated Financial Statements (continued)

	December 31, 2009				Quarter Ended December 31, 2009
	Level 1	Level 2	Level 3	Assets at Fair Value	Total Losses
	(In thousands)				
Assets					
Recurring:					
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	--
Non-recurring:					
Impaired loans	--	--	743	743	--
Other real estate owned	--	--	2,300	2,300	100
Total assets	$ 3,013	$ 93,361	$ 3,043	$ 99,417	$ 100

At March 31, 2010 and December 31, 2009, the amount of impaired loans and other real estate owned in level 3 represent the carrying value of impaired loans or properties for which adjustments are based on the appraised value of the collateral, considering discounting factors and as adjusted for selling costs. Appraised values are typically based on a blend of (a) an income approach using observable cash flows to measure fair value and (b) a market approach using observable market comparables.

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

	March 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Financial assets:				
Cash and cash equivalents	$ 88,031	$ 88,031	$ 52,637	$ 52,637
Certificates of deposit	13,610	13,728	13,150	13,230
Securities available for sale	92,009	92,009	96,374	96,374
Federal Home Loan Bank stock	13,373	13,373	13,373	13,373
Loans, net	727,698	732,349	718,242	724,591
Accrued interest receivable	3,246	3,246	3,392	3,392
Financial liabilities:				
Deposits	$ 675,347	$ 678,117	$ 631,087	$ 633,803
Federal Home Loan Bank advances	216,417	222,172	222,636	228,320
Mortgage payable	1,175	1,228	1,184	1,355
Mortgagors' escrow accounts	2,078	2,078	1,968	1,968
Accrued interest payable	697	697	714	714

NOTE 5: 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)		
March 31, 2010				
Debt securities:				
Government-sponsored enterprises –FHLMC	$ 12,340	$ 53	$ (5)	$ 12,388
Government-sponsored enterprises - FNMA	21,753	131	(8)	21,876
Government-sponsored enterprises - Other	50,334	360	(34)	50,660
Residential mortgage-backed – FHLMC	1,733	18	--	1,751
Residential mortgage-backed – FNMA	2,271	24	--	2,295
Total debt securities	88,431	586	(47)	88,970
Equity securities	3,000	39	--	3,039
Total securities available for sale	$ 91,431	$ 625	$ (47)	$ 92,009
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

At March 31, 2010 and December 31, 2009, debt securities with a fair value of $88,970,000 and $93,361,000, respectively, were pledged to secure Federal Home Loan Bank advances.

Notes to Unaudited Consolidated Financial Statements (continued)

The amortized cost and estimated fair value of debt securities by contractual maturity at March 31, 2010 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	$ 24,938	$ 25,224
Over 1 year to 5 years	59,489	59,700
Residential mortgage-backed securities:		
Within 1 year	3,725	3,762
Over 1 year to 5 years	--	--
Over 5 to 10 years	164	167
Over 10 years	115	117
Total debt securities	$ 88,431	$ 88,970

Information pertaining to securities with gross unrealized losses at March 31, 2010, 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)			
March 31, 2010				
Debt securities:				
Government-sponsored enterprises - FHLMC	$ 5	$ 2,994	$ --	$ --
Government-sponsored enterprises - FNMA	8	8	--	--
Government-sponsored enterprises - Other	34	7,966	--	--
Residential mortgage-backed – FHLMC	--	--	--	--
Residential mortgage-backed – FNMA	--	--	--	--
Total temporarily impaired debt securities	--	--	--	--
Equity securities	--	--	--	--
Total temporarily impaired securities	$ 47	$ 10,968	$ --	--

At March 31, 2010, $11.0 million in debt securities had unrealized losses with aggregate depreciation of less than 1% from the Bank's amortized cost basis. These unrealized losses relate to debt securities issued by government-sponsored enterprises, and result from changes in the bond markets since their purchase. Because the declines in market value are attributable to changes in interest rates and not to credit quality, and because the Bank does not intend to sell the securities and it is not "more likely than not" that the Bank will be required to sell the securities before recovery of their amortized cost basis, which may be maturity, no declines are deemed to be other than temporary.

