FEDERAL DEPOSIT INSURANCE CORPORATION
UNITED STATES FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20549

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 June 30, 2010

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period ____________ to ______________

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 July 31, 2010, there were 2,124,250 shares of the registrant's common stock outstanding.

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Exhibit No.

31.1 Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended – Principal Executive Officer

32.1 Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended – Principal Financial Officer

32.1 Certification Pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Principal Executive Officer

32.2 Certification Pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Principal Financial Officer

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)		June 30, 2010		December 31, 2009
		(In thousands)		
ASSETS				
Cash and due from banks	$	6,565	$	7,372
Short-term investments		61,919		45,265
Cash and cash equivalents		68,484		52,637
Certificates of deposit		13,564		13,150
Securities available for sale, at fair value		95,053		96,374
Federal Home Loan Bank stock, at cost		13,373		13,373
Loans, net of allowance for loan losses of $6,426,000 in 2010 and $5,737,000 in 2009		744,410		718,242
Other real estate owned		7,393		3,185
Bank-owned life insurance		13,843		13,615
Premises and equipment, net		5,698		5,434
Prepaid FDIC assessment		2,927		3,409
Accrued interest receivable		3,214		3,392
Deferred income tax asset, net		2,039		1,990
Other assets		1,781		759
Total assets	$	971,779	$	925,560
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits	$	682,612	$	631,087
Federal Home Loan Bank advances		214,132		222,636
Mortgage payable		1,166		1,184
Mortgagors' escrow accounts		2,056		1,968
Accrued interest payable		645		714
Other liabilities		2,199		2,678
Total liabilities		902,810		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		10,417		10,412
Undivided profits		56,058		52,299
Accumulated other comprehensive income		370		458
Total stockholders' equity		68,969		65,293
Total liabilities and stockholders' equity	$	971,779	$	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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(Unaudited)	(In thousands, except per share amounts)			
Interest and dividend income:				
Loans	$ 10,961	$ 10,431	$ 21,834	$ 20,582
Debt securities	400	503	849	1,065
Equity securities	27	30	55	60
Short-term investments and certificates of deposit	114	125	224	248
Total interest and dividend income	11,502	11,089	22,962	21,955
Interest expense:				
Deposits	2,053	2,649	4,221	5,527
Federal Home Loan Bank advances	1,742	1,724	3,551	3,585
Mortgage payable	17	18	35	36
Total interest expense	3,812	4,391	7,807	9,148
Net interest income	7,690	6,698	15,155	12,807
Provision for loan losses	300	450	700	1,000
Net interest income, after provision for loan losses	7,390	6,248	14,455	11,807
Other income:				
Customer service fees on deposits	204	215	404	430
Increase in bank-owned life insurance	114	121	228	232
Gain on sale of loans	--	318	--	318
Miscellaneous	62	52	125	104
Total other income	380	706	757	1,084
Operating expenses:				
Salaries and employee benefits	2,097	1,873	4,141	3,817
Data processing	210	216	425	438
Occupancy and equipment	316	324	660	687
Deposit insurance	275	614	555	791
Foreclosure	161	62	287	140
Marketing	138	119	246	219
Other general and administrative	595	483	1,125	1,000
Total operating expenses	3,792	3,691	7,439	7,092
Income before income taxes	3,978	3,263	7,773	5,799
Income tax provision	1,557	1,240	3,037	2,204
Net income	$ 2,421	2,023	$ 4,736	$ 3,595
Weighted average common shares outstanding:				
Basic	2,124	2,124	2,124	2,123
Diluted	2,124	2,124	2,124	2,124
Earnings per common share:				
Basic	$ 1.14	$ 0.95	$ 2.23	$ 1.69
Diluted	$ 1.14	$ 0.95	$ 2.23	$ 1.69

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 Six Months Ended
June 30, 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	--	--	3,595	--	3,595
Change in net unrealized gain on securities available for sale, net of tax effect	--	--	--	(117)	(117)
Total comprehensive income					3,478
Stock options exercised, including tax effect of $12,000	2	48	--	--	50
Cash dividends declared – common ($0.42 per share)	--	--	(892)	--	(892)
Balance at June 30, 2009	$ 2,124	$ 10,412	$ 49,272	$ 653	$ 62,461
Balance at December 31, 2009	$ 2,124	$ 10,412	$ 52,299	$ 458	$ 65,293
Comprehensive income:					
Net income	--	--	4,736	--	4,736
Change in net unrealized gain on securities available for sale, net of tax effect	--	--	--	(88)	(88)
Total comprehensive income					4,648
Share-based compensation	--	5	--	--	5
Cash dividends declared – common ($0.46 per share)	--	--	(977)	--	(977)
Balance at June 30, 2010	$ 2,124	$ 10,417	$ 56,058	$ 370	$ 68,969

See accompanying Notes to Unaudited Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 4,736	$ 3,595
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Provision for loan losses	700	1,000
Gain on sale of loans	--	(318)
Amortization of securities, net	335	377
Amortization of deferred loan origination costs, net	75	55
Share-based compensation expense	5	--
Excess tax benefits from share-based compensation arrangements	--	(12)
Depreciation and amortization of premises and equipment	223	243
Increase in bank-owned life insurance	(228)	(232)
Net gain on other real estate owned	(10)	--
Changes in operating assets and liabilities:		
Accrued interest receivable and other assets	(364)	(367)
Accrued interest payable and other liabilities	(81)	963
Net cash provided by operating activities	5,391	5,304
Cash flows from investing activities:		
Activity in certificates of deposit:		
Maturities	3,001	3,900
Purchases	(3,415)	(3,651)
Activity in available-for-sale securities:		
Maturities, prepayments and calls	39,425	27,808
Purchases	(38,574)	(33,701)
Loans originated, net of payments received	(32,047)	(56,950)
Proceeds from sale of loans	--	11,194
Proceeds from sale of other real estate owned	906	--
Additions to premises and equipment	(487)	(67)
Net cash used in investing activities	(31,191)	(51,467)

(continued)

See accompanying Notes to Unaudited Consolidated Financial Statements.

