FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20429

FORM 10 - Q

QUARTERLY REPORT UNDER SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934 FOR

THE QUARTER ENDED MARCH 31, 1999

FDIC CERTIFICATE NUMBER - 90211-0

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

Massachusetts
(State of Incorporation)

04-1442480
(I.R.S. Employer Identification Number)

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

02043
(Zip Code)

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

Indicate by check mark whether the Bank (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 Bank was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) YES ______X______ NO ____________

(2) YES ______X______ NO ____________

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

At April 30, 1999 there were 1,964,250 shares of common stock outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)	March 31, 1999	December 31, 1998
	($ in thousands except per share amounts)	
ASSETS		
Cash and due from banks	$ 4,086	$ 5,227
Interest-bearing deposits	15,818	13,346
Cash and cash equivalents	19,904	18,573
Securities available for sale, at fair value	27,563	28,235
Loans, net of allowance for loan losses of $1,791,000 in 1999 and $1,729,000 in 1998	211,018	204,774
Banking premises and equipment, net	3,402	3,173
Accrued interest receivable	1,458	1,330
Deferred income tax asset, net	950	930
Federal Home Loan Bank stock, at cost	2,949	2,750
Other assets	1,121	311
Total assets	$ 268,365	$ 260,076
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$ 182,785	$ 178,741
Federal Home Loan Bank advances	58,986	55,000
Other borrowed funds	52	56
Mortgagors' escrow accounts	817	637
Accrued interest payable	312	308
Other liabilities	1,240	1,658
Total liabilities	244,192	236,400
Commitments and contingencies		
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; 1,964,250 shares issued and outstanding in 1999 and 1998.	1,964	1,964
Additional paid-in capital	8,154	8,154
Undivided profits	14,005	13,471
Accumulated other comprehensive income	50	87
Total stockholders' equity	24,173	23,676
Total liabilities and stockholders' equity	$ 268,365	$ 260,076

See accompanying Notes to Unaudited Consolidated Financial Statements.

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Income

(In Thousands, Except for Per Share Amounts) (Unaudited)	Three Months Ended March 31, 1999	Three Months Ended March 31, 1998
Interest and dividend income:		
Loans	$ 4,236	$ 3,764
Investment securities	443	562
Interest-bearing deposits	139	80
Total interest and dividend income	4,818	4,406
Interest expense:		
Deposits	1,630	1,603
Borrowed funds	760	610
Total interest expense	2,390	2,213
Net interest income	2,428	2,193
Provision for loan losses	60	39
Net interest income after provision for loan losses	2,368	2,154
Other income:		
Customer service fees on deposits	129	116
Other	38	38
Total other income	167	154
Operating expenses:		
Salaries and employee benefits	738	657
Data processing	99	82
Occupancy and equipment	165	143
Legal	(1)	(3)
Other	312	272
Total operating expenses	1,313	1,151
Income before income taxes	1,222	1,157
Income tax provision	471	443
Net income	$ 751	$ 714
Cash dividends declared per common share	$ 0.11	$ 0.09
Weighted average shares outstanding:		
Basic	1,964	1,956
Diluted	2,007	2,012
Earnings per share:		
Basic	$ 0.38	$ 0.36
Diluted	$ 0.37	$ 0.35

See accompanying Notes to Unaudited Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity
For the Three Months Ended
March 31, 1999 and 1998

(In Thousands, except for per share amounts) (Unaudited)	Common Stock	Additional Paid-In Capital	Undivided Profits	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
Balance at December 31, 1997	$ 1,956	$ 8,041	$ 11,430	$ (50)	$ 21,377
Comprehensive Income:					
Net Income	-	-	714		714
Change in unrealized gain (loss) on securities available for sale, after tax effect	-	-	-	32	32
Total comprehensive income					746
Stock options exercised, after tax effect	-	-	-	-	-
Cash dividends declared ($0.09 per share)	-	-	(169)	-	(169)
Balance at March 31, 1998	$ 1,956	$ 8,041	$ 11,975	$ (18)	$ 21,954
Balance at December 31, 1998	$ 1,964	$ 8,154	$ 13,471	$ 87	$ 23,676
Comprehensive Income:					
Net Income	-	-	751	-	751
Change in unrealized gain (loss) on securities available for sale, after tax effect	-	-	-	(37)	(37)
Total comprehensive income					714
Stock options exercised, after tax effect	-	-	-	-	-
Cash dividends declared ($0.11 per share)	-	-	(217)	-	(217)
Balance at March 31, 1999	$ 1,964	$ 8,154	$ 14,005	$ 50	$ 24,173