NOTE 6: SUBSEQUENT EVENTS

In May, 2010, the Bank entered into a contract to expand the Bank's current facilities on land owned by the Bank at 49 and 55 Main Street, Hingham, MA. Construction is anticipated to start in the late spring 2010 and take approximately 10-12 months to complete with an anticipated cost of $3.5 million.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FORWARD-LOOKING STATEMENTS

This 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, and 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.

INTRODUCTION

The earnings of the Bank are driven primarily by its net interest income, which is influenced by market interest rates as well as the Bank’s ability to generate loans and gather deposits. To a significantly lesser degree, the Bank also generates fee income from its deposit and loan customers. Earnings can also be affected by the creditworthiness of its borrowers, and as such, management monitors the portfolio and analyzes trends, both internal and external, which could impact the borrowers’ ability to repay their loans. The Bank operates nine banking offices which provide services to its deposit and loan customers. The Bank competes with other local, regional and national banks, credit unions and mutual funds to attract new depositors. The Bank is regulated by various agencies, primarily the Federal Deposit Insurance Corporation (“FDIC”), which among other things require minimum capital levels.

Net income increased $743,000, or 47%, for the first quarter of 2010 as compared to the same quarter of 2009, due to the $1.4 million, or 22%, improvement in net interest income combined with a reduction of $150,000 in the provision for loan losses. This was partially offset by a $247,000, or 7%, increase in operating expenses.

During the first three months of 2010, the Bank originated $45.2 million in loans, resulting in net loan growth of $9.5 million after giving effect to continued loan prepayments. At March 31, 2010, loans continue to be the Bank’s largest component of total assets at 75%. Non-performing assets were 1.34% of total assets at March 31, 2010 as compared to 1.36% at December 31, 2009. Management believes that these assets are significantly collateralized, pose minimal risk of loss to the Bank, and that the allowance for loan losses is sufficient to absorb such losses, if any.

During the first three months of 2010, $12.1 million of the Bank’s securities matured, paid down or were called and the proceeds were reinvested in the securities portfolio.

During the first three months of 2010, the Bank received $44.3 million in net new deposits. Management believes that the increase in deposit balances is attributable to the Bank’s full insurance coverage and the current trend to move towards community banks. These funds were used to purchase securities, fund loans, reduce borrowed funds and maintain higher levels of liquidity.

The Bank continues to exceed all of the minimum regulatory capital requirements.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

GENERAL

The Bank reported net income of $2.3 million for the quarter ended March 31, 2010 as compared to $1.6 million for the quarter ended March 31, 2009. Net income was $1.09 per share (basic and diluted) for the quarter ended March 31, 2010 as compared with $0.74 per share (basic and diluted) for the same period in 2009. Earnings for the quarter ended March 31, 2010 were positively impacted by a 22% improvement in net interest income along with a reduction of $150,000 in the provision for loan losses. This was offset, in part, by a $247,000, or 7%, increase in operating costs, primarily attributable to an increase in deposit insurance and foreclosure expenses.

NET INTEREST INCOME

Net interest income is impacted by market interest rates. As short-term market rates fall, rates paid to depositors decrease and maturing borrowings may be refinanced at lower rates. New loans and securities may earn lower rates. Adjustable rate loans may also re-set at lower rates.

During the last 18 months, interest rates have been at historical lows as the Federal Reserve Bank has lowered the Federal Funds rate to near zero and has implemented a security purchase program geared towards keeping longer-term rates at historical lows in an effort to stabilize financial markets and stimulate the overall economy. Additionally, volatility in the equity markets has caused an increase in deposit balances as customers seek the safe haven of a fully-insured depository institution.

The net effect of these low interest rates and growth in deposit balances was reflected in the improvement of the Bank's weighted average rate spread and net interest margin which were 3.16% and 3.31%, respectively, for the quarter ended March 31, 2010 as compared to 2.84% and 3.10%, respectively, for the quarter ended March 31, 2009. When comparing the two quarters, the yield on total earning assets decreased 44 basis points and the rate on interest-bearing liabilities decreased by 76 basis points.

Net interest income was $7.5 million for the first quarter of 2010 and $6.1 million for the first quarter of 2009. The $1.4 million improvement was due to an increase in the weighted average rate spread of 32 basis points (most notable in the lower rates paid on deposits and borrowings) accompanied by an 14.5% increase in average earning assets in the first quarter of 2010 compared to the first quarter of 2009.