Consolidated Statements of Cash Flows (concluded)

(Unaudited)	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(In thousands)	
Cash flows from financing activities:		
Increase in deposits	51,525	60,580
Increase in mortgagors' escrow accounts	88	10
Proceeds from stock options exercised	--	38
Cash dividends paid on common stock	(1,444)	(1,359)
Excess tax benefits from share-based compensation arrangements	--	12
Net repayments of borrowings with maturities of less than three months	--	(23,000)
Proceeds from Federal Home Loan Bank advances with maturities of three months or more	23,000	77,000
Repayment of Federal Home Loan Bank advances with maturities of three months or more	(31,504)	(61,926)
Repayment of mortgage payable	(18)	(17)
Net cash provided by financing activities	41,647	51,338
Net change in cash and cash equivalents	15,847	5,175
Cash and cash equivalents at beginning of period	52,637	20,218
Cash and cash equivalents at end of period	$ 68,484	$ 25,393
Supplementary information:		
Interest paid on deposit accounts	$ 4,233	$ 5,530
Interest paid on Federal Home Loan Bank advances and mortgage payable	3,643	3,672
Income taxes paid	4,005	2,862
Non-cash investing and financing activities:		
Transfer from loans to other real estate owned	5,104	--

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 Hingham Institution for Savings for the year ended December 31, 2009 filed on Form 10-K.

Financial information as of June 30, 2010 and the results of operations and cash flows for the three months and six months ended June 30, 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 June 30, 2010 and December 31, 2009, there were $96.6 million and $71.1 million, respectively in outstanding loan commitments as follows:

	June 30, 2010	December 31, 2009
	(In thousands)	
Mortgage origination	$ 45,135	$ 21,007
Unused lines of credit	45,539	43,290
Unadvanced construction funds	5,793	6,204
Letters of credit	135	585
Total	$ 96,602	$ 71,086

At June 30, 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)		
Certificates of deposit	$ 326,688	$ 263,919	$ 57,592	$ 5,177	$ --
Federal Home Loan Bank advances	214,132	40,500	59,500	78,000	36,132
Mortgage payable	1,166	42	84	95	945
Data processing agreements*	654	453	201	--	--
Lease agreements**	943	175	366	320	82
Construction contract***	3,309	3,309	--	--	--

* 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.

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

NOTE 3: 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:

<u>Cash and cash equivalents</u> - The carrying amounts of cash, due from banks and short-term investments approximate fair values based on the short-term nature of the assets.

<u>Certificates of deposit</u> - Fair values for certificates of deposit are based upon quoted market prices provided by the broker.

<u>Securities available for sale</u> - 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.

<u>Federal Home Loan Bank stock</u> - 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.

<u>Loans</u> - 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.

<u>Deposits</u> - 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.

<u>Federal Home Loan Bank advances</u> - 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 June 30, 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 June 30, 2010 and December 31, 2009. There were no liabilities measured at fair value.

	June 30, 2010				Quarter Ended June 30, 2010
	Level 1	Level 2	Level 3	Assets at Fair Value	Total Losses
			(In thousands)		
Assets					
Recurring:					
Securities available for sale:					
Government-sponsored enterprises	$ --	$ 91,670	$ --	$ 91,670	n/a
Residential mortgage-backed securities	--	290	--	290	n/a
Equity securities	3,093	--	--	3,093	n/a
Non-recurring:					
Impaired loans	--	--	1,115	1,115	--
Other real estate owned	--	--	2,851	2,851	9
Total assets	$ 3,093	$ 91,960	$ 3,966	$ 99,019	$ 9

	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	n/a
Residential mortgage-backed securities	--	4,767	--	4,767	n/a
Equity securities	3,013	--	--	3,013	n/a
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 June 30, 2010 and December 31, 2009, the amount of impaired loans and other real estate owned in Level 3 represented 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 do not necessarily represent the underlying fair value of the Bank.

	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Financial assets:				
Cash and cash equivalents	$ 68,484	$ 68,484	$ 52,637	$ 52,637
Certificates of deposit	13,564	13,659	13,150	13,230
Securities available for sale	95,053	95,053	96,374	96,374
Federal Home Loan Bank stock	13,373	13,373	13,373	13,373
Loans, net	744,410	764,105	718,242	724,591
Accrued interest receivable	3,214	3,214	3,392	3,392
Financial liabilities:				
Deposits	$ 682,612	$ 685,362	$ 631,087	$ 633,803
Federal Home Loan Bank advances	214,132	223,780	222,636	228,320
Mortgage payable	1,166	1,330	1,184	1,355
Mortgagors' escrow accounts	2,056	2,056	1,968	1,968
Accrued interest payable	645	645	714	714

NOTE 4: 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)			
June 30, 2010				
Debt securities:				
Government-sponsored enterprises –FHLMC	$ 15,772	$ 82	$ (3)	$ 15,851
Government-sponsored enterprises – FNMA	21,534	69	(6)	21,597
Government-sponsored enterprises – Other	53,892	334	(4)	54,222
Residential mortgage-backed – FHLMC	107	2	--	109
Residential mortgage-backed – FNMA	179	2	--	181
Total debt securities	91,484	489	(13)	91,960
Equity securities	3,000	93	--	3,093
Total securities available for sale	$ 94,484	$ 582	$ (13)	$ 95,053

	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

At June 30, 2010 and December 31, 2009, debt securities with a fair value of $91,960,000 and $93,361,000, respectively, were pledged to secure Federal Home Loan Bank advances.

The amortized cost and estimated fair value of debt securities by contractual maturity at June 30, 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	$ 58,612	$ 58,959
Over 1 year to 5 years	32,587	32,711
Residential mortgage-backed securities:		
Within 1 year	15	16
Over 1 year to 5 years	--	--
Over 5 to 10 years	159	161
Over 10 years	111	113
Total debt securities	$ 91,484	$ 91,960

Information pertaining to securities with gross unrealized losses at June 30, 2010 and December 31, 2009, 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)			
June 30, 2010				
Debt securities:				
Government-sponsored enterprises - FHLMC	$ 3	$ 2,014	$ --	$ --
Government-sponsored enterprises – FNMA	6	5,159	--	--
Government-sponsored enterprises – Other	4	7,118	--	--
Total temporarily impaired securities	$ 13	$ 14,291	$ --	$ --

At June 30, 2010, five debt securities had unrealized losses with aggregate depreciation of less than 1% from the Bank's amortized cost basis. These unrealized losses relate to government-sponsored enterprise's bonds, and result from changes in interest rates 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.

	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 - FNMA	$ 4	$ 2,999	$ --	$ --
Government-sponsored enterprises - Other	58	12,059	--	--
Residential mortgage-backed – FHLMC	--	--	1	84
Total temporarily impaired debt securities	$ 62	$ 15,058	$ 1	$ 84

NOTE 5: DIVIDEND DECLARATION

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

NOTE 6: NEW ACCOUNTING PRONOUNCEMENTS AND REGULATIONS

In July 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-20, *Receivables ("Topic 310"): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. The ASU amends *FASB Accounting Standards Codification*™ Topic 310, *Receivables*. The amendments in this ASU enhance disclosures about the credit quality of financing receivables and the allowance for credit losses. Existing disclosure guidance is amended to require an entity to provide a greater level of disaggregated information about the credit quality of its financing receivables and its allowance for credit losses. In addition, the amendments in this ASU require an entity to disclose credit quality indicators, past due information, and modifications of its financing receivables. The disclosures are effective as of the end of a reporting period for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of this ASU will have a significant impact on the disclosures in the December 31, 2010 financial statements.

In July 2010, Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act" or the "Law"). This Law will significantly change the current bank regulatory structure and affect the lending, deposit, investment, securitization, governance, trading and operating activities of financial institutions and their holding companies. The Law requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the possible implications of the Law may not be known for many months or years. Certain provisions of the Law will have an impact on the Bank. For example:

- Effective one year after the date of enactment is a provision of the Law that eliminates the federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest bearing checking accounts.
- It broadens the base for Federal Deposit Insurance Corporation deposit insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution.
- It sets forth a number of new regulatory requirements applicable to debit cards, including certain limitations on interchange fees.
- It permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2009, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2013.
- It will require publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called "golden parachute" payments, and authorizes the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate their own candidates using a company's proxy materials. It also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank executives, regardless of whether the company is publicly traded or not.
- It creates a new Bureau of Consumer Financial Protection (the "Bureau") with broad powers to supervise and enforce consumer protection laws. The Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The Bureau has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Banks with $10 billion or less in assets will continue to be examined for compliance with the consumer laws by their primary bank regulators.

It is difficult to predict at this time what specific impact the Dodd-Frank Act and the yet to be written implementing rules and regulations will have on community banks. However, it is expected that at a minimum they will affect the way in which the Bank does business and the regulatory requirements with which we must comply, increase our operating and compliance costs and could increase our interest expense.

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. During the second quarter of 2008, the Bank commenced operations at its ninth office in the Assinippi section of Norwell, Massachusetts. 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, which among other things require minimum capital levels.

Net income increased $398,000, or 20%, for the second quarter of 2010 as compared to the same quarter of 2009, due to the $992,000, or 15%, improvement in net interest income and a decrease of $150,000 in the provision for loan losses. This was partially offset by a $101,000, or 3%, increase in operating expenses and a decrease of $326,000 in other income.

Net income increased $1.1 million, or 32%, for the first six months of 2010 as compared to the same period in 2009, due to the $2.3 million, or 18%, improvement in net interest income along with a $300,000 reduction in the provision for loan losses, offset, in part, by a $347,000, or 5%, increase in operating expenses and a reduction of $327,000 in other income.

During the first six months of 2010, the Bank originated $92.3 million in loans, resulting in net loan growth of $26.2 million after giving effect to continued loan prepayments and amortization. At June 30, 2010, loans continue to be the Bank's largest component of total assets at 77%. Non-performing assets were 1.57% of total assets at June 30, 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 six months of 2010, $39.4 million of the Bank's securities matured, paid down or were called and $38.6 million of the proceeds were reinvested in the securities portfolio.

During the first six months of 2010, the Bank received $51.5 million in net new deposits from customers seeking the safe haven of a fully-insured depository institution amidst the volatility in the equity markets and concerns about the viability of regional and national banks. These funds were used to fund loans, purchase securities and to reduce the level of borrowed funds.

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

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2010 AND 2009

GENERAL

The Bank reported net income of $2.4 million for the quarter ended June 30, 2010 as compared to $2.0 million for the quarter ended June 30, 2009. Net income was $1.14 per share (basic and diluted) for the quarter ended June 30, 2010 as compared with $0.95 per share (basic and diluted) for the same period in 2009. Earnings for the quarter ended June 30, 2010 were positively impacted by a 15% improvement in net interest income and a decrease of $150,000 in the provision for loan losses. This was partially offset by a $101,000, or 3%, increase in operating expenses and a decrease of $326,000 in other income.

NET INTEREST INCOME

Net interest income is impacted by market interest rates. As 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 12 months, interest rates have been at historical lows as the Federal Reserve Bank has held the Federal Funds rate to near zero. Recent instability in Europe and other parts of the world have created a demand for US government securities combined with little indication of inflation have served to keep long-term rates at historic lows. Additionally, continued volatility in financial markets has produced higher 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 3.12% and 3.30%, respectively, for the quarter ended June 30, 2010 as compared to 3.03% and 3.27%, respectively, for the quarter ended June 30, 2009. When comparing the two quarters, the yield on total earning assets decreased 49 basis points and the rate on interest-bearing liabilities decreased by 58 basis points.

Net interest income was $7.7 million for the second quarter of 2010 and $6.7 million for the second quarter of 2009. The $1.0 million improvement was due to an increase in the weighted average rate spread of 9 basis points (most notable in the lower rates paid on deposits and borrowings) accompanied by a 14% increase in average earning assets in the second quarter of 2010 compared to the second quarter of 2009.

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

	Three Months Ended June 30,					
	2010			2009		
(Dollars in thousands)	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
Loans (1) (2)	$ 742,030	$ 10,961	5.91 %	$ 681,603	$ 10,431	6.12 %
Securities (3) (4)	105,176	427	1.62	97,318	533	2.19
Short-term investments and certificates of deposit	85,782	114	0.53	39,649	125	1.26
Total earning assets	932,988	11,502	4.93	818,570	11,089	5.42
Other assets	32,894			27,323		
Total assets	$ 965,882			$ 845,893		
Interest-bearing deposits (5)	$ 630,787	2,053	1.30	$ 526,680	2,649	2.01
Borrowed funds	213,523	1,759	3.30	208,417	1,742	3.34
Total interest-bearing liabilities	844,310	3,812	1.81	735,097	4,391	2.39
Demand deposits	50,293			42,403		
Other liabilities	2,820			6,262		
Total liabilities	897,423			783,762		
Stockholders' equity	68,459			62,131		
Total liabilities and stockholders' equity	$ 965,882			$ 845,893		
Net interest income		$ 7,690			$ 6,698	
Weighted average rate spread			3.12 %			3.03 %
Net interest margin (6)			3.30 %			3.27 %
Average interest earning assets to average interest-bearing liabilities (7)			110.50 %			111.36 %

(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.

	Three Months Ended June 30, 2010 Compared to 2009 Increase (Decrease)		
	Due to		
	Volume	Rate	Total
Interest and dividend income:			
Loans	$ 902	$ (372)	$ 530
Securities	40	(146)	(106)
Short-term investments and certificates of deposit	89	(100)	(11)
Total interest and dividend income	1,031	(618)	413
Interest expense:			
Deposits	450	(1,046)	(596)
Borrowed funds	42	(25)	17
Total interest expense	492	(1,071)	(579)
Net interest income	$ 539	$ 453	$ 992

Interest and dividend income rose by $413,000 to $11.5 million for the second quarter of 2010 as compared to $11.1 million for the second quarter of 2009. The yield on total interest-earning assets was 4.93% for the quarter ended June 30, 2010 as compared to 5.42% for the quarter ended June 30, 2009.

Interest income on loans increased $530,000 when comparing the two periods, primarily resulting from a 9% increase in average loans (primarily residential mortgage loans), offset, in part, by a 21 basis point decrease in overall yield. During the first half of 2010, long-term rates have declined resulting in lower portfolio yields as new loans are closed at lower rates than those in the portfolio. Additionally, existing loans that reset to market rates, such as adjustable rate residential and commercial mortgages with reset dates in late 2009 and through the first six months of 2010, were impacted by lower market rates. The Bank has been slower than some of its competitors in lowering rates in early 2010 when mortgage rates hit historic lows. Although this has slowed origination volume, management believes it has reduced the long-term interest rate risk by limiting the amount of low interest rate loans.

Securities and short-term investments combined, accounted for 20% of the total average earning assets for the quarter ended June 30, 2010 and 17% for the same period in 2009. Income for these categories combined decreased $117,000 when comparing the two periods primarily due to decreases in interest rates and was partially offset by a $54.0 million increase in average balances. Over the last 12 months, both short-term and long-term rates have declined affecting short-term overnight investments and matured/called securities when the funds are reinvested.

The average rate on interest-bearing liabilities decreased to 1.81% for the second quarter of 2010 from 2.39% for the comparable quarter of 2009. Total interest expense decreased by $579,000 when comparing the quarters ended June 30, 2010 and 2009. During the prior 12 months, there has been an increase of $109.2 million in average interest bearing deposits that allowed the Bank to fund a significant portion of asset growth. During the same period, the average balance on borrowed funds increased by only $5.1 million.

Interest expense on deposits decreased by $596,000, primarily as a result of a 71 basis point decrease in the weighted average rate, offset, in part, by a $104.1 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 six months of 2009 and through the first six 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 first six months of 2010, the Bank has also seen a shift in deposit balances from certificate accounts to non-certificate accounts. Although certificate balances have increased by $6.1 million during the first six months of 2010, non-certificate accounts increased by $45.4 million and represents 52% of total deposits at June 30, 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 pay off a portion of borrowings as they matured.

Interest expense on borrowed funds for the second quarter of 2010 increased $17,000 compared to the same quarter in 2009 due an increase in the average balance of $5.1 million, partially offset by a 4 basis point decrease in the weighted average rate. Due to the current low interest rate environment, the Bank implemented a strategy to reduce its overall interest rate risk by extending maturities. This was done while reducing the average cost of borrowing by taking advantage of the lower long term borrowing rates.

PROVISION FOR LOAN LOSSES

At June 30, 2010, management's review of the allowance for loan losses concluded that a balance of $6.4 million was adequate to provide for losses based upon evaluation of risk in the loan portfolio. During the second quarter of 2010, management provided $300,000 to achieve such a loan loss allowance balance at June 30, 2010. The Bank recognized $11,000 in net charge-offs through the first six months of 2010. The sluggish economic recovery and the uncertainty of national and local market conditions warranted increasing the Bank's allowance for loan losses as a percentage of total loans. Comparably, at June 30, 2009, management's evaluation of the balance of the allowance for loan losses indicated the need of a quarterly provision of $450,000.

At June 30, 2010, the allowance for loan losses represented 0.86% of gross loans as compared to 0.79% at December 31, 2009 and 0.80% at June 30, 2009. Management considers many factors when evaluating the balance in the loan loss allowance including, but not limited to, trends in charge-offs and delinquencies, trends in portfolio volume, maturity and composition and the local and national 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 June 30, 2010, management considered the amount of its non-accrual and delinquent loans, and the volatility in the financial markets as major factors in increasing the allowance percentage. 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.

OTHER INCOME

Other income is comprised of gain on sale of loans, customer service fees, increases in the cash surrender value of life insurance policies and miscellaneous income. Total other income was $380,000 for the quarter ended June 30, 2010 as compared to $706,000 for the same quarter of 2009. During the second quarter of 2009, the Bank sold $10.9 million in fixed rate residential mortgages and recognized a gain on the sale of $318,000. In 2010, no sales were recorded. Adjusting for this difference, other categories in other income were relatively flat in 2010 with the same period in 2009.

OPERATING EXPENSES

Total operating expenses were $3.8 million, or an annualized 1.57% of average total assets, for the quarter ended June 30, 2010 as compared to $3.7 million, or 1.75%, 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 12% primarily due to annual merit-based salary increases, rising medical insurance costs and a lower level of deferred salary expense recognition due to the lower volume of loan production.

Data processing expenses declined by $6,000 due to lower ATM network processing charges. Additionally the Bank recognized lower costs for check processing due to the Bank converting to electronic presentment and receipt of customer checks.

Occupancy and equipment expenditures decreased by $8,000, or 3%, due primarily to lower maintenance expenditures and several capital expenditures fully depreciated during the year. This was partially offset by increases in property taxes.

Deposit insurance expense decreased by $339,000, or 55%, due primarily to the Bank paying a one-time assessment from the Federal Deposit Insurance Corporation ("FDIC") in June 2009 of $400,000. This was partially offset by an increase in the FDIC 2010 assessment rate along with growth in the balance of insured deposits. Total deposit insurance expenses were $275,000 for the second quarter of 2010 as compared to $614,000 in the second quarter of 2009.

Foreclosure related expenses increased by $99,000 to $161,000 for the second quarter 2010. During 2010, the Bank has made significant progress resolving several problem loans. During the quarter seven properties were transferred to other real estate owned and three properties were sold. The Bank has been actively working problem loans and continues to manage non-performing loans as they progress to final resolution. This includes actively monitoring borrowers when they pass through the bankruptcy process along with managing the foreclosure process and proactively liquidating properties. At June 30, 2010, the Bank had eight properties totaling $7.4 million in other real estate owned compared to four properties totaling $3.2 million at December 31, 2009. At June 30, 2009 there were no properties in other real estate owned.

Marketing expenses increased by $19,000 to $138,000 for the second quarter 2010. The increase was due the Bank's continued emphasis on promoting 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.

Other expenses, which include director fees, supplies, corporate legal expense, deposit related losses and audit-related expenses, among others, increased $112,000, or 23%, when comparing the two periods primarily due to increases in legal expenses related to corporate filings along with increased audit related 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 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 second quarter of 2010, the Bank recorded $1.6 million, or 39.1% of pre-tax income, in tax expense as compared to $1.2 million, or 38.0%, 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.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

GENERAL

The Bank reported net income of $4.7 million for the six months ended June 30, 2010 as compared to $3.6 million for the same period ended June 30, 2009. Net income was $2.23 per share (basic and diluted) for the six months ended June 30, 2010 as compared with $1.69 per share (basic and diluted) for the same period in 2009. Earnings for the six months ended June 30, 2010 were positively impacted by a $2.3 million, or 18%, improvement in net interest income and a $300,000 reduction in the provision for loan losses. This was offset, in part, by a 347,000, or 5%, increase in operating costs and a 327,000 reduction in other income.

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 investment securities may earn lower rates. Adjustable rate loans may also re-set at lower rates.

During the last 12 months, interest rates have been at historical lows as the Federal Reserve Bank has kept the Federal Funds rate at near zero, which has allowed the Bank to continue reducing its cost of funds. As certificates of deposit and borrowings mature, they re-price at lower rates. Loan rates have also declined during the last 12 months, as well, but loans are slower to re price than liabilities and the yield on the portfolio has declined at a slower rate.

The net effect of these 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 3.11% and 3.28% respectively, for the six months ended June 30, 2010 as compared to 2.94% and 3.19%, respectively, for the six months ended June 30, 2009. When comparing the two periods, the yield on total earning assets decreased 50 basis points and the rate on interest bearing liabilities decreased by 67 basis points.

Net interest income was $15.2 million for the first six months of 2010 and $12.8 million for the first six months of 2009. The $2.4 million improvement was due to an increase in the weighted average rate spread of 17 basis points (most notable in the lower rates paid on deposits and borrowings) accompanied by a 15% increase in average earning assets.

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

	Six Months Ended June 30,					
	2010			2009		
(Dollars in thousands)	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
Loans (1) (2)	$ 735,829	$ 21,834	5.93 %	$ 670,043	$ 20,582	6.14 %
Securities (3) (4)	104,764	904	1.73	95,201	1,125	2.36
Short-term investments and certificates of deposit	83,501	224	0.54	37,936	248	1.31
Total earning assets	924,094	22,962	4.97	803,180	21,955	5.47
Other assets	32,993			27,706		
Total assets	$ 957,087			$ 830,886		
Interest-bearing deposits (5)	$ 620,710	4221	1.36	$ 513,655	5,527	2.15
Borrowed funds	217,034	3,586	3.30	210,134	3,621	3.45
Total interest-bearing liabilities	837,744	7,807	1.86	723,789	9,148	2.53
Demand deposits	48,689			42,453		
Other liabilities	3,062			3,187		
Total liabilities	889,495			769,429		
Stockholders' equity	67,592			61,457		
Total liabilities and stockholders' equity	$ 957,087			$ 830,886		
Net interest income		$ 15,155			$ 12,807	
Weighted average rate spread			3.11 %			2.94 %
Net interest margin (6)			3.28 %			3.19 %
Average interest earning assets to average interest-bearing liabilities (7)			110.30 %			110.97 %

(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.

	Six Months Ended June 30, 2010 Compared to 2009 Increase (Decrease)		
	Due to		
	Volume	Rate	Total
Interest and dividend income:			
Loans	$ 1,970	$ (718)	$ 1,252
Securities	105	(326)	(221)
Short-term investments and certificates of deposit	180	(204)	(24)
Total interest and dividend income	2,255	(1,248)	1,007
Interest expense:			
Deposits	999	(2,305)	(1,306)
Borrowed funds	117	(152)	(35)
Total interest expense	1,116	(2,457)	(1,341)
Net interest income	$ 1,139	$ 1,209	$ 2,348

Interest and dividend income rose by $1.0 million to $23.0 million for the first six months of 2010 as compared to $22.0 million for the first six months of 2009. The yield on total interest-earning assets was 4.97% for the six months ended June 30, 2010 as compared to 5.47% for the same period of 2009.

Interest income on loans increased $1.3 million when comparing the two periods, primarily resulting from a 10% increase in average loans, offset, in part, by a 21 basis point decrease in overall yield. Through most of the last year longer-term mortgage rates were generally stable until early 2010 when long term rates dropped to historic lows. Most prime-based home equity loans have remained relatively stable, however, adjustable rate residential mortgages and commercial mortgages that are priced using longer term rates with reset dates in 2010, were impacted by lower market rates. Additionally, rates on new originations have declined as a result of lower long-term market rates.

Securities and short-term investments combined, accounted for 20% of total average earning assets for the six month periods ended June 30, 2010 and 17% for the same period in 2009. Income for these categories combined decreased $245,000 when comparing the two periods primarily due to decreases in interest rates. This was partially offset by an increase in average balances. Over the last 12 months, both short-term and long-term rates have declined affecting short-term overnight investments and matured/called investment securities when the funds were reinvested.

The average rate on interest-bearing liabilities decreased to 1.86% for the six months ended June 30, 2010 from 2.53% for the comparable period of 2009. Total interest expense decreased by $1.3 million when comparing the six-month periods ended June 30, 2010 and 2009. During the prior 12 months, there has been an increase of $107.1 million, or 21%, in average interest bearing deposits which allowed the Bank to rely comparatively less on borrowings. The average balance on borrowed funds for the six months ended June 30, 2010 increased only $6.9 million or 3% over the same period in 2009.

Interest expense on deposits decreased by $1.3 million primarily as a result of a 79 basis point decrease in the weighted average rate offset, in part by a $107 million increase in average interest-bearing deposit balances. 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. The margin also benefited from an increase of 6.2 million or 15% increase in the average balance of demand deposit balances which do not pay interest. During the first six months of 2010, the Bank has also seen a shift in deposit balances from certificate accounts to non-certificate accounts. Although certificate balances have increased by $6.1 million during the first six

months of 2010, non-certificate accounts increased by $45.4 million and represents 52% of total deposits at June 30, 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 full 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 reduce the overall level of borrowings.

Interest expense on borrowed funds for the first six months of 2010 decreased $35,000 as compared to the same period in 2009, due primarily to a 15 basis point decrease in the weighted average rate partially offset by a $6.9 million increase in average borrowings. The increase in deposit balances allowed the Bank to reduce the level of borrowing. Borrowings as a percent of average interest bearing liabilities was 26% for the six months ending June 30, 2010 compared to 29% for the same period in 2009.

PROVISION FOR LOAN LOSSES

At June 30, 2010, management's review of the allowance for loan losses concluded that a balance of $6.4 million was adequate to provide for losses based upon evaluation of risk in the loan portfolio. During the first six months of 2010, management provided $700,000 to achieve such a loan loss allowance balance at June 30, 2010. The Bank incurred net charge-offs of $11,000 in the first six months of 2010. The Bank did not have any charge-offs during the first six months of 2009. The deterioration in national and local market conditions warranted additional provisions to the Bank’s allowance for loan losses. Comparably, at June 30, 2009, management’s evaluation of the balance of the allowance for loan losses indicated the need of a provision for the six months of $1,000,000.

At June 30, 2010, the allowance for loan losses represented 0.86% of gross loans as compared to 0.79% at December 31, 2009 and 0.80% at June 30, 2009. Management considers many factors when evaluating the balance in the loan loss allowance including, but not limited to, trends in charge-offs and delinquencies, trends in portfolio volume, maturity and composition and the local and national 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 June 30, 2010, management considered the amount of its non-accrual and delinquent loans, and the volatility in the financial markets as major factors in increasing the allowance percentage. 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.

OTHER INCOME

Other income is comprised of gain on sale of loans, customer service fees, increases in the cash surrender value of life insurance policies and miscellaneous income. Total other income was $757,000 for the six months ended June 30, 2010 as compared to $1.1 million for the same period of 2009. During the first six months of 2009, the Bank sold $10.9 million in fixed rate mortgages (with servicing retained) and recognized a net gain of $318,000. There were no sales in 2010. Customer service fees decreased by $26,000 from the prior year, primarily the result of a decrease in the volume of fee-based customer transactions. Income from bank-owned life insurance decreased by $4,000 between the two periods reflecting the decreased rate earned on these assets. Miscellaneous income increased by $21,000 primarily due to an increase in loan servicing income (net of amortization of servicing rights) along with increases in deposit related commissions.

OPERATING EXPENSE

Total operating expenses were $7.4 million, or an annualized 1.55% of average total assets, for the six months ended June 30, 2010 as compared to $7.1 million, or 1.71%, for the same period 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 8% primarily due to annual merit-based salary increases,

rising medical insurance costs and a lower level of deferred salary expense recognition due to the lower volume of loan production.

Data processing expenses decreased 3% due to lower ATM network processing charges and lower cost from check processing due to the Bank converting to electronic presentment and receipt of customer checks.

Occupancy and equipment expenditures decreased by $27,000, or 4% due primarily to lower maintenance expenditures and several capital expenditures fully depreciated during the year. This was partially offset by increases in property taxes.

Deposit insurance expense decreased $236,000, or 30%, due primarily to a Federal Deposit Insurance Corporation ("FDIC") special assessment of $400,000 paid in June2009. Total deposit insurance expenses were $555,000 for the first six months of 2010 as compared to $791,000 during the same period in 2009. In late 2009, the FDIC required banks to prepay the remaining 2009 assessment along with an estimate for 2010 through 2012. This alternative also included a 3% increase in assessment rate. Additionally, the Bank's regular assessment increased due to growth in insured deposit balances. Financial pressures on insured institutions nationwide, coupled with the recent increase in the maximum amount of deposits insured, will create additional deposit insurance expense in the future.

Foreclosure expenses increased $147,000 or 105%, due to the increased activity associated with foreclosures and bankruptcies. During 2010, the Bank has been proactive in resolving several problem loans as seven were taken into other real estate owned during the first six months of 2010 and three properties were sold. Additionally, the Bank has been monitoring a few borrowers which have filed for bankruptcy protection. At June 30, 2010, the Bank had eight properties totaling $7.4 million in other real estate owned compared to four properties totaling $3.2 million at December 31, 2009. At June 30, 2009 there were no properties in other real estate owned.

Marketing expense increased $27,000 or 12% due to increased marketing initiatives in 2010 to promote the stability of the Bank including the full insurance coverage on deposit balances. Additionally, the Bank has been promoting loan and deposit products.

Other expenses, which include director fees, supplies and audit-related expenses, among others, increased $125,000 or 13%, when comparing the two periods primarily due to increases in legal expenses related to corporate filings along with increased audit related 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 six months ended June 30, 2010, the Bank recorded $3.0 million, or 39.1% of pre-tax income, in tax expense as compared to $2.2 million, or 38.0%, for the same period in 2009. Changes in the Bank's tax rate are due primarily to changes in the yields earned on assets subject to preferential tax treatment as well as higher projected net income before tax in 2010 such that these assets have a lower impact on the effective tax rate.

BALANCE SHEET ANALYSIS - COMPARISON AT JUNE 30, 2010 TO DECEMBER 31, 2009

Assets totaled $971.8 million at June 30, 2010, as compared to $925.6 million at December 31, 2009, an increase of $46.2 million, or 5.0%.

SECURITIES

Securities were $95.1 million at June 30, 2010, a decrease of 1% when compared to the $96.4 million at December 31, 2009. During the first six months of 2010, there were $38.6 million in securities purchased offset by $39.4 million in maturities, calls and principal paydowns. Net proceeds from securities transactions were reinvested in a combination of short-term investments and new securities.

Throughout 2009 and continuing through June 30, 2010, there has been a significant inflow of deposits. These funds have been temporarily held by the Bank in short-term investments until such time as they can be used to fund loan production and reduce the level of borrowed funds.

At June 30, 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 $370,000 at June 30, 2010 as compared to $458,000 at December 31, 2009. The fair value of securities fluctuates with the movement of interest rates along with the composition of the investment portfolio. Generally, during periods of falling interest rates, the fair values increase whereas the opposite may hold true during a rising interest rate environment. The decline in the net unrealized gain during the first six months of 2010 was due to the number of maturities, calls and pay-downs in which the proceeds were reinvested in new securities at current market rates.

The securities portfolio is comprised primarily of bonds issued by government-sponsored enterprises and mortgage-backed securities issued by the FHLMC and FNMA. At June 30, 2010, approximately 96% 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 less than 1% 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 June 30, 2010, the Bank held $3.1 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 $13.0 million in FDIC-insured certificates of deposit issued by other financial institutions at June 30, 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 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 June 30, 2010 and December 31, 2009, the Bank held $13.4 million in FHLBB stock.

LOANS

During the first six months of 2010, total loans outstanding increased by $26.2 million to $744.4 million, from $718.2 million at December 31, 2009, attributable primarily to originated loans of $92.3 million offset by payoffs, loan sales and amortization. Comparably, loan originations for the same period in 2009 were $122.5 million. On June 30, 2010 net loans outstanding represented 77% 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	
(In thousands)	June 30, 2010	December 31, 2009
Mortgage loans:		
Residential	$ 333,590	$ 319,228
Commercial	362,338	348,700
Construction	21,899	23,228
Equity lines-of-credit	24,259	23,230
Second mortgages	6,904	7,975
Total mortgage loans	748,990	722,361
Other loans:		
Personal installment	525	335
Commercial loans	254	233
Revolving credit	195	265
Total other loans	974	833
Total loans	749,964	723,194
Allowance for loan losses	(6,426)	(5,737)
Net deferred loan origination costs	872	785
Loans, net	$ 744,410	$ 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 June 30, 2010, the allowance had a balance of $6.4 million as compared to $5.7 million at December 31, 2009. At June 30, 2010, the Bank allocated $165,000 to loans classified as impaired compared to $125,000 allocated at December 31, 2009.

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. Additionally, the courts in several counties in which the Bank does business have been experiencing backlogs more than 90-days due to the volume of foreclosure filings. These have resulted in delays in the Bank's collection process.

At June 30, 2010, there were 21 loans classified as non-accrual totaling $7.9 million as compared to 25 non-accrual loans totaling $9.4 million at December 31, 2009. The decline in non-accrual loans at June 30, 2009 corresponds to an increase in other real estate loans. As management works through liquidating collateral securing loans, non-accrual loans will decrease and other real estate owned will increase. At June 30, 2010, the Bank held $7.4 million in other real estate owned compared to $3.2 at December 31, 2009. At June 30, 2010, non-performing assets were 1.57% 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 as necessary.

Non-Performing Assets

(In thousands)	June 30, 2010	December 31, 2009
Non-accrual loans:		
Residential mortgages	$ 2,932	$ 5,432
Commercial mortgages	4,460	3,612
Commercial equity loans	515	345
Installment loans	1	11
Total non-accrual loans	7,908	9,400
Other real estate owned	7,393	3,185
Total non-performing assets	$ 15,301	$ 12,585
Percent of non-accrual loans to:		
Loans, net	1.06 %	1.31 %
Total assets	0.81 %	1.02 %
Percent of non-performing assets, net to:		
Loans, net	2.06 %	1.75 %
Total assets	1.57 %	1.36 %
Allowance for loan losses to total loans, net	0.86 %	0.79 %

All non-accrual loan amounts listed above, except $1,000 at June 30, 2010 and $11,000 at December 31, 2009, were also considered impaired.

OTHER REAL ESTATE OWNED

At June 30, 2010 and December 31, 2009, the Bank reported $7.4 million and $3.2 million, respectively, in other real estate owned. At June 30, 2010, the balance consisted of six properties that were taken in settlement of loans through foreclosure or a deed in lieu of foreclosure. The balance also includes two properties which were reclassified to other real estate owned because the Bank exercised its assignment of rents. All properties are carried at the lower of cost or fair value less costs to sell.

DEPOSITS

Deposits increased by $51.5 million to $682.6 million at June 30, 2010 from $631.1 million at December 31, 2009. Core deposits, which include regular, money market, NOW and demand deposits, increased $45.4 million over the December 31, 2009 balance. Certificate accounts were $326.7 million, or 48% of total deposits, at June 30, 2010, as compared to $320.6 million, or 51% of total deposits, at December 31, 2009.

Beginning in 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 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 DIF insurance for all deposits in excess of this amount. In October 2009, the FDIC began offering insurance protection for up to $250,000 in separately insured deposit accounts. Although the markets have begun to stabilize, there continues to be volatility in the markets and general market rates continue to be at or near historic lows. Due to this, the Bank continues to experience an influx of deposits. Deposit growth over the first six months of 2010 was used to fund growth in the loan portfolio and has allowed the Bank to reduce the percentage of borrowed funds to total assets.

	Deposit Balances by Type			
	June 30, 2010	% of Total	December 31, 2009	% of Total
(Dollars in thousands)				
Non-certificate accounts				
Regular	$ 53,890	7.9 %	$ 48,273	7.6 %
Money market deposits	223,265	32.7	186,139	29.5
NOW	24,004	3.5	27,104	4.3
Demand	54,765	8.0	48,994	7.8
Total non-certificate accounts	355,924	52.1	310,510	49.2
Term certificates less than $100,000	172,212	25.2	169,829	26.9
Term certificates $100,000 or more	154,476	22.6	150,748	23.9
Total certificate accounts	326,688	47.9	320,577	50.8
Total deposits	$ 682,612	100.0 %	$ 631,087	100.0 %

BORROWINGS

Federal Home Loan Bank of Boston (FHLB) advances were $214.1 million or 22% of total assets at June 30, 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 19% scheduled to mature in the next twelve months. During the first six months of 2010, total borrowings declined by $8.5 million. The Bank has taken advantage of the historical low interest rates and has been extending out maturities to reduce future interest rate risk. This has been done while, at the same time, reducing the average cost of borrowing. At June 30, 2010 the weighted average rate on FHLB advances was 3.21% compared to 3.43% at December 31, 2009.

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 6% 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 within the "Notes to Unaudited Consolidated Financial Statements" section of this document which begins on Page 8. At June 30, 2010, the Bank had $96.6 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 and the level of volatile assets on earning assets. At June 30, 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 $341.5 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 $146.4 million in additional borrowings. At June 30, 2010, the Bank had $214.1 million in advances outstanding.

At June, 2010, the Bank had capital of $69.0 million, or 7.1% of total assets, as compared to $65.3 million, or 7.1%, at December 31, 2009. During the six months ended June 30, 2010, stockholders' equity increased by $3.7 million due primarily to net income for the period of $4.7 million, partially offset by the declaration of dividends of $0.46 per share, which reduced capital by $977,000.

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 June 30, 2010, the Bank's entire securities portfolio was classified as available for sale which had the effect of decreasing capital over the six-month period by $88,000.

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.

(Dollars in thousands)	Actual Regulatory Capital Ratios			
	June 30, 2010	December 31, 2009	Minimum Capital Requirement Ratios	Minimum To Be Well Capitalized Under Prompt Corrective Action Provision Ratios
Tier 1 Capital as a Percent of Risk-Weighted Assets	11.52 %	11.33 %	4.0 %	6.0 %
Total Capital as a Percentage of Risk-Weighted Assets	12.61 %	12.33 %	8.0 %	10.0 %
Tier 1 Capital to Average Assets	7.10 %	7.10 %	4.0 %	5.0 %
Total Risk-Weighted Assets	$ 595,311	$ 572,352		

At June 30, 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

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, 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 performs an analysis which involves comparing the difference between interest-rate sensitive assets and liabilities that mature or reprice during a given period of time ("GAP" analysis). The analyses indicate that the Bank's interest rate risk exposure continues to be well managed and within pre-defined limits.

During the first six months of 2010, interest rate declines proved to be beneficial to the Bank's earnings despite the fact that both the investment portfolio, consisting largely of shorter term investments, and adjustable loans that reset in 2009 and through the first six months of 2010 were negatively impacted by lower yields. Total yields on earning assets saw modest declines but the cost of deposits and borrowings declined dramatically over last six months of 2009 and the first six months of 2010. The dramatic drop in funding cost also allowed the Bank to refinance maturing borrowings at longer terms and at lower rates than the maturing advances. This not only reduced current funding costs but also reduces the Bank's risk to rising interest rates in the near future.

In early 2008, the U. S. Treasury took action to attempt to lower longer-term rates as a means to stimulate economic activity. This includes having U. S. government agencies purchase longer-term investment products to artificially lower rates through increased demand. The U.S. Treasury has ceased purchasing debt but has not liquidated these purchases. In recent months, instability in world financial markets has also served to create demand for U.S. government debt further reducing longer-term interest rates. In 2009, the Bank sold a total of $25.3 million in fixed rate loans as a means of reducing future interest rate risk. No sales were made in 2010.

During the last twelve months, the Bank has taken further action to reduce interest rate risk by extending out maturities on FHLB borrowings. At June 30, 2010, approximately 53% of advances mature over two years compared to 41% at December 31, 2009. This was done while reducing the average rate paid on advances. At June 30, 2010 the average rate on outstanding advances was 3.21% compared to 3.43% at December 31, 2009.

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 June 30, 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 "Exchange Act"). 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 Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Bank in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Bank's management, including its CEO and CFO, 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 June 30, 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 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 June 30 , 2010 that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

PART II - <u>OTHER INFORMATION</u>

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 10-K.

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

<u>Exhibit No.</u>

31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended – Principal Executive Officer
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended – Principal Financial Officer
32.1	Certification Pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Principal Executive Officer
32.2	Certification Pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Principal 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: August 10, 2010

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

Date: August 10, 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 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: August 10, 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 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: August 10, 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 fiscal quarter ended June 30, 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 presents, in all material respects, the financial condition and results of operations of the Bank.

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

Date: August 10, 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 fiscal quarter ended June 30, 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 presents, 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: August 10, 2010