UNITED STATES FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20429

FORM 10 - Q

(Mark one)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2012

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 _________ (Do not check if a smaller reporting company)	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, 2012, there were 2,125,750 shares of the registrant’s common stock outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)	June 30, 2012	December 31, 2011
	(In Thousands)	
ASSETS		
Cash and due from banks	$ 7,833	$ 8,918
Short-term investments	100,261	107,422
Cash and cash equivalents	108,094	116,340
Certificates of deposit	13,804	13,405
Securities available for sale, at fair value	103,068	96,689
Federal Home Loan Bank stock, at cost	13,406	13,373
Loans, net of allowance for loan losses of $7,821,000 in 2012 and $7,516,000 in 2011	883,221	849,776
Foreclosed assets	3,161	3,629
Bank-owned life insurance	14,734	14,524
Premises and equipment, net	10,456	10,597
Accrued interest receivable	2,860	2,858
Prepaid FDIC assessment	1,616	1,871
Deferred income tax asset, net	3,458	3,425
Other assets	1,127	789
Total assets	$ 1,159,005	$ 1,127,276
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$ 826,845	$ 787,573
Federal Home Loan Bank advances	236,414	247,471
Mortgage payable	1,086	1,107
Mortgagors' escrow accounts	2,700	2,517
Accrued interest payable	454	475
Other liabilities	3,742	5,868
Total liabilities	1,071,241	1,045,011
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; 2,125,750 shares issued and outstanding	2,126	2,126
Additional paid-in capital	10,519	10,500
Undivided profits	74,929	69,404
Accumulated other comprehensive income	190	235
Total stockholders' equity	87,764	82,265
Total liabilities and stockholders' equity	$ 1,159,005	$ 1,127,276

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,	
	2012	2011	2012	2011
(Unaudited)	(In Thousands, except per share amounts)			
Interest and dividend income:				
Loans	$ 11,926	$ 11,743	$ 23,769	$ 23,311
Debt securities	139	215	288	454
Equity securities	44	35	86	69
Short-term investments and certificates of deposit	92	96	181	178
Total interest and dividend income	12,201	12,089	24,324	24,012
Interest expense:				
Deposits	1,436	1,764	2,942	3,522
Federal Home Loan Bank advances	1,235	1,487	2,475	2,979
Mortgage payable	17	17	33	34
Total interest expense	2,688	3,268	5,450	6,535
Net interest income	9,513	8,821	18,874	17,477
Provision for loan losses	200	300	425	600
Net interest income, after provision for loan losses	9,313	8,521	18,449	16,877
Other income:				
Customer service fees on deposits	253	247	506	482
Increase in bank-owned life insurance	113	114	210	230
Miscellaneous	58	60	115	120
Total other income	424	421	831	832
Operating expenses:				
Salaries and employee benefits	2,368	2,205	4,703	4,355
Data processing	213	217	444	438
Occupancy and equipment	428	349	847	704
Deposit insurance	156	263	289	582
Foreclosure	44	185	244	353
Marketing	215	142	349	253
Other general and administrative	645	598	1,270	1,185
Total operating expenses	4,069	3,959	8,146	7,870
Income before income taxes	5,668	4,983	11,134	9,839
Income tax provision	2,300	2,016	4,525	3,992
Net income	$ 3,368	$ 2,967	$ 6,609	$ 5,847
Weighted average common shares outstanding:				
Basic	2,126	2,124	2,126	2,124
Diluted	2,127	2,126	2,127	2,125
Earnings per common share:				
Basic	$ 1.58	$ 1.40	$ 3.11	$ 2.75
Diluted	$ 1.58	$ 1.40	$ 3.11	$ 2.75

See accompanying Notes to Unaudited Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
(Unaudited)	(In Thousands)			
Net income	$ 3,368	$ 2,967	$ 6,609	$ 5,847
Other comprehensive income (loss):				
Net unrealized gain (loss) on securities available for sale	32	225	(71)	81
Tax effect	(11)	(81)	26	(32)
	21	144	(45)	49
Comprehensive income	$ 3,389	$ 3,111	$ 6,564	$ 5,896

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, 2012 and 2011

(Unaudited)	Common Stock	Additional Paid-In Capital	Undivided Profits	Accumulated Other Comprehensive Income	Total Stockholders' Equity
			(In Thousands)		
Balance at December 31, 2010	$ 2,124	$ 10,417	$ 59,999	$ 196	$ 72,736
Net income	—	—	5,847	—	5,847
Other comprehensive income	—	—	—	49	49
Share-based compensation	—	30	—	—	30
Cash dividends declared – common ($0.49 per share)	—	—	(1,041)	—	(1,041)
Balance at June 30, 2011	$ 2,124	$ 10,447	$ 64,805	$ 245	$ 77,621
Balance at December 31, 2011	$ 2,126	$ 10,500	$ 69,404	$ 235	$ 82,265
Net income	—	—	6,609	—	6,609
Other comprehensive loss	—	—	—	(45)	(45)
Share-based compensation	—	19	—	—	19
Cash dividends declared – common ($0.51 per share)	—	—	(1,084)	—	(1,084)
Balance at June 30, 2012	$ 2,126	$ 10,519	$ 74,929	$ 190	$ 87,764

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, 2012	Six Months Ended June 30, 2011
	(In Thousands)	
Cash flows from operating activities:		
Net income	$ 6,609	$ 5,847
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	425	600
Amortization of securities, net	368	468
Amortization of deferred loan origination costs, net	115	84
Share-based compensation expense	19	30
Deferred income tax benefit	(8)	(13)
Depreciation and amortization of premises and equipment	304	213
Increase in bank-owned life insurance	(210)	(230)
Loss (gain) on sale of foreclosed assets, net of write-downs	6	(12)
Changes in operating assets and liabilities:		
Prepaid FDIC assessment	255	545
Accrued interest receivable and other assets	(340)	(302)
Accrued interest payable and other liabilities	(1,615)	(677)
Net cash provided by operating activities	5,928	6,553
Cash flows from investing activities:		
Activity in certificates of deposit:		
Maturities	3,365	1,237
Purchases	(3,764)	(1,536)
Activity in available-for-sale securities:		
Maturities, prepayments and calls	37,533	35,670
Purchases	(44,350)	(28,542)
Redemption of Federal Home Loan Bank stock	214	—
Purchase of Federal Home Loan Bank stock	(247)	—
Loans originated, net of payments received	(34,963)	(35,112)
Proceeds from sale of foreclosed assets	1,440	755
Additions to premises and equipment	(163)	(2,205)
Net cash used in investing activities	(40,935)	(29,733)

(continued)

See accompanying Notes to Unaudited Consolidated Financial Statements.

Consolidated Statements of Cash Flows (concluded)

(Unaudited)	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(In Thousands)	
Cash flows from financing activities:		
Increase in deposits	39,272	25,661
Increase (decrease) in mortgagors' escrow accounts	183	(25)
Cash dividends paid on common stock	(1,616)	(1,551)
Net proceeds from borrowings with maturities of less than three months	35,000	1,993
Proceeds from Federal Home Loan Bank advances with maturities of three months or more	60,000	40,500
Repayment of Federal Home Loan Bank advances with maturities of three months or more	(106,057)	(23,054)
Repayment of mortgage payable	(21)	(20)
Net cash provided by financing activities	26,761	43,504
Net change in cash and cash equivalents	(8,246)	20,324
Cash and cash equivalents at beginning of period	116,340	67,864
Cash and cash equivalents at end of period	$ 108,094	$ 88,188
Supplementary information:		
Interest paid on deposit accounts	$ 2,944	$ 3,548
Interest paid on Federal Home Loan Bank advances and mortgage payable	2,526	3,043
Income taxes paid	4,557	1,282
Non-cash investing and financing activities:		
Transfer from loans to foreclosed assets	$ 978	$ 461

See accompanying Notes to Unaudited Consolidated Financial Statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements of Hingham Institution for Savings (the "Bank") presented herein should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2011 filed on Form 10-K.

Financial information as of June 30, 2012 and the results of operations and cash flows for the three months and six months ended June 30, 2012 and 2011 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.

Earnings per common share

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

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

	Quarter Ended June 30,	
	2012	2011
	(in Thousands)	
Average number of common shares outstanding used to calculate basic earnings per share	2,126	2,124
Effect of dilutive options	1	2
Average number of common shares outstanding used to calculate diluted earnings per common share	2,127	2,126

	Six Months Ended June 30,	
	2012	2011
	(in Thousands)	
Average number of common shares outstanding used to calculate basic earnings per share	2,126	2,124
Effect of dilutive options	1	1
Average number of common shares outstanding used to calculate diluted earnings per common share	2,127	2,125

Options for 3,000 shares were not included in the computation of diluted earnings per share because to do so would have been antidilutive for the quarter and six months ended June 30, 2012. Options for 4,500 shares were not included in the computation of diluted earnings per share because to do so would have been antidilutive for the quarter and six months ended June 30, 2011.

Loans

The Bank's loan portfolio includes residential real estate, commercial real estate, construction, home equity, commercial and consumer segments. A substantial portion of the loan portfolio is secured by real estate in the southeastern Massachusetts area. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate, construction, and general economic conditions.

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

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

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

Allowance for loan losses

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

The allowance for loan losses is evaluated on a regular basis by management. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of general and allocated loss components, as further discussed below.

<u>General component</u>

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: residential real estate, commercial real estate, construction, commercial, home equity (equity lines of credit and second mortgages) and consumer (personal installment and revolving credit). Management uses a rolling average of historical losses based on a time frame (currently two years) appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels/trends in delinquencies; trends in volume and terms of loans; effects of changes in risk selection and underwriting standards and other changes in lending policies, procedures and practices; experience/ability/depth of lending management and staff; and national and local economic trends and conditions. There were no changes in the Bank's policies or methodology pertaining to the general component of the allowance for loan losses during the six months ended June 30, 2012.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential real estate – The Bank generally does not originate loans with a loan-to-value ratio greater than 80 percent (without private mortgage insurance) and does not grant sub-prime loans. All loans in this segment are collateralized by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Commercial real estate – Loans in this segment are primarily secured by income-producing properties throughout Massachusetts. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates which, in turn, will have an effect on the credit quality in this segment. Management obtains rent rolls annually and continually monitors the cash flows of these loans.

Construction – Loans in this segment include both owner-occupied and speculative real estate development loans for which payment is derived from sale of the property. Credit risk is affected by cost overruns, time to sell at an adequate price, the overall health of the economy and market conditions.

Home equity – Loans in this segment are generally collateralized by residential real estate and repayment is dependent on the credit quality of the individual borrower. The Bank generally does not originate loans with combined loan-to-values greater than 70%.

Commercial – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.

Consumer – Loans in this segment are generally unsecured and repayment is dependent on the credit quality of the individual borrower.

Allocated component

The allocated component relates to loans that are classified as impaired. Impairment is measured on a loan by loan basis for residential real estate, commercial real estate, construction, home equity and commercial loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan.

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

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

NOTE 2: COMMITMENTS

At June 30, 2012 and December 31, 2011, there were $126.8 million and $128.7 million, respectively, in outstanding loan commitments as follows:

	June 30, 2012	December 31, 2011
	(In Thousands)	
Mortgage origination	$ 51,587	$ 58,583
Unused lines of credit	60,917	56,455
Unadvanced construction funds	14,293	13,695
Letters of credit	10	10
Total	$ 126,807	$ 128,743

At June 30, 2012, the Bank had the following contractual obligations outstanding:

	Payments Due by Year				
	Total	Less Than One Year	One to Three Years	Three to Five Years	More than Five Years
Contractual Obligations:			(In Thousands)		
Federal Home Loan Bank advances	$ 236,414	$ 104,500	$ 86,000	$ 17,000	$ 28,914
Certificates of deposit	382,468	251,176	91,477	39,815	—
Data processing agreements*	3,996	733	1,467	1,185	611
Lease agreements**	1,438	277	508	276	377
Mortgage payable	1,086	43	95	107	841

* Estimated payments subject to change based on transaction volume.

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

NOTE 3: DIVIDEND DECLARATION

On June 28, 2012, the Board of Directors declared a cash dividend of $0.26 per share to all stockholders of record as of July 10, 2012, payable July 20, 2012.

NOTE 4: FAIR VALUES OF ASSETS AND LIABILITIES

Determination of Fair Value

The Bank uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures of certain assets and liabilities. The fair value of a financial instrument is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The Bank groups its assets measured or disclosed 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, as follows:

Level 1 – Valuation is based on quoted prices in active exchange markets for identical assets or liabilities. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.
Level 2 – Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
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 unobservable inputs to 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.

Transfers between levels are recognized at the end of a reporting period, if applicable.

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

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

<u>Certificates of deposit:</u> Fair values for certificates of deposit are based upon quoted market prices.

<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 U.S. Treasuries, government-sponsored enterprise obligations, FHLMC and FNMA bonds, corporate bonds and other securities. At June 30, 2012 and December 31, 2011, all fair value measurements are obtained from a third-party pricing service and are not adjusted by management.

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

<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 market 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 market interest rates currently being offered 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, 2012 and December 31, 2011, the fair value of commitments outstanding is not significant since fees charged are not material.

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below. There are no liabilities measured at fair value on a recurring basis.

	June 30, 2012			
	Level 1	Level 2	Level 3	Total Fair Value
	(In Thousands)			
Securities available for sale:				
Debt securities	$ —	$ 98,888	$ —	$ 98,888
Equity securities	4,180	—	—	4,180
Total securities available for sale	$ 4,180	$ 98,888	$ —	$ 103,068

	December 31, 2011			
	Level 1	Level 2	Level 3	Total Fair Value
	(In Thousands)			
Securities available for sale:				
Debt securities	$ —	$ 93,551	$ —	$ 93,551
Equity securities	3,138	—	—	3,138
Total securities available for sale	$ 3,138	$ 93,551	$ —	$ 96,689

Assets Measured at Fair Value on a Non-recurring Basis

The Bank may also be required, from time to time, to measure certain other assets on a non-recurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting, or write-downs of individual assets. The following table summarizes the fair value hierarchy used to determine each adjustment and the carrying value of the related individual assets as of June 30, 2012 and December 31, 2011. There are no liabilities measured at fair value on a non-recurring basis at June 30, 2012 or December 31, 2011.

	June 30, 2012			Six Months Ended June 30, 2012	Three Months Ended June 30, 2012
	Level 1	Level 2	Level 3	Total Losses	Total Losses
	(In Thousands)			(In Thousands)	
Impaired loans	$ —	$ —	$ 1,035	$ 50	$ —
Foreclosed assets	—	—	3,161	75	18
	$ —	$ —	$ 4,196	$ 125	$ 18

	December 31, 2011		
	Level 1	Level 2	Level 3
	(In Thousands)		
Impaired loans	$ —	$ —	$ 1,326
Foreclosed assets	—	—	3,347
	$ —	$ —	$ 4,673

	June 30, 2011			Six Months Ended June 30, 2011	Three Months Ended June 30, 2011
	Level 1	Level 2	Level 3	Total Losses	Total Losses
	(In Thousands)			(In Thousands)	
Impaired loans	$ —	$ —	$ 2,342	$ 241	$ 236
Foreclosed assets	—	—	3,277	28	3
	$ —	$ —	$ 5,619	$ 269	$ 239

Losses applicable to impaired loans and foreclosed assets are estimated using the appraised value of the underlying collateral, discounting factors and other factors. The losses applicable to impaired loans are not recorded directly as an adjustment to current earnings or comprehensive income, but rather as a component in determining the overall adequacy of the allowance for loan losses. Adjustments to the estimated fair value of impaired loans may result in increases or decreases to the provision for loan losses. Management will consider the circumstances of the individual loan or foreclosed asset when determining any estimated losses. This may include a review of an independent appraisal and if deemed necessary, an updated appraisal will be performed.

Summary of Fair Values of Financial Instruments

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

	June 30, 2012			
	Carrying Amount	Level 1	Level 2	Level 3
	(in Thousands)			
Financial assets:				
Cash and cash equivalents	$ 108,094	$ 108,094	$ —	$ —
Certificates of deposit	13,804	13,826	—	—
Securities available for sale	103,068	4,180	98,888	—
Federal Home Loan Bank stock	13,406	—	—	13,406
Loans, net	883,221	—	—	913,453
Accrued interest receivable	2,860	—	—	2,860
Financial liabilities:				
Deposits	$ 826,845	$ —	$ —	$ 830,803
Federal Home Loan Bank advances	236,414	—	246,267	—
Mortgage payable	1,086	—	—	1,474
Mortgagors' escrow accounts	2,700	—	—	2,700
Accrued interest payable	454	—	—	454

	December 31, 2011			
	Carrying Amount	Level 1	Level 2	Level 3
	(in Thousands)			
Financial assets:				
Cash and cash equivalents	$ 116,340	$ 116,340	$ —	$ —
Certificates of deposit	13,405	13,174	—	—
Securities available for sale	96,689	3,138	93,551	—
Federal Home Loan Bank stock	13,373	—	—	13,373
Loans, net	849,776	—	—	883,770
Accrued interest receivable	2,858	—	—	2,858
Financial liabilities:				
Deposits	$ 787,573	$ —	$ —	$ 792,059
Federal Home Loan Bank advances	247,471	—	260,259	—
Mortgage payable	1,107	—	—	1,465
Mortgagors' escrow accounts	2,517	—	—	2,517
Accrued interest payable	475	—	—	475

NOTE 5: SECURITIES AVAILABLE FOR SALE

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
June 30, 2012				
Debt securities:				
U.S. Treasury notes	$ 10,052	$ 3	$ (1)	$ 10,054
Government-sponsored enterprises –FHLMC	37,533	39	(15)	37,557
Government-sponsored enterprises - FNMA	31,260	43	(3)	31,300
Government-sponsored enterprises - Other	19,750	50	(4)	19,796
Government – sponsored residential mortgage-backed securities	177	4	—	181
Total debt securities	98,772	139	(23)	98,888
Equity securities	4,000	180	—	4,180
Total securities available for sale	$ 102,772	$ 319	$ (23)	$ 103,068