The following table details components of net interest income and yields/rates on average earning assets/liabilities.

	Three Months Ended March 31,					
	2010			2009		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
	(Dollars in thousands)					
Loans (1) (2)	$ 729,559	$ 10,873	5.96 %	$ 658,355	$ 10,151	6.17 %
Securities (3) (4)	90,974	477	2.10	93,060	592	2.54
Short-term investments and certificates of deposit	81,355	110	0.54	36,303	123	1.36
Total earning assets	901,888	11,460	5.08	787,718	10,866	5.52
Other assets	43,306			28,093		
Total assets	$ 948,194			$ 815,711		
Interest-bearing deposits (5)	$ 610,151	2,168	1.42	$ 498,818	2,878	2.31
Borrowed funds	220,584	1,827	3.31	211,869	1,879	3.55
Total interest-bearing liabilities	830,735	3,995	1.92	710,687	4,757	2.68
Demand deposits	47,056			41,086		
Other liabilities	3,677			3,156		
Total liabilities	881,468			754,929		
Stockholders' equity	66,726			60,782		
Total liabilities and stockholders' equity	$ 948,194			$ 815,711		
Net interest income		$ 7,465			$ 6,109	
Weighted average rate spread			3.16 %			2.84 %
Net interest margin (6)			3.31 %			3.10 %
Average interest-earning assets to average interest-bearing liabilities (7)			108.57 %			110.84 %

(1) Before allowance for loan losses.
(2) Includes non-accrual loans.
(3) Excludes the impact of the average net unrealized gain or 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.
(7) Total earning assets divided by total interest-bearing liabilities

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

	March 31, 2010 Compared to 2009		
	Increase (Decrease)		
	Due to		
	Volume	Rate	Total
Interest and dividend income:			
Loans	$ 1,070	$ (348)	$ 722
Securities	(13)	(102)	(115)
Short-term investments and certificates of deposit	91	(104)	(13)
Total interest and dividend income	1,148	(554)	594
Interest expense:			
Deposits	552	(1,262)	(710)
Borrowed funds	75	(127)	(52)
Total interest expense	627	(1,389)	(762)
Net interest income	$ 521	$ 835	$ 1,356

Interest and dividend income rose by $594,000 to $11.5 million for the first quarter of 2010 as compared to $10.9 million for the first quarter of 2009. The yield on total interest-earning assets was 5.08% for the quarter ended March 31, 2010 as compared to 5.52% for the quarter ended March 31, 2009.

Interest income on loans increased $722,000 when comparing the two periods, primarily resulting from a 10.8% increase in average loans (primarily residential mortgage loans), offset, in part, by a 21 basis point decrease in overall yield. Although short-term market rates remained at historic lows during the last year, longer-term rates were more volatile, fluctuating between 10-25 basis points during the period. Loans that reset to market rates, such as prime-based home equity loans and commercial lines remained relatively stable. Adjustable rate residential and commercial mortgages with reset dates in late 2009 and through the first three months of 2010, were impacted by lower market rates. Additionally, during the last nine months of 2009, the Bank sold a total of $25.3 million in lower-yielding fixed rate residential mortgages.

Securities, Federal Home Loan Bank stock and short-term investments combined accounted for 19% of the total average earning assets for the quarter ended March 31, 2010 and 16% for the same period in 2009. Income for these categories combined decreased $128,000 when comparing the two periods primarily due to decreases in interest rates and was partially offset by a $43.0 million increase in average balances. Over the last 18 months, shorter-term rates have remained at historic lows affecting short-term overnight investments and matured/called securities when the funds are reinvested.

The average rate on interest-bearing liabilities decreased to 1.92% for the first quarter of 2010 from 2.68% for the comparable quarter of 2009. Total interest expense decreased by $762,000 when comparing the quarters ended March 31, 2010 and 2009. During the prior 12 months, there has been an increase of $111.3 million in average interest bearing deposits. Most of this growth has come from lower-cost money market balances. This has served as the primary funding source for asset growth.

Interest expense on deposits decreased by $710,000, primarily as a result of a 89 basis point decrease in the weighted average rate, offset, in part, by a $111.3 million increase in average interest-bearing deposit balances. The rates paid on money market deposit accounts and certificates of deposit were lowered during the last nine months of 2009 and through the first three months of 2010 and reflect market conditions. The Bank has benefitted from the lower interest rate environment as certificates roll into lower rate products and rates paid on money market products are lowered. During the last twelve months, the Bank has also seen a shift in deposit balances from certificate accounts to non-certificate accounts. Although certificate balances increased by $10.0 million during the last three months, non-certificate accounts increased by $34.3 million and represents 51% of total deposits at March 31, 2010 compared to 49% at December 31, 2009. Generally, most mutual fund and broker related money market products are indexed to short term rates. A combination of more attractive rates on bank money markets along with deposit insurance coverage has produced strong growth in our money market and short-term certificate products. The significant increase in deposit balances has allowed the Bank to fund lending activity and maintain an elevated level of liquidity.

Interest expense on borrowed funds for the first quarter of 2010 decreased $52,000 as compared to the same quarter in 2009, due primarily to a 24 basis point decrease in the weighted average rate; partially offset by an $8.7 million increase in average outstanding balance. Lower rates for both short-term and long-term borrowing has allowed the Bank to implement a strategy to extend out a portion of its borrowings to longer terms at attractive rates to mitigate some of the risk associated with expected rising interest rates in the future.

PROVISION FOR LOAN LOSSES

At March 31, 2010, management's review of the allowance for loan losses concluded that a balance of $6.1 million was adequate to provide for losses based upon evaluation of risk in the loan portfolio. During the first quarter of 2010, management provided $400,000 to achieve such a loan loss allowance balance at March 31, 2010. The Bank recognized $10,000 in net charge-offs through the first three months of 2010. The deterioration in national and local market conditions along with growth in the loan portfolio warranted additional provisions to the Bank’s allowance for loan losses. Comparably, at March 31, 2009, management’s evaluation of the balance of the allowance for loan losses indicated the need of a quarterly provision of $550,000.

At March 31, 2010, the allowance for loan losses represented 0.84% of gross loans as compared to 0.79% at December 31, 2009. Management considers many factors when evaluating the balance in the loan loss allowance. Beginning with historical charge-offs, adjustments are made to assess trends in portfolio volume, maturity and composition, trends in delinquencies and the national and local economic condition. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. In particular, at March 31, 2010, management considered the level of non-accrual and delinquent loans, and the volatility in the financial markets. Management believes that its loans classified as non-accrual are significantly collateralized, pose minimal risk of loss to the Bank and the allowance for loan losses is sufficient to absorb such losses. However, management continues to monitor the loan portfolio and additional reserves will be taken if necessary.

OTHER INCOME

Other income is comprised of customer service fees, increases in the cash surrender value of life insurance policies and miscellaneous income. Total other income was $377,000 for both the quarter ended March 31, 2010 and 2009. Customer service fees decreased by $15,000 over the two periods, primarily the result of a decreased volume of fee-based customer transactions along with ATM fees from lower transaction volume. This was fully offset by an increase of $12,000 in miscellaneous income along with $3,000 from the increased in cash surrender value of bank-owned life insurance.

OPERATING EXPENSES

Total operating expenses were $ 3.6 million, or an annualized 1.54% of average total assets, for the quarter ended March 31, 2010 as compared to $3.4 million, or 1.67%, for the same quarter of 2009. Operating expenses include salaries and employee benefits, data processing, occupancy and equipment, deposit insurance, foreclosure, marketing and other general and administrative expenses.

Salaries and employee benefits expenses rose 5.1% primarily due to annual merit-based salary increases, rising medical insurance costs and a lower level of deferred salary expense recognition due to a lower volume of loan production.

Data processing expenses declined by 3.2% primarily due to lower ATM network charges along with lower item processing charges. During 2010, there was lower transaction volume at the Bank's remote ATMs which reduced fee income along with the related expense. Additionally, in late 2009, the Bank converted to image cash letter processing which provides more efficient processing of checks and has reduced processing charges.