See accompanying Notes to Unaudited Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In Thousands) (Unaudited)	Three Months Ended March 31, 1999	1998
Cash flows from operating activities:		
Net income	$ 751	$ 714
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	60	39
Amortization of securities, net	15	29
Amortization of deferred loan origination fees (costs), net	(7)	1
Depreciation	83	71
Changes in operating assets and liabilities:		
Accrued interest receivable	(128)	(174)
Other assets	(810)	(114)
Accrued interest payable and other liabilities	(218)	(30)
Net cash provided by (used in) operating activities	(254)	536
Cash flows from investing activities:		
Activity in available-for-sale securities:		
Maturities, prepayments and calls	2,612	4,265
Purchases	(2,012)	(6,995)
Loans originated, net of payments received	(6,297)	(4,952)
Increase in Federal Home Loan Bank stock	(199)	(300)
Additions to banking premises and equipment	(312)	-
Net cash used in investing activities	(6,208)	(7,982)

See accompanying Notes to Unaudited Consolidated Financial Statements.

(continued)

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Cash Flows (concluded)

(In Thousands) (Unaudited)	Three Months Ended March 31, 1999	Three Months Ended March 31, 1998
Cash flows from financing activities:		
Increase in deposits, net	$ 4,044	$ 2,980
Increase in mortgagors' escrow accounts	180	129
Cash dividends paid on common stock	(413)	(326)
Repayments of borrowings with maturities less than three months	(4)	(373)
Proceeds from Federal Home Loan Bank advances with maturities of three months or more	11,000	17,000
Repayment of Federal Home Loan Bank advances with maturities of three months or more	(7,014)	(11,000)
Net cash provided by financing activities	7,793	8,410
Net increase in cash and cash equivalents	1,331	964
Cash and cash equivalents at beginning of period	18,573	7,268
Cash and cash equivalents at end of period	$ 19,904	$ 8,232
Supplementary information:		
Interest paid on deposit accounts	$ 1,627	$ 1,599
Interest paid on borrowed funds	759	583
Income taxes paid	404	464

See accompanying Notes to Unaudited Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

March 31, 1999 and 1998

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements of Hingham Institution for Savings presented herein should be read in conjunction with the consolidated financial statements of Hingham Institution for Savings for the year ended December 31, 1998 filed on Form 10-K.

Financial information as of March 31, 1999 and the results of operations and cash flows for the three month periods ended March 31, 1999 and 1998 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.

Certain amounts in prior year financial statements have been reclassified to reflect the current year's presentation.

COMMITMENTS

At March 31, 1999, there were outstanding commitments to advance construction funds and to originate loans in the amount of $20.8 million and commitments to advance existing home equity, letters of credit and other credit lines in the amount of $9.8 million.

DIVIDEND PAYMENT

On March 26, 1999, the Board of Directors declared a $0.11 cash dividend to all stockholders of record as of April 12, 1999, payable April 22, 1999.

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

RESULTS OF OPERATIONS FOR THE THREE MONTH PERIODS ENDED MARCH 31, 1999 AND 1998

GENERAL

The Bank reported net income of $751,000 for the quarter ended March 31, 1999 as compared with $714,000 for the same period in 1998, an increase of 5%. Net income was $0.38 per share for the quarter ended March 31, 1999 as compared with $0.36 for the same period in 1998.

NET INTEREST INCOME

Net interest income increased by $235,000, to $2.4 million, for the first quarter of 1999 from the comparable quarter in