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
December 31, 2011				
Debt securities:				
U.S. Treasury notes	$ 10,066	$ 8	$ —	$ 10,074
Government-sponsored enterprises –FHLMC	18,325	59	(5)	18,379
Government-sponsored enterprises – FNMA	32,605	75	(2)	32,678
Government-sponsored enterprises - Other	32,130	91	(2)	32,219
Government – sponsored residential mortgage-backed securities	197	4	—	201
Total debt securities	93,323	237	(9)	93,551
Equity securities	3,000	138	—	3,138
Total securities available for sale	$ 96,323	$ 375	$ (9)	$ 96,689

At June 30, 2012 and December 31, 2011, debt securities with a fair value of $98,888,000 and $93,551,000, 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, 2012 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	$ 37,253	$ 37,317
Over 1 year to 5 years	61,342	61,390
Government-sponsored residential mortgage-backed securities:		
Over 5 to 10 years	98	101
Over 10 years	79	80
Total debt securities	$ 98,722	$ 98,888

Information pertaining to securities with gross unrealized losses at June 30, 2012 and December 31, 2011, 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, 2012				
Debt securities:				
U.S. Treasury notes	$ 1	$ 2,025	$ —	$ —
Government-sponsored enterprises	22	32,813	—	—
Total temporarily impaired securities	$ 23	$ 34,838	$ —	$ —

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Values	Gross Unrealized Losses	Fair Values
	(In Thousands)			
December 31, 2011				
Debt Securities:				
Government-sponsored enterprises	$ 9	$ 13,541	$ —	$ —

At June 30, 2012, $34.8 million in debt securities had unrealized losses with aggregate depreciation of less than 1% from the Bank’s amortized cost basis. These unrealized losses relate to debt securities issued by government-sponsored enterprises, and result from changes in the bond markets since their purchase. Because the declines in market value are attributable to changes in interest rates and not to credit quality, and because the Bank does not intend to sell the securities and it is not “more likely than not” that the Bank will be required to sell the securities before recovery of their amortized cost basis, which may be maturity, no declines are deemed to be other than temporary.

NOTE 6: LOANS

A summary of the balances of loans are as follows:

	Loan Balances by Type	
	June 30, 2012	December 31, 2011
	(In Thousands)	
Mortgage loans:		
Residential	$ 409,351	$ 381,272
Commercial	409,809	404,343
Construction	44,805	42,269
Home equity	21,436	22,867
Second mortgages	3,660	4,468
Total mortgage loans	889,061	855,219
Other loans:		
Commercial loans	371	459
Personal installment	376	375
Revolving credit	174	256
Total other loans	921	1,090
Total loans	889,982	856,309
Allowance for loan losses	(7,821)	(7,516)
Net deferred loan origination costs	1,060	983
Loans, net	$ 883,221	$ 849,776

The Bank has sold mortgage loans in the secondary mortgage market and has retained the servicing responsibility and receives fees for the services provided. Loans sold and serviced for others amounted to $9,921,000 and $14,138,000 at June 30, 2012 and December 31, 2011, respectively. All loans serviced for others were sold without recourse provisions and are not included in the accompanying consolidated balance sheets. Mortgages servicing rights were recognized at the time of sale and are being amortized over the effective life of the loans serviced. The Bank did not sell any loans in 2011 and 2012.

The Bank has transferred a portion of its originated commercial real estate loans to participating lenders. The amounts transferred have been accounted for as sales and are therefore not included in the Bank's accompanying consolidated balance sheets. The Bank and participating lenders share ratably in any gains or losses that may result from a borrower's lack of compliance with contractual terms of the loan. The Bank continues to service the loans on behalf of the participating lenders and, as such, collects cash payments from the borrowers, remits payments to participating lenders and disburses required escrow funds to relevant parties. At June 30, 2012 and December 31, 2011, the Bank was servicing loans for participants aggregating $5,336,000 and $5,390,000, respectively.

Notes to Unaudited Consolidated Financial Statements (continued)

A blanket lien on "qualified collateral", defined principally as 60-75% of the carrying value of first mortgage loans on certain owner-occupied residential property, 50% of the carrying value of first mortgage loans on certain non-owner-occupied residential property, 65% of the carrying value of first mortgage loans on certain multi-family residential property and 50% of the carrying value of loans on certain commercial property, is used to secure borrowings from the Federal Home Loan Bank of Boston.

An analysis of the activity in the allowance for loan losses, by segment, for the three- and six-month periods ended June 30, 2012 and 2011 follows:

	Residential Real Estate	Commercial Real Estate	Construction	Home Equity	Commercial	Consumer	Total
			(In Thousands)				
Balance December 31, 2011	$ 2,569	$ 4,337	$ 475	$ 127	$ 1	$ 7	$ 7,516
Provision for loan losses	389	20	34	(12)	—	(6)	425
Loans charged-off	(120)	—	—	—	—	—	(120)
Recoveries of loans previously charged off	—	—	—	—	—	—	—
Balance June 30, 2012	$ 2,838	$ 4,357	$ 509	$ 115	$ 1	$ 1	$ 7,821
Balance March 31, 2012	$ 2,668	$ 4,355	$ 490	$ 123	$ 1	$ 2	$ 7,639
Provision for loan losses	188	2	19	(8)	—	(1)	200
Loans charged-off	(18)	—	—	—	—	—	(18)
Recoveries of loans previously charged off	—	—	—	—	—	—	—
Balance June 30, 2012	$ 2,838	$ 4,357	$ 509	$ 115	$ 1	$ 1	$ 7,821

	Residential Real Estate	Commercial Real Estate	Construction	Home Equity	Commercial	Consumer	Total
			(In Thousands)				
Balance December 31, 2010	$ 2,041	$ 4,157	$ 581	$ 114	$ 3	$ 9	$ 6,905
Provision for loan losses	290	284	72	(45)	—	(1)	600
Loans charged-off	(96)	(186)	—	—	—	(1)	(283)
Recoveries of loans previously charged off	—	—	—	—	—	—	—
Balance June 30, 2011	$ 2,235	$ 4,255	$ 653	$ 69	$ 3	$ 7	$ 7,222
Balance March 31, 2011	$ 2,192	$ 4,276	$ 618	$ 107	$ 4	$ 8	$ 7,205
Provision for loan losses	139	165	35	(38)	(1)	—	300
Loans charged-off	(96)	(186)	—	—	—	(1)	(283)
Recoveries of loans previously charged off	—	—	—	—	—	—	—
Balance June 30, 2011	$ 2,235	$ 4,255	$ 653	$ 69	$ 3	$ 7	$ 7,222

Notes to Unaudited Consolidated Financial Statements (continued)

An analysis of the allowance for loan losses, by segment, as of June 30, 2012 and December 31, 2011 follows:

	Residential Real Estate	Commercial Real Estate	Construction	Home Equity	Commercial	Consumer	Total
				(In Thousands)			
June 30, 2012							
Amount attributable to loans individually evaluated and deemed to be impaired	$ 181	$ 80	$ —	$ —	$ —	$ —	$ 261
Amount attributable to loans individually evaluated and not deemed to be impaired and those collectively evaluated	2,657	4,277	509	115	1	1	7,560
	$ 2,838	$ 4,357	$ 509	$ 115	$ 1	$ 1	$ 7,821
Loans deemed to be impaired	$ 3,487	$ 4,287	$ —	$ 209	$ —	$ —	$ 7,983
Loans not deemed to be impaired	405,864	405,522	44,805	24,887	371	550	881,999
Total loans	$ 409,351	$ 409,809	$ 44,805	$ 25,096	$ 371	$ 550	$ 889,982
December 31, 2011							
Amount attributable to loans individually evaluated and deemed to be impaired	$ 144	$ 67	$ —	$ —	$ —	$ —	$ 211
Amount attributable to loans individually evaluated and not deemed to be impaired and those collectively evaluated	2,425	4,270	475	127	1	7	7,305
	$ 2,569	$ 4,337	$ 475	$ 127	$ 1	$ 7	$ 7,516
Loans deemed to be impaired	$ 3,176	$ 3,502	$ —	$ 306	$ —	$ —	$ 6,984
Loans not deemed to be impaired	378,096	400,841	42,269	27,029	459	631	849,325
Total loans	$ 381,272	$ 404,343	$ 42,269	$ 27,335	$ 459	$ 631	$ 856,309

The following is a summary of past due and non-accrual loans at June 30, 2012 and December 31, 2011:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans on Non-accrual
June 30, 2012			(In Thousands)		
Residential real estate	$ 241	$ 877	$ 921	$ 2,039	$ 2,613
Commercial real estate	1,787	—	2,193	3,980	2,574
Home equity	617	—	209	826	209
Commercial	—	—	—	—	—
Consumer	—	—	—	—	—
Total loans	$ 2,645	$ 877	$ 3,323	$ 6,845	$ 5,396

December 31, 2011	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans on Non-accrual
			(In Thousands)		
Residential real estate	$ 6,550	$ 711	$ 1,648	$ 8,909	$ 2,945
Commercial real estate	5,255	—	1,477	6,732	3,502
Home equity	888	75	134	1,097	306
Consumer	1	—	—	1	—
Total loans	$ 12,694	$ 786	$ 3,259	$ 16,739	$ 6,753

At June 30, 2012 and December 31, 2011 there were no loans past due 90 days or more and still accruing interest.

The following is a summary of impaired loans at June 30, 2012 and December 31, 2011:

	June 30, 2012			December 31, 2011		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
			(In Thousands)			
Impaired loans without a valuation allowance:						
Residential real estate	$ 1,764	$ 1,764	$ —	$ 2,194	$ 2,194	$ —
Commercial real estate	1,791	1,791	—	2,498	2,498	—
Commercial	209	209	—	306	306	—
Total	3,764	3,764	—	4,998	4,998	—
Impaired loans with a valuation allowance:						
Residential real estate	1,723	1,723	181	982	1,082	144
Commercial real estate	2,496	2,709	80	1,004	1,004	67
Total	4,219	4,432	261	1,986	2,086	211
Total impaired loans	$ 7,983	$ 8,196	$ 261	$ 6,984	$ 7,084	$ 211

	Three Months June 30, 2012			Six Months Ended June 30, 2012		
	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis
			(In Thousands)			
Impaired loans without a valuation allowance:						
Residential real estate	$ 1,691	$ 48	$ 34	$ 1,983	$ 111	$ 85
Commercial real estate	1,874	58	22	2,000	109	62
Home equity	209	3	—	308	11	8
Total	3,774	109	56	4,291	230	155
Impaired loans with a valuation allowance:						
Residential real estate	1,435	16	6	1,268	35	16
Commercial real estate	1,637	24	12	1,234	55	22
Total	3,072	40	18	2,502	90	38
Total impaired loans	$ 6,846	$ 149	$ 74	$ 6,793	$ 320	$ 193

	Three Months June 30, 2011			Six Months Ended June 30, 2011		
	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis
	(In Thousands)					
Impaired loans without a valuation allowance:						
Residential real estate	$ 1,855	$ 50	$ 50	$ 1,424	$ 64	$ 64
Commercial real estate	3,244	51	51	3,085	70	70
Home equity	97	2	2	97	3	3
Commercial	1	—	—	1	—	—
Consumer	—	—	—	—	—	—
Total	5,197	103	103	4,607	137	137
Impaired loans with a valuation allowance:						
Residential real estate	1,128	—	—	1,064	36	36
Commercial real estate	1,657	14	14	1,522	29	29
Total	2,785	14	14	2,586	65	65
Total impaired loans	$ 7,982	$ 117	$ 117	$ 7,193	$ 202	$ 202

No additional funds are committed to be advanced in connection with impaired loans

In the course of resolving non-performing loans, the Bank may choose to restructure the contractual terms of certain loans, with terms modified to fit the ability of the borrower to repay in line with its current financial status. A loan is considered a troubled debt restructure if, for reasons related to the debtor's financial difficulties, a concession is granted to the debtor that would not otherwise be considered.

The following table summarizes the Bank's troubled debt restructurings for the three and six months ended June 30, 2012. There were no troubled debt restructurings for the three and six months ended June 30, 2011.

	Three Months Ended June 30, 2012			Six Months Ended June 30, 2012		
	Number of Contracts	Pre-Modification Unpaid Principal Balance	Post-Modification Unpaid Principal Balance	Number of Contracts	Pre-Modificati on Unpaid Principal Balance	Post-Modification Unpaid Principal Balance
		(In Thousands)			(In Thousands)	
TDRs on non-accrual status:						
Residential real estate	1	$ 212	$ 212	2	$ 598	598
Commercial real estate	1	176	176	1	176	176
	2	774	774	3	774	774
TDRs on accrual status:						
Residential real estate	1	328	328	2	646	646
Commercial real estate	2	1,290	1,290	2	1,290	1,290
	3	1,618	1,618	4	1,936	1,936
	5	$ 2,392	$ 2,392	7	$ 2,710	$ 2,710

During the six months ended June 30, 2012, the Bank restructured two residential real estate loans (one during the first quarter and one in the second quarter 2012) that were on non-accrual by giving rate concessions once the borrowers brought the loan fully current. The borrowers continue to make payments; however, due to inconsistencies of the payments the loans remain on non-accrual. There was one commercial real estate loan restructured during the three months ending June 30, 2012, consisting of a deficiency note which, as part of a bankruptcy settlement, reaffirmed the debt and had the rate and term adjusted. The loan had previously been charged off and the payments will be applied as recoveries against the original charge-off. There were two residential real estate troubled debt restructures (one during the first quarter and one in the second quarter) that were kept on accrual because the customers were granted rate concessions without being delinquent. On each loan, management performed a discounted cash flow calculation to determine the amount of impairment reserve required. One commercial loan relationship consisted of two loans which were restructured during the quarter ended June 30, 2012 as part of a bankruptcy settlement. The modifications consisted of adjusting the rate and maturity dates. On each loan, management performed a discounted cash flow calculation to determine the amount of impairment reserve Any reserve required is recorded through the provision for loan losses.

One residential real estate loan that was restructured in 2011 defaulted in 2012 and was foreclosed on during the six months ended June 30, 2012. The property sold at auction. All other troubled debt restructurings have paid as agreed.

Credit Quality Information

The Bank uses a seven grade internal rating system for commercial real estate, construction and commercial loans as follows:

Loans rated 1-3B: Loans in this category are considered “pass” rated with low to average risk.

Loans rated 4: Loans in this category are considered “special mention.” These loans are currently protected, but exhibit conditions that have the potential for weakness. The borrower may be affected by unfavorable economic, market or other external conditions that may affect their ability to repay the debt. These may also include credits where there is deterioration of the collateral or have deficiencies which may affect the Bank’s ability to collect on the collateral. This rating is consistent with the “Other Assets Especially Mentioned” category used by the FDIC regulatory agency.

Loans rated 5: Loans in this category are considered “substandard.” Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Bank will sustain some loss if the weakness is not corrected.

Loans rated 6: Loans in this category are considered “doubtful.” Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 7: Loans in this category are considered uncollectible (“loss”) and of such little value that their continuance as loans is not warranted.

Loans are assigned an initial grade at the origination of the loan. After origination, the Bank has a quality control program performed by an independent third-party. On a quarterly basis, all commercial and residential real estate loan relationships with individual loans $500,000 or more are assigned a risk rating. An in-depth review is performed on all relationships totaling $850,000 or greater along with loans on the Bank’s Watchlist. Watchlist loans are those loans that are more than two payments past due at the end of the quarter, loans rated four or higher in a previous review, or loans past contractual maturity. Results of the review are reported to the Bank’s Audit Committee on a quarterly basis and become the mechanism for monitoring the overall credit quality of the portfolio.

The following table presents the Bank’s loans by risk ratings as of June 30, 2012 and December 31, 2011:

Rating	Residential Real Estate	Commercial Real Estate	Construction	Commercial
	(In Thousands)			
June 30, 2012				
1- 3B	$ 404,975	$ 405,321	$ 44,805	$ 371
4	4,088	3,244	—	—
5	288	1,244	—	—
6	—	—	—	—
	$ 409,351	$ 409,809	$ 44,805	$ 371
December 31, 2011				
1- 3B	$ 376,127	$ 400,169	$ 42,269	$ 459
4	3,794	2,960	—	—
5	1,351	1,214	—	—
6	—	—	—	—
	$ 381,272	$ 404,343	42,269	459

NOTE 7: NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. The Update clarifies and expands the disclosures pertaining to unobservable inputs used in Level 3 fair value measurements, including the disclosure of quantitative information related to (1) the valuation processes used, (2) the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, and (3) use of a nonfinancial asset in a way that differs from the asset’s highest and best use. The Update also requires, for public companies, disclosure of the level within the fair value hierarchy for assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed. The amendments in this Update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. The Bank has provided the required disclosure in Note 4.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income.* This Update amends the disclosure requirements for the presentation of comprehensive income. The amended guidance eliminates the option to present components of other comprehensive income (OCI) as part of the Consolidated Statements of Changes in Stockholders’ Equity. Under the amended guidance, all changes in OCI are to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive financial statements. The changes, as amended by ASU 2011-12, are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 with retrospective application required. Separate statements of comprehensive income have been presented in this Form 10-Q on page 5.

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

FORWARD-LOOKING STATEMENTS

The following discussion of the financial condition and results of operations of the Bank should be read in conjunction with the Consolidated Financial Statements and Notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2011. Matters discussed in this Quarterly Report on Form 10-Q and in our public disclosures, whether written or oral, relating to future events or our future performance, including any discussion, express or implied, of our anticipated growth, operating results, future earnings per share, plans and objectives, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are often identified by the words “believe”, “plan”, “estimate”, “project”, “target”, “continue”, “intend”, “expect”, “future”, “anticipate”, and similar expressions that are not statements of historical fact. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, including changes in political and economic climate, interest rate fluctuations and competitive product and pricing pressures within the Bank’s market, bond market fluctuations, personal and corporate customers’ bankruptcies and inflation. Our actual results and timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q and in our other public filings with the FDIC. It is routine for internal projections and expectations to change as the year or each quarter in the year progresses, and therefore, it should be clearly understood that all forward-looking statements and the internal projections and beliefs upon which we base our expectations included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report on Form 10-Q and may change. While we may elect to update forward-looking statements at some point in the future, we do not undertake any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

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 ten banking offices which provide services to its deposit and loan customers. The Bank competes with other local, regional and national banks, credit unions and mutual funds to attract new depositors. The Bank is regulated by various agencies, primarily the Federal Deposit Insurance Corporation (“FDIC”) and the Massachusetts Commissioner of Banks, which among other things require minimum capital levels.

Net income increased $401,000, or 14%, for the second quarter of 2012 as compared to the same quarter of 2011, due to the $692,000, or 8%, improvement in net interest income combined with a decrease of $100,000 in the provision for loan losses and an increase of $3,000 in other income. This was partially offset by a $110,000, or 3%, increase in operating expenses and a $284,000 increase in the income tax provision.

Net income increased $762,000, or 13%, for the six months of 2012 as compared to the same period in 2011, due to the $1.4 million, or 8%, improvement in net interest income combined with a reduction of $175,000 in the provision for loan losses. This was partially offset by a $1,000 decline in other income, a $276,000, or 4%, increase in operating expenses and a $533,000 increase in the income tax provision.

During the first six months of 2012, the Bank originated $154.9 million in loans, resulting in net loan growth of $33.4 million after giving effect to continued loan prepayments. At June 30, 2012, loans continue to be the Bank’s largest component of total assets at 76%. Non-performing assets were 0.74% of total assets at

June 30, 2012 as compared to 0.92% at December 31, 2011. 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 2012, $37.8 million of the Bank's securities matured, paid down or were called and the proceeds were reinvested in the securities portfolio.

During the first six months of 2012, the Bank received $39.3 million in net new deposits. Management believes that the increase in deposit balances is attributable to the Bank's full insurance coverage and the current trend to move towards community banks. These funds were used to purchase securities, fund loans, reduce borrowed funds and maintain higher levels of liquidity.

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

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2012 AND 2011

GENERAL

The Bank reported net income of $3.4 million for the quarter ended June 30, 2012 as compared to $3.0 million for the quarter ended June 30, 2011. Net income was $1.58 per share (basic and diluted) for the quarter ended June 30, 2012 as compared with $1.40 per share (basic and diluted) for the same period in 2011. Earnings for the quarter ended June 30, 2012 were positively impacted by an increase of $692,000, or 8%, in net interest income along with a decrease of $100,000 in the provision for loan losses. This was offset, in part, by a $110,000, or 3%, increase in operating costs, primarily attributable to an increase in salaries and employee benefits and occupancy expenses.

NET INTEREST INCOME

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

During the last three years, interest rates have been at historical lows as the Federal Reserve Bank has lowered the Federal Funds rate to near zero and has implemented a security purchase program geared towards keeping longer-term rates at historical lows in an effort to stabilize financial markets and stimulate the overall economy. Additionally, volatility in the equity markets has caused an increase in deposit balances as customers seek the safe haven of a fully-insured depository institution. Due to the extended period of lower rates, a large portion of interest-bearing liabilities have fully repriced to lower rates but yields on longer-term interest earning assets have been slower to decline. In recent months the bank has seen the decline in the yield on earning assets decline at a faster pace than the cost of interest-bearing liabilities and starting to see flatter average interest rate spreads and lower net interest margins.

For the quarter ending June 30, 2012 the Bank's weighted average rate spread was 3.31%, a decrease from 3.33% for the same period in 2011. The net interest margin for the quarter ended June 30, 2012 was 3.43%, a decline from the 3.47% for the same period in 2011. When comparing the two quarters, the yield on total earning assets decreased 36 basis points and the rate on interest-bearing liabilities decreased by 34 basis points.

Net interest income was $9.5 million for the second quarter of 2012 and $8.8 million for the second quarter of 2011. The $692,000 improvement was due to an increase in average earning assets in the second quarter of 2012 compared to the second quarter 2011 and was partially offset by a 2 basis point decrease in the weighted average rate spread.

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

	Three Months Ended June 30,					
	2012			2011		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
	(Dollars in Thousands)					
Loans (1) (2)	$ 882,684	$ 11,926	5.40 %	$ 819,037	$ 11,743	5.74 %
Securities (3) (4)	108,318	183	0.68	104,597	250	0.96
Short-term investments and certificates of deposit	117,639	92	0.31	92,929	96	0.41
Total earning assets	1,108,641	12,201	4.40	1,016,563	12,089	4.76
Other assets	37,467			34,913		
Total assets	$ 1,146,108			$ 1,051,476		
Interest-bearing deposits (5)	$ 742,847	1,436	0.77	$ 705,540	1,764	1.00
Borrowed funds	242,903	1,252	2.06	208,568	1,504	2.88
Total interest-bearing liabilities	985,750	2,688	1.09	914,108	3,268	1.43
Demand deposits	68,750			56,883		
Other liabilities	4,100			3,028		
Total liabilities	1,058,600			974,019		
Stockholders' equity	87,508			77,457		
Total liabilities and stockholders' equity	$ 1,146,108			$ 1,051,476		
Net interest income		$ 9,513			$ 8,821	
Weighted average rate spread			3.31 %			3.33 %
Net interest margin (6)			3.43 %			3.47 %
Average interest-earning assets to average interest-bearing liabilities (7)			112.47 %			110.21 %

(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, 2012 Compared to the Three Months Ended June 30, 2011 Increase (Decrease)		
	Due to		
	Volume	Rate	Total
		(in Thousands)	
Interest and dividend income:			
Loans	$ 882	$ (699)	$ 183
Securities and FHLB stock	9	(76)	(67)
Short-term investments and certificates of deposit	22	(26)	(4)
Total interest and dividend income	913	(801)	112
Interest expense:			
Deposits	89	(417)	(328)
Borrowed funds	222	(474)	(252)
Total interest expense	311	(891)	(580)
Net interest income	$ 602	$ 90	$ 692

Interest and dividend income rose by $112,000 to $12.2 million for the second quarter of 2012 as compared to $12.1 million for the second quarter of 2011. The yield on total interest-earning assets was 4.40% for the quarter ended June 30, 2012 as compared to 4.76% for the quarter ended June 30, 2011.

Interest income on loans increased $183,000 when comparing the two periods, primarily resulting from an 8% increase in average loans (primarily residential mortgage loans), offset, in part, by a 34 basis point decrease in overall yield. Although short-term market rates remained at historic lows during the last year, longer-term rates were more volatile, fluctuating between 25-50 basis points during the period. Loans that reset to market rates, such as prime-based home equity loans and commercial lines remained relatively stable. Adjustable rate residential and commercial mortgages with reset dates in 2011 and through the first six months of 2012, were impacted by lower market rates.

Securities, Federal Home Loan Bank stock and short-term investments accounted for 20% of the total average earning assets for the quarter ended June 30, 2012 and 19% for the same period in 2011. Income for these categories combined decreased $71,000 when comparing the two periods primarily due to decreases in interest rates, partially offset by a $28.4 million increase in average balances. Over the last three years, shorter-term rates have remained at historic lows affecting short-term overnight investments and matured/called securities when the funds are reinvested.

The average rate on interest-bearing liabilities decreased to 1.09% for the second quarter of 2012 from 1.43% for the comparable quarter of 2011. Total interest expense decreased by $580,000 when comparing the quarters ended June 30, 2012 and 2011. During the prior 12 months, there has been an increase of $37.3 million in average interest bearing deposits. Most of this growth has come from lower-cost money market balances. This has served as the primary funding source, however, the average balance of borrowed funds increased by $34.3 million during the last 12 months.

Interest expense on deposits decreased by $328,000, primarily as a result of a 23 basis point decrease in the weighted average rate, offset, in part, by a $37.3 million increase in average interest-bearing deposit balances. The rates paid on deposit accounts were lowered during the last six months of 2011 and through the first six months of 2012 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 savings and transaction account products are lowered. Certificate balances increased by $10.2 million during the last six months and non-certificate accounts increased by $29.1 million and represents 53.7% of total deposits at June 30, 2012 compared to 52.7% at December 31, 2011. 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 market accounts, along with deposit insurance coverage, has produced strong growth in our money market and short-term certificate products. The significant increase in deposit balances has allowed the Bank to fund lending activity and maintain an elevated level of liquidity.

Interest expense on borrowed funds for the second quarter of 2012 decreased $252,000 as compared to the same quarter in 2011, due primarily to an 82 basis point decrease in the weighted average rate offset, in part, by a $34.3 million increase in average outstanding balance. Strong growth in loans was funded by a combination of deposits and borrowed funds.

PROVISION FOR LOAN LOSSES

At June 30, 2012, management's review of the allowance for loan losses concluded that a balance of $7.8 million was adequate to provide for losses based upon evaluation of risk in the loan portfolio. During the second quarter of 2012, management provided $200,000 to achieve such a loan loss allowance balance at June 30, 2012. The Bank recorded charge-offs totaling $18,000 for the second quarter of 2012. The growth and composition of the loan portfolio warranted additional provisions to the Bank’s allowance for loan losses. Comparably, at June 30, 2011, management’s evaluation of the balance of the allowance for loan losses indicated the need for a quarterly provision of $300,000.

At June 30, 2012, the allowance for loan losses represented 0.88% of gross loans as compared to 0.88% at December 31, 2011 and 0.87% at June 30, 2011. Management considers many factors when evaluating the balance in the loan loss allowance. Beginning with historical charge-offs, adjustments are made to assess trends in portfolio volume, maturity and composition, trends in delinquencies and the national and local economic condition. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available In particular, at June 30, 2012, management considered the growth and composition of the loan portfolio and the continued volatility in the financial markets as key factors. Management believes that its loans classified as non-accrual are significantly collateralized, pose minimal risk of loss to the Bank and the allowance for loan losses is sufficient to absorb such losses. However, management continues to monitor the loan portfolio and additional reserves will be taken if necessary.

See Note 6 to interim consolidated financial statements and “Loans and Foreclosed Real Estate” included in this Management’s Discussion and Analysis for additional information pertaining to the allowance for loan losses.

OTHER INCOME

Other income is comprised of customer service fees, increases in the cash surrender value of life insurance policies and miscellaneous income. Total other income was $424,000 for the quarter ended June 30, 2012 compared to $421,000 for the same period in 2010. Customer service fees increased by $6,000; primarily the result of an increased volume of fee-based customer transactions along with ATM interchange income from higher transaction volume. This was partially offset by a decrease of $2,000 in miscellaneous income.

OPERATING EXPENSES

Total operating expenses were $4.1 million, or an annualized 1.42% of average total assets, for the quarter ended June 30, 2012 as compared to $4.0 million, or 1.51%, for the same quarter of 2011. 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 7% primarily due to increases in staffing associated with the new branch on Charles Street in Boston that opened in October 2011, annual merit-based salary increases and rising medical insurance costs.

Data processing expenses decreased by 2% primarily due to decreased data processing charges as the Bank renegotiated charges with several of its systems providers as part of contract extensions.

Occupancy and equipment expenditures increased by $79,000, or 23%, due to added depreciation expense associated with the addition to the Bank’s administration building that was completed in July of 2011. Additionally there was additional depreciation on leasehold improvements and equipment, real estate taxes and utilities expense related to the new branch location on Charles Street in Boston that opened in late 2011. Other increases related to ongoing maintenance of the Bank’s equipment, utilities and real estate taxes.

Deposit insurance expense decreased $107,000, or 41%, from $263,000 for the second quarter of 2011 to $156,000 in the second quarter of 2012. In 2011, the Federal Deposit Insurance Corporation(“FDIC”) changed their assessment calculation from a percentage of deposits to one based on total assets. A combination of a favorable regulatory rating and strong financial performance had a significant positive impact on the Bank’s assessment rate.

Foreclosure related expenses declined by $141,000 to $44,000 for the second quarter 2012. The decrease is primarily related reduced costs associated with managing foreclosed property along with some of the properties producing rental income which is applied to expenses. At June 30, 2012, the Bank held five properties with a carrying value of $3.2 million. This compares to seven properties totaling $3.6 million at December 31, 2011 and four properties totaling $3.3 million at June 30, 2011. During the second quarter of 2012, the Bank took on one new property and sold two properties for a net gain on sale of $47,000. Also included in this category are expenses associated with the foreclosure process which include legal expenses, appraisal expenses, insurance expenses and other related foreclosure expenses.

Marketing expenses increased by $73,000 to $215,000 for the second quarter 2012. The increase was due to additional marketing initiatives for both lending and deposits in 2012 compared to the same period in 2011.

Other expenses, which include director fees, supplies, deposit related losses and audit-related expenses, among others, increased $47,000, or 8%, when comparing the two periods primarily due to general increases in operating expenses.

INCOME TAXES

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

During the second quarter of 2012, the Bank recorded $2.3 million, or 40.6% of pre-tax income, in tax expense as compared to $2.0 million, or 40.5%, for the same quarter in 2011. The increase in expense is attributable to the increase in pre-tax earnings.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

GENERAL

The Bank reported net income of $6.6 million for the six months ended June 30, 2012 as compared to $5.8 million for the six months ended June 30, 2011. Net income was $3.11 per share (basic and diluted) for the six months ended June 30, 2012 as compared with $2.75 per share (basic and diluted) for the same period in 2011. Earnings for the six months ended June 30, 2012 were positively impacted by a 8% improvement in net interest income and a reduction of $175,000 in the provision for loan losses. This was offset, in part, by a decline of $1,000 in other income and a $276,000, or 4%, increase in operating costs, primarily attributable to an increase in salaries and employee benefits, marketing and occupancy expenses.

NET INTEREST INCOME

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

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

However, due to the extended period of lower rates, a large portion of interest-bearing liabilities have fully repriced to lower rates but yields on longer-term interest earning assets have been slower to decline. In recent months the Bank has seen the yield on earning assets decline at a faster pace than the cost of interest-bearing liabilities and the Bank is starting to see flatter average interest rate spreads and lower net interest margins. 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 3.32% and 3.44%, respectively, for the six months ended June 30, 2012 as compared to 3.34% and 3.49%, respectively, for the six months ended June 30, 2011. When comparing the two periods, the yield on total earning assets decreased 36 basis points and the rate on interest-bearing liabilities decreased by 34 basis points.

Net interest income was $18.9 million for the first six months of 2012 and $17.5 million for the first six months of 2011. The $1.4 million improvement was due to a 10% increase in average earning assets in the first six months of 2012 compared to the same period in 2011, partially offset by a decrease in the weighted average rate spread of 2 basis points.

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

	Six Months Ended June 30,					
	2012			2011		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
	(Dollars in Thousands)					
Loans (1) (2)	$ 873,408	$ 23,769	5.44 %	$ 812,909	$ 23,311	5.74 %
Securities (3) (4)	107,884	374	0.69	106,262	523	0.98
Short-term investments and certificates of deposit	116,672	181	0.31	82,704	178	0.43
Total earning assets	1,097,964	24,324	4.43	1,001,875	24,012	4.79
Other assets	37,152			34,560		
Total assets	$ 1,135,116			$ 1,036,435		
Interest-bearing deposits (5)	$ 739,249	2,942	0.80	$ 693,958	3,522	1.02
Borrowed funds	239,860	2,508	2.09	207,553	3,013	2.90
Total interest-bearing liabilities	979,109	5,450	1.11	901,511	6,535	1.45
Demand deposits	66,051			55,560		
Other liabilities	3,824			3,146		
Total liabilities	1,048,984			960,217		
Stockholders' equity	86,132			76,218		
Total liabilities and stockholders' equity	$ 1,135,116			$ 1,036,435		
Net interest income		$ 18,874			$ 17,477	
Weighted average rate spread			3.32 %			3.34 %
Net interest margin (6)			3.44 %			3.49 %
Average interest-earning assets to average interest-bearing liabilities (7)			112.14 %			111.13 %

(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, 2012 Compared to the Six Months Ended June 30, 2011 Increase (Decrease)		
	Due to		
	Volume	Rate	Total
		(In Thousands)	
Interest and dividend income:			
Loans	$ 1,682	$ (1,224)	$ 458
Securities and FHLB stock	8	(157)	(149)
Short-term investments and certificates of deposit	61	(58)	3
Total interest and dividend income	1,751	(1,439)	312
Interest expense:			
Deposits	218	(798)	(580)
Borrowed funds	422	(927)	(505)
Total interest expense	640	(1,725)	(1,085)
Net interest income	$ 1,111	$ 286	$ 1,397

Interest and dividend income rose by $312,000 to $24.3 million for the first six months of 2012 as compared to $24.0 million for the first six months of 2011. The yield on total interest-earning assets was 4.43% for the first six months ended June 30, 2012 as compared to 4.79% for the first six months ended June 30, 2011.

Interest income on loans increased $458,000 when comparing the two periods, primarily resulting from a 7% increase in average loans (primarily residential mortgage loans), offset, in part, by a 30 basis point decrease in overall yield. Although short-term market rates remained at historic lows during the last year, longer-term rates were more volatile, fluctuating between 25-50 basis points during the period. Loans that reset to market rates, such as prime-based home equity loans and commercial lines remained relatively stable. Adjustable rate residential and commercial mortgages, with reset dates in late 2011 and through the first six months of 2012, were impacted by lower market rates.

Securities, Federal Home Loan Bank stock and short-term investments accounted for 20% of the total average earning assets for the six months ended June 30, 2012 and 19% for the same period in 2011. Income for these categories combined decreased $146,000 when comparing the two periods primarily due to decreases in interest rates and was partially offset by a $35.69 million increase in average balances. Over the last three years, shorter-term rates have remained at historic lows affecting short-term overnight investments and matured/called securities when the funds are reinvested.

The average rate on interest-bearing liabilities decreased to 1.11% for the first six months of 2012 from 1.45% for the comparable period in 2011. Total interest expense decreased by $1.1 million when comparing the six months ended June 30, 2012 and 2011. During the prior 12 months, there has been an increase of $45.3 million in average interest bearing deposits. Most of this growth has come from lower-cost money market balances. This has served as the primary funding source for asset growth.

Interest expense on deposits decreased by $580,000, primarily as a result of a 22 basis point decrease in the weighted average rate, offset, in part, by a $45.3 million increase in average interest-bearing deposit balances. The rates paid on savings accounts, money market deposit accounts and certificates of deposit were lowered during the last six months of 2011 and through the first six months of 2012 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 savings and transaction accounts are lowered. Certificate balances increased by $10.2 million during the last six months, non-certificate accounts increased by $29.1 million and represents 53.7% of total deposits at June 30, 2012 compared to 52.7% at December 31, 2011. 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 market accounts, along with deposit insurance coverage, has produced strong growth in our money market and short-term certificate products. The significant increase in deposit balances has allowed the Bank to fund lending activity and maintain an elevated level of liquidity.

Interest expense on borrowed funds for the first six months of 2012 decreased $505,000 as compared to the same period in 2011, due primarily to a 81 basis point decrease in the weighted average rate and was partially offset by a $32.3 million increase in average outstanding balance.

PROVISION FOR LOAN LOSSES

At June 30, 2012, management's review of the allowance for loan losses concluded that a balance of $7.8 million was adequate to provide for losses based upon evaluation of risk in the loan portfolio. During the first six months of 2012, management provided $425,000 to achieve such a loan loss allowance balance at June 30, 2012. The Bank recorded charge-offs of $120,000 during the first six months of 2011. The growth and composition of the loan portfolio warranted additional provisions to the Bank’s allowance for loan losses. Comparably, at June 30, 2011, management’s evaluation of the balance of the allowance for loan losses indicated the need for a provision of $600,000.

At June 30, 2012, the allowance for loan losses represented 0.88% of gross loans as compared to 0.88% at December 31, 2011 and 0.87% at June 30, 2011. Management considers many factors when evaluating the balance in the loan loss allowance. Beginning with historical charge-offs, adjustments are made to assess trends in portfolio volume, maturity and composition, trends in delinquencies and the national and local economic condition. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. In particular, at June 30, 2012, management considered the growth and composition of the loan portfolio and the continued volatility in the financial markets as key factors. Management believes that its loans classified as non-accrual are significantly collateralized, pose minimal risk of loss to the Bank and the allowance for loan losses is sufficient to absorb such losses. However, management continues to monitor the loan portfolio and additional reserves will be taken if necessary.

See Note 6 to interim consolidated financial statements and “Loans and Foreclosed Real Estate” included in this Management’s Discussion and Analysis for additional information pertaining to the allowance for loan losses.

OTHER INCOME

Other income is comprised of customer service fees, increases in the cash surrender value of life insurance policies and miscellaneous income. Total other income was $831,000 for the six months ended June 30, 2012 compared to $832,000 for the same period in 2011. Customer service fees increased by $24,000 over the two periods; primarily the result of an increased volume of fee-based customer transactions along with ATM interchange income from higher transaction volume. This was partially offset by a decrease of $20,000 life insurance income and $5,000 in miscellaneous income.

OPERATING EXPENSES

Total operating expenses were $8.1 million, or an annualized 1.44% of average total assets, for the six months ended June 30, 2012 as compared to $7.9 million, or 1.52%, for the same period of 2011. 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 the new branch on Charles Street in Boston opened in October 2011 along with annual merit-based salary increases and rising medical insurance costs.

Data processing expenses increased by 1% primarily due to increased data processing charges associated with growth in the number of loan and deposit accounts along with higher ATM network charges associated with a higher level of ATM activity due to a higher number of ATM cards outstanding and the associated increase in transaction volume. These were almost entirely offset by lower rates on the above noted activity as the Bank renegotiated lower contract terms as part of contract renegotiations.

Occupancy and equipment expenditures increased by $143,000, or 20%, due to depreciation and costs associated the addition at the administration offices in downtown Hingham along with added costs associated with the new branch location in downtown Boston that the Bank opened in October 2011. Additionally, there were increased expenses associated with ongoing maintenance of the Bank's facilities.

Deposit insurance expense decreased $293,000, or 50%, from $582,000 for the first six months of 2011 to $289,000 in the first six months of 2012. In 2011, the Federal Deposit Insurance Corporation ("FDIC") changed their assessment calculation from a percentage of deposits to one based on total assets. A combination of a favorable regulatory rating and strong financial performance had a significant positive impact on the Bank's assessment rate.

Foreclosure related expenses decreased by $109,000 to $244,000 for the first six months of 2012. The decrease is primarily related to reduced costs associated with managing foreclosed property along with some properties producing rental income which is applied to expenses. At June 30, 2012, the Bank held five properties with a carrying value of $3.2 million. This compares to seven properties totaling $3.6 million at December 31, 2011 and four properties totaling $3.3 million at June 30, 2011. During the first six months of 2012, the Bank took on three new properties and sold five properties. Three properties were written down by $60,000 to reflect the anticipated proceeds from the sales of the properties. This was partially offset by net cash gains of $47,000 on the sale of the five properties. Also included in this category are expenses associated with the foreclosure process which include legal expenses, appraisal expenses, insurance expenses and other related foreclosure expenses.

Marketing expenses increased by $96,000 to $349,000 for the first half of 2012. The increase was due to additional marketing initiatives in 2012 compared to the same period in 2011 including additional commercial loan marketing along with customer communication and marketing associated with the Bank's rollout of a new internet banking and additional advertising related to the new branch in Downtown Boston.

Other expenses, which include director fees, supplies, deposit related losses and audit-related expenses, among others, increased $85,000, or 7%, when comparing the two periods primarily due to general increases in operating expenses.

INCOME TAXES

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

During the first six months of 2012, the Bank recorded $4.5 million, or 40.6% of pre-tax income, in tax expense as compared to $4.0 million, or 40.6%, for the same period in 2011. The increase in expense is attributable to the increase in pre-tax earnings.

BALANCE SHEET ANALYSIS - COMPARISON AT JUNE 30, 2012 TO DECEMBER 31, 2011

Assets totaled $1,159 million at June 30, 2012, as compared to $1,127 million at December 31, 2011, an increase of $31.7 million.

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

Securities were $103.1 million at June 30, 2012, an increase of $6.4 million when compared to the $96.7 million at December 31, 2011. During the first six months of 2012, there were $44.4 million in securities purchased offset by $37.5 million in maturities, calls and principal paydowns. Net proceeds from securities transactions were reinvested in new securities.

During 2011 and continuing through June 30, 2012, the inflow of deposits continued. These funds have been temporarily held by the Bank in short-term investments until such time as they can be used to reduce borrowed funds, or used to fund loan production.

At June 30, 2012 and December 31, 2011, 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 $190,000 at June 30, 2012. This compares to $235,000, net of tax, at December 31, 2011 and $245,000, net of tax, at June 30, 2011. The fair value of securities fluctuates with the movement of interest rates. Generally, during periods of falling interest rates, the fair values increase whereas the opposite may hold true during a rising interest rate environment.

The securities portfolio is comprised primarily of bonds issued by the U.S. Treasury and government-sponsored enterprises. At June 30, 2012, approximately 10% is represented by U.S. Treasury issues. Another 86% 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, 2012, the Bank held $4.0 million, or 4% of the portfolio, in the CRA Fund, an equity security which invests in local community-related projects.

The Bank held an investment of $13.8 million in FDIC-insured certificates of deposit issued by other financial institutions at June 30, 2012. Generally, the Bank invests in such certificates due to the increase in yield over comparably-termed bonds issued by government-sponsored enterprises at time of purchase.

As a member of the Federal Home Loan Bank of Boston (“FHLBB”), the Bank is required to hold a Membership Stock Investment plus an Activity-based Stock Investment in the FHLBB, which is based primarily on the amount of FHLBB borrowings. In late 2008, the FHLBB announced a moratorium on all excess stock repurchases and subsequently in early 2009, FHLBB announced that it has suspended its dividend payment. During the first quarter of 2011, the dividend was reinstated, albeit at a lesser rate. In 2012, the FHLBB began a partial stock repurchase program. The Bank also received dividends totaling $34,000 for the six months ended June 30, 2012 compared to $20,000 for the same period in 2011. At June 30, 2012 and December 31, 2011, the Bank held $13.4 million in FHLBB stock.

LOANS AND FORECLOSED REAL ESTATE

During the first six months of 2012, net loans outstanding increased by $33.4 million to $883.2 million, from $849.8 million at December 31, 2011, attributable primarily to originated loans of $154.9 million offset by payoffs and amortization. Comparably, loan originations for the same period in 2011 were $111.6 million. On June 30, 2012 and December 31, 2011, net loans outstanding represented 76% and 75% of assets, respectively. Mortgage loans continue to account for more than 99% of the loan portfolio.

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, 2012, the allowance had a balance of $7.8 million as compared to $7.5 million at December 31, 2011. At June 30, 2012, the Bank allocated $261,000 to loans classified as impaired. At December 31, 2011, $211,000 was allocated to impaired loans.

The Bank works closely with delinquent mortgagors to bring their loans current and foreclosure proceedings commence if the mortgagor is unable to satisfy their outstanding obligation. In 2008, the Commonwealth of Massachusetts enacted a law which grants a mortgagor a 90-day right to cure a default on residential real property mortgages. In 2010, this was increased to 150 days to cure a default. Land court filings, which are part of the foreclosure process in Massachusetts, experienced a 90-day backlog due to the volume of foreclosure filings in the state. This resulted in a delay in the Bank's collection process. These delays have been experienced over the last two years and are expected to continue until foreclosure trends decline.

At June 30, 2012, there were 17 loans classified as non-accrual totaling $5.4 million as compared to 19 non-accrual loans totaling $6.8 million at December 31, 2011. At June 30, 2012, the Bank held $3.2 million in foreclosed assets consisting of 4 commercial properties and 1 residential property. At December 31, 2011, the Bank held $3.6 million in foreclosed assets. At June 30, 2012, non-performing assets were 0.74% of total assets as compared to 0.92% at December 31, 2011. Management believes that its loans classified as non-accrual are significantly collateralized, pose minimal risk of loss to the Bank, and the allowance for loan losses is sufficient to absorb such losses, if any. However, management continues to monitor the loan portfolio and additional reserves will be taken if necessary.

Non-Performing Assets

	June 30, 2012	December 31, 2011
	(Dollars in Thousands)	
Non-accrual loans:		
Residential mortgages	$ 2,613	$ 2,945
Commercial mortgages	2,574	3,502
Home equity	209	306
Total non-accrual loans	5,396	6,753
Foreclosed real estate	3,161	3,629
Total non-performing assets	$ 8,557	$ 10,382
Percent of non-accrual loans to:		
Total loans	0.61 %	0.79 %
Total assets	0.47 %	0.60 %
Percent of non-performing assets to:		
Total loans and foreclosed real estate	0.96 %	1.21 %
Total assets	0.74 %	0.92 %
Allowance for loan losses to total loans	0.88 %	0.88 %

DEPOSITS

Deposits increased by $39.3 million to $826.8 million at June 30, 2012 from $787.6 million at December 31, 2011. Core deposits, which include regular, money market, NOW and demand deposits, increased $29.1 million over the December 31, 2011 balance. Certificate accounts were $382.5 million, or 46.3% of total deposits, at June 30, 2012, as compared to $372.3 million, or 47.3% of total deposits, at December 31, 2011.

Beginning in late 2008, national and international financial markets became increasingly volatile. The New York Stock Exchange ("NYSE") reported large declines in the trading prices of equity securities and several financial services companies were in severe distress. Combined, these events concerned consumers and small business owners, a number of whom ultimately transferred their funds from affected markets into premium money market and certificate of deposit accounts at the Bank. The Bank offers FDIC insurance, which generally provides protection for up to $250,000 in separately insured deposit accounts, and Deposit Insurance Fund of Massachusetts ("DIF") insurance for all deposits in excess of this amount. Although the national and international markets have stabilized, the Bank continues to experience growth in deposits.

Deposit growth over the first six months of 2012 was used to fund growth in the loan portfolio and has allowed the Bank to fund a large portion of balance sheet growth.

	Deposit Balances by Type			
	June 30, 2012	% of Total	December 31, 2011	% of Total
	(Dollars in Thousands)			
Non-certificate accounts				
Regular	$ 68,722	8.3 %	$ 65,261	8.3 %
Money market deposits	274,295	33.1	256,971	32.6
NOW	30,481	3.7	29,988	3.8
Demand	70,879	8.6	63,092	8.0
Total non-certificate accounts	444,377	53.7	415,312	52.7
Term certificates less than $100,000	182,130	22.1	171,276	21.7
Term certificates $100,000 or more	200,338	24.2	200,985	25.5
Total certificate accounts	382,468	46.3	372,261	47.3
Total deposits	$ 826,845	100.0 %	$ 787,573	100.0 %

BORROWINGS

FHLBB advances were $236.4 million or 20% of total assets at June 30, 2012 as compared to $247.5 million or 22% of total assets at December 31, 2011. These advances are predominately fixed rate in nature with 44% scheduled to mature in the next twelve months. During the first six months of 2012, total borrowings decreased by $11.1 million due to paydowns and stronger growth in deposits providing adequate funding sources.

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 less than 1% 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 87% of the Bank's borrowings were fixed in term of rate and maturity. Approximately 13% or $29.0 million can be called for earlier repayment at the discretion of the issuer. It is considered unlikely that these borrowings will be called by the issuer in the near term.

The Bank also monitors its off-balance sheet items. See "Commitments" appearing in Note 2 within the

"Notes to Unaudited Consolidated Financial Statements" section of this document. At June 30, 2012, the Bank had $126.8 million in commitments to extend credit as compared to $128.7 million at December 31, 2011.

The Bank considers the above information when measuring its liquidity position. Specific measurements include the Bank's cash flow position at the 30 day, 60 day and 90 day horizon, the level of volatile liabilities on earning assets and loan to deposit ratios. These estimates anticipate the possibility of deposit outflows. At June 30, 2012, 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 $347.4 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 $178.3 million in additional borrowings. At June 30, 2012, the Bank had $236.4 million in advances outstanding.

At June 30, 2012, the Bank had capital of $87.8 million, or 7.57% of total assets, as compared to $82.3 million, or 7.30%, at December 31, 2011. During the six months ended June 30, 2012, stockholders' equity increased by $5.5 million due primarily to net income for the period of $6.6 million, partially offset by the declaration of dividends of $0.51 per share, which reduced capital by $1.1 million. During the first six months of 2012, the Bank issued options for 3,000 shares of common stock of the Bank to new Board of Directors members.

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, 2012, 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 $45,000.

Massachusetts-chartered savings banks that are insured by the FDIC are subject to minimum capital maintenance requirements. Regulatory guidelines define the minimum amount of qualifying capital an institution must maintain as a percentage of risk-weighted assets and average total assets.

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

	Actual Regulatory Capital Ratios			
	June 30, 2012	December 31, 2011	Minimum Capital Requirement Ratios	Minimum To Be Well Capitalized Under Prompt Corrective Action Provision Ratios
	(Dollars in Thousands)			
Tier 1 Capital as a Percent of Risk-Weighted Assets	12.86 %	12.40 %	4.0 %	6.0 %
Total Capital as a Percentage of Risk-Weighted Assets	14.02 %	13.55 %	8.0 %	10.0 %
Tier 1 Capital to Average Assets	7.64 %	7.47 %	4.0 %	5.0 %
Total Risk-Weighted Assets	$ 681,074	$ 661,314		

At June 30, 2012 and December 31, 2011, the Bank exceeded all of the minimum regulatory capital ratio requirements.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The earnings of most banking institutions are exposed to interest rate risk because their balance sheets, both assets and liabilities, are predominantly interest bearing. It is the Bank's objective to minimize, to the degree prudently possible, its exposure to interest rate risk, and bearing in mind that the Bank, by its very nature, will always be in the business of taking on interest rate risk. Interest rate risk is monitored on a quarterly basis by the Asset Liability Committee of the Bank. The primary tool used by the Bank in managing interest rate risk is income simulation modeling. Income simulation modeling measures changes in net interest income by projecting the future composition of the Bank's balance sheet and applying different interest rate scenarios. Management incorporates numerous assumptions into the simulation model, such as prepayment speeds, interest rate environments, balance sheet growth and deposit elasticity. To a significantly lesser degree, the Bank also utilizes "GAP" analysis which involves comparing the difference between interest-rate sensitive assets and liabilities that mature or reprice during a given period of time. Management believes that there has been no material changes in the interest rate risk reported in the Bank's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the Federal Deposit Insurance Corporation. The information is contained in the Form 10-K within the Market Risk and Asset Liability Management section of Management's Discussion and Analysis of Results of Operations and Financial Condition.

ITEM 4 – CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Bank's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness, as of June 30, 2012, of the Bank's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended. The term "disclosure controls and procedures" is defined to mean controls and other procedures that are designed to ensure that information required to be disclosed by the Bank in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and is made known to the Bank's CEO and CFO by others within the Bank, particularly during the period in which this report was being prepared, as appropriate to allow timely decisions regarding required disclosure.

The CEO and CFO recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and such officers necessarily apply their judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on their evaluation of the Bank's disclosure controls and procedures as of June 30, 2012, the CEO and CFO concluded that, as of such date, the Bank's disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes in Internal Control

There were no significant changes in the Bank's internal control over financial reporting, as defined in Rules 13a-15(e) and 15d-15(e), during the fiscal quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None.

ITEM 1A – RISK FACTORS

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

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

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 – EXHIBITS

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

SIGNATURES

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

HINGHAM INSTITUTION FOR SAVINGS

Date: August 7, 2012

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

Date: August 7, 2012

/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 registrant's auditors and the audit committee of the registrant's board of directors:

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

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

Date: August 7, 2012

/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 registrant's auditors and the audit committee of the registrant's board of directors:

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

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

Date: August 7, 2012

/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, 2012, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), the undersigned Robert H. Gaughen, Jr., Chief Executive Officer of the Bank, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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

Date: August 7, 2012

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, 2012, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), the undersigned Robert A. Bogart, Chief Financial Officer of the Bank, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/

Robert A. Bogart
Vice President and Treasurer
Chief Financial Officer

Date: August 7, 2011