Occupancy and equipment expenditures decreased by $18,000, or 5.0%, due to lower maintenance expenditures and lower depreciation expense as many items purchased in previous periods were fully depreciated. This was partially offset by increased property taxes and rental expense.

Deposit insurance expense increased $102,000, or 57.3%, due primarily to an increase in the Federal Deposit Insurance Corporation ("FDIC") 2010 assessment rate along with growth in the balance of insured deposits. Total deposit insurance expenses were $280,000 for the first quarter of 2010 as compared to $178,000 in the first quarter of 2009.

Foreclosure related expenses increased by $48,000 to $126,000 for the first quarter 2010. The increase is primarily related to costs associated with managing foreclosed property. At March 31, 2010, the Bank held three properties with a carrying balance of $2.7 million. The Bank did not hold any foreclosed properties at March 31, 2009. During the first quarter of 2010, the Bank did not take any additionally new properties and sold one property and recognized a cash gain of $31,000. Also included in this category are expenses associated with resolving troubled loans which include legal expenses, appraisal expenses, insurance and other related foreclosure expenses.

Marketing expenses increased by $8,000 to $108,000 for the first quarter 2010. The increase was due to additional marketing initiatives.

Other expenses, which include director fees, supplies, deposit related losses and audit-related expenses, among others, increased $14,000, or 2.7%, when comparing the two periods primarily due to general increases in operating expenses.

INCOME TAXES

The Bank recognizes income taxes under the asset and liability method in which deferred tax assets and liabilities are established for the temporary difference between the accounting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. The Bank's deferred tax asset is reviewed quarterly and adjustments to such asset are recognized as deferred income tax expense or benefit based on management's judgment relating to the realizability of such asset.

During the first quarter of 2010, the Bank recorded $1.5 million, or 39% of pre-tax income, in tax expense as compared to $964,000, or 38%, for the same quarter in 2009. The increase in expense is primarily due to the increase in pre-tax earnings. Changes to the tax rate were primarily attributable to fluctuations in preferential tax treatment items and changes to projected income before taxes.

BALANCE SHEET ANALYSIS - COMPARISON AT MARCH 31, 2010 TO DECEMBER 31, 2009

Assets totaled $966.4 million at March 31, 2010, as compared to $925.6 million at December 31, 2009, an increase of $40.8 million, or 4.4%.

SECURITIES, SHORT-TERM INVESTMENTS, CERTIFICATES OF DEPOSITS AND FHLB STOCK

Securities were $92.0 million at March 31, 2010, a decrease of 4.5% when compared to the $96.4 million at December 31, 2009. During the first three months of 2010, there were $8.1 million in securities purchased offset by $12.1 million in maturities, calls and principal paydowns. Net proceeds from securities transactions were reinvested in a combination of short-term investments and new securities.

Beginning in the last nine months of 2009 and continuing through March 31, 2010, the significant inflow of deposits continued. These funds have been temporarily held by the Bank in short-term investments until such time as they can be used to reduce borrowed funds, or used to fund loan production.

At March 31, 2010 and December 31, 2009, the Bank's entire securities portfolio was classified as available for sale and reflected on the balance sheet at fair value with unrealized gains and losses, net of tax effect, excluded from earnings and reported in accumulated other comprehensive income. The net unrealized gain on securities available for sale, net of tax, was $377,000 at March 31, 2010 as compared to $458,000 at December 31, 2009. The fair value of securities fluctuates with the movement of interest rates. Generally, during periods of falling interest rates, the fair values increase whereas the opposite may hold true during a rising interest rate environment.

The securities portfolio is comprised primarily of bonds issued by government-sponsored enterprises and mortgage-backed securities issued by the FHLMC and FNMA. At March 31, 2010, approximately 92% of the portfolio consisted of fixed-rate agency bond issues. In September 2008, the U.S. government placed FNMA and FHLMC in conservatorship under the Federal Housing Financing Agency ("FHFA"). While equity investors in these two entities were negatively impacted, bond holders have, thus far, been unaffected. Residential mortgage-backed issues, which are guaranteed by FNMA and FHLMC, comprised 5% of the portfolio. Repayment of these issues is anticipated from payments made on the underlying mortgages. The majority of the bond and mortgage-backed holdings are short-term in nature with nearly the entire portfolio maturing in three years or less.

At March 31, 2010, the Bank held $3.0 million, or 3% of the portfolio, in the CRA Fund, an equity security which invests in local community-related projects.

The Bank held an investment of $13.6 million in FDIC-insured certificates of deposit issued by other financial institutions at March 31, 2010. Generally, the Bank invests in such certificates due to the increase in yield over comparably-termed bonds issued by government-sponsored enterprises at time of purchase.

As a member of the Federal Home Loan Bank of Boston ("FHLBB"), the Bank is required to hold a Membership Stock Investment plus an Activity-based Stock Investment in the FHLBB, which is based primarily on the amount of FHLBB borrowings. In late 2008, the FHLBB announced a moratorium on all excess stock repurchases and subsequently in early 2009, FHLBB announced that it has suspended its dividend payment. It is uncertain when the FHLBB will resume paying a dividend and re-establish their program of redeeming excess stock. At March 31, 2010 and December 31, 2009, the Bank held $13.4 million in FHLBB stock.

LOANS AND OTHER REAL ESTATE OWNED

During the first three months of 2010, total loans outstanding increased by $9.8 million to $733.0 million, from $723.2 million at December 31, 2009, attributable primarily to originated loans of $45.2 million offset by payoffs, loan sales and amortization. Comparably, loan originations for the same period in 2009 were $52.8 million. On March 31, 2010 net loans outstanding represented 75% of assets compared to 78% at December 31, 2009. Mortgage loans continue to account for more than 99% of the loan portfolio.

	Loan Balances by Type	
	March 31, 2010	December 31, 2009
	(In thousands)	
Mortgage loans:		
Residential	$ 325,053	$ 319,228
Commercial	355,262	348,700
Construction	20,669	23,228
Equity lines-of-credit	23,768	23,230
Second mortgages	7,422	7,975
Total mortgage loans	732,174	722,361
Other loans:		
Personal installment	344	335
Commercial loans	275	233
Revolving credit	201	265
Total other loans	820	833
Total loans	732,994	723,194
Allowance for loan losses	(6,127)	(5,737)
Net deferred loan origination costs	831	785
Loans, net	$ 727,698	$ 718,242

Loans are carried net of the allowance for loan losses. The allowance is maintained at a level to absorb losses within the loan portfolio. At March 31, 2010, the allowance had a balance of $6.1 million as compared to $5.7 million at December 31, 2009. At March 31, 2010, the Bank allocated $165,000 to loans classified as impaired pursuant to SFAS No. 114. At December 31, 2009, $125,000 was allocated to impaired loans.

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. These delays have been experienced over the last year and are expected to continue until foreclosure trends decline.

At March 31, 2010, there were 24 loans classified as non-accrual totaling $10.3 million as compared to 25 non-accrual loans totaling $9.4 million at December 31, 2009. At March 31, 2010, the Bank held $2.7 million in foreclosed assets consisting of one commercial property and 2 residential properties. At December 31, 2009, the Bank held $3.2 million in foreclosed assets. At March 31, 2010, non-performing assets were 1.34% of total assets as compared to 1.36% at December 31, 2009. Management believes that its loans classified as non-accrual are significantly collateralized, pose minimal risk of loss to the Bank, and the allowance for loan losses is sufficient to absorb such losses, if any. However, management continues to monitor the loan portfolio and additional reserves will be taken if necessary.

Non-Performing Assets

	March 31, 2010	December 31, 2009
	(In thousands)	
Non-accrual loans:		
Residential mortgages	$ 6,425	$ 5,432
Commercial mortgages	3,239	3,612
Commercial equity loans	645	345
Installment loans	3	11
Total non-accrual loans	10,312	9,400
Other real estate owned	2,685	3,185
Total non-performing assets	$ 12,997	$ 12,585
Percent of non-accrual loans to:		
Loans, net	1.42 %	1.31 %
Total assets	1.07 %	1.02 %
Percent of non-performing assets, net to:		
Loans, net	1.79 %	1.75 %
Total assets	1.34 %	1.36 %
Allowance for loan losses to total loans	0.84 %	0.79 %

All non-accrual loan amounts listed above, except $3,000 at March 31, 2010 and $11,000 at December 31, 2009, were also considered impaired pursuant to SFAS No. 114 at March 31, 2010 and December 31, 2009.

DEPOSITS

Deposits increased by $44.3 million to $675.3 million at March 31, 2010 from $631.1 million at December 31, 2009. Core deposits, which include regular, money market, NOW and demand deposits, increased $34.3 million over the December 31, 2009 balance, reflecting increases in all categories. Certificate accounts were $330.6 million, or 49% of total deposits, at March 31, 2010, as compared to $320.6 million, or 51% of total deposits, at December 31, 2009.

Beginning in late 2008, national and international financial markets became increasingly volatile. The NYSE reported large declines in the trading prices of equity securities and several financial services companies were in severe distress. Combined, these events concerned consumers and small business owners, a number of whom ultimately transferred their funds from affected markets into premium money market and certificate of deposit accounts at the Bank. The Bank offers FDIC insurance, which generally provides protection for up to

$100,000 in separately insured deposit accounts, and Deposit Insurance Fund of Massachusetts ("DIF") insurance for all deposits in excess of this amount. In October 2008, the FDIC began offering insurance protection for up to $250,000 in separately insured deposit accounts and in June 2009 announced an extension of the additional coverage through December 31, 2013. Although the markets have begun to stabilize, the Bank continues to experience growth in deposits.

Deposit growth over the first three months of 2010 was used to fund growth in the loan portfolio and has allowed the Bank to hold lower levels of borrowed funds.

	Deposit Balances by Type			
	March 31, 2010	% of Total	December 31, 2009	% of Total
	(Dollars in thousands)			
Non-certificate accounts				
Regular	$ 51,020	8 %	$ 48,273	8 %
Money market deposits	217,106	32	186,139	29
NOW	27,429	4	27,104	4
Demand	49,222	7	48,994	8
Total non-certificate accounts	344,777	51	310,510	49
Term certificates less than $100,000	173,570	26	169,829	27
Term certificates $100,000 or more	157,000	23	150,748	24
Total certificate accounts	330,570	49	320,577	51
Total deposits	$ 675,347	100 %	$ 631,087	100 %

BORROWINGS

FHLBB advances were $216.4 million or 22% of total assets at March 31, 2010 as compared to $222.6 million or 24% of total assets at December 31, 2009. These advances are predominately fixed rate in nature with 24% scheduled to mature in the next twelve months. During the first three months of 2010, total borrowings declined by $6.2 million as proceeds from deposit growth allowed the Bank to maintain a lower level of borrowings while funding asset growth.

LIQUIDITY AND CAPITAL RESOURCES

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

The majority of the Bank's investment portfolio was fixed with respect to rate and maturity date. The remaining securities can be called at the discretion of the issuer. Mortgage-backed securities, which comprised 4% of the portfolio, are subject to repayment at the discretion of the underlying borrower.

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.

Core 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.

Approximately 77% of the Bank's borrowings were fixed in term of rate and maturity. Approximately 23% or $49.5 million can be called for earlier repayment at the discretion of the issuer. It is considered unlikely that these borrowings will be called by the issuer in the near term.

The Bank also monitors its off-balance sheet items. See “Commitments” appearing in Note 2 within the “Notes to Unaudited Consolidated Financial Statements” section of this document which begins on Page 8. At March 31, 2010, the Bank had $64.4 million in commitments to extend credit as compared to $71.1 million at December 31, 2009.

The Bank considers the above information when measuring its liquidity position. Specific measurements include the Bank’s cash flow position at the 30 day, 60 day and 90 day horizon, the level of volatile liabilities on earning assets and loan to deposit ratios. These estimates anticipate the possibility of deposit outflows. At March 31, 2010, each measurement was within pre-defined 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 $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, five or more family residential mortgages, the majority of the Bank’s investment in securities issued by government-sponsored enterprises and certain commercial mortgages. The Bank can pledge other mortgages and assets as collateral to secure as much as $127.8 million in additional borrowings. At March 31, 2010, the Bank had $216.4 million in advances outstanding.

At March 31, 2010, the Bank had capital of $67.0 million, or 6.9% of total assets, as compared to $65.3 million, or 7.1%, at December 31, 2009. During the three months ended March 31, 2010, stockholders' equity increased by $1.7 million due primarily to net income for the period of $2.3 million, partially offset by the declaration of dividends of $0.23 per share, which reduced capital by $489,000. There was no stock option activity during the first three months of 2010.

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. At March 31, 2010, the Bank's entire securities portfolio was classified as available for sale which had the effect of decreasing capital over the three-month period by $81,000.

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 following table details the Bank’s actual capital ratios and minimum regulatory ratios.

	Actual Regulatory Capital Ratios			
	March 31, 2010	December 31, 2009	Minimum Capital Requirement Ratios	Minimum To Be Well Capitalized Under Prompt Corrective Action Provision Ratios
	(Dollars in thousands)			
Tier 1 Capital as a Percent of RiskWeighted Assets	11.63 %	11.33 %	4.0 %	6.0 %
Total Capital as a Percentage of Risk-Weighted Assets	12.70 %	12.33 %	8.0 %	10.0 %
Tier 1 Capital to Average Assets	7.03 %	7.10 %	4.0 %	5.0 %
Total Risk-Weighted Assets	$ 573,261	$ 572,352		

At March 31, 2010 and December 31, 2009, the Bank exceeded all of the minimum regulatory capital ratio requirements.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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, and 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 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, interest rate environments, balance sheet growth and deposit elasticity. 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. Management believes that there has been no material changes in the interest rate risk reported in the Bank’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed with the Federal Deposit Insurance Corporation. The information is contained in the Form 10-K within the Market Risk and Asset Liability Management section of Management’s Discussion and Analysis of Results of Operations and Financial Condition.

ITEM 4 – CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Bank's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness, as of March 31, 2010, of the Bank's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended. The term "disclosure controls and procedures" is defined to mean controls and other procedures that are designed to ensure that information required to be disclosed by the Bank in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and is made known to the Bank's CEO and CFO by others within the Bank, particularly during the period in which this report was being prepared, as appropriate to allow timely decisions regarding required disclosure.

The CEO and CFO recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and such officers necessarily apply their judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on their evaluation of the Bank's disclosure controls and procedures as of March 31, 2010, the CEO and CFO concluded that, as of such date, the Bank's disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes in Internal Control

There were no significant changes in the Bank's internal control over financial reporting, as defined in Rules 13a-15(e) and 15d-15(e), during the fiscal quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None.

ITEM 1A – RISK FACTORS

There have been no material changes to the risk factors previously disclosed in the Bank's most recently filed Form 10K.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – REMOVED AND RESERVED

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 – EXHIBITS

Exhibit No.	
31.1	Certifications – Chief Executive Officer
31.2	Certifications – Chief Financial Officer
32.1	Certification Pursuant to 18 U.S.C. §1350 – Chief Executive Officer
32.2	Certification Pursuant to 18 U.S.C. §1350 – Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HINGHAM INSTITUTION FOR SAVINGS

Date: May 12, 2010

/s/
Robert H. Gaughen, Jr.
President & Chief Executive Officer

Date: May 12, 2010

/s/
Robert A. Bogart
Vice President & Treasurer

CERTIFICATIONS EXHIBIT 31.1

I, Robert H. Gaughen, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Hingham Institution for Savings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants auditors and the audit committee of the registrant's board of directors:

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2010

/s/
Robert H. Gaughen, Jr.
Chief Executive Officer

CERTIFICATIONS EXHIBIT 31.2

I, Robert A. Bogart, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Hingham Institution for Savings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2010

/s/
Robert A. Bogart
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Hingham Institution for Savings (the "Bank") for the quarter ended March 31, 2010, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), the undersigned Robert H. Gaughen, Jr., Chief Executive Officer of the Bank, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Bank.

/s/

Robert H. Gaughen, Jr.
Chief Executive Officer

Date: May 12, 2010

EXHIBIT 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Hingham Institution for Savings (the “Bank”) for the quarter ended March 31, 2010, as filed with the Federal Deposit Insurance Corporation on the date hereof (the “Report”), the undersigned Robert A. Bogart, Chief Financial Officer of the Bank, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Bank.

/s/

Robert A. Bogart
Vice President and Treasurer
Chief Financial Officer

Date: May 12, 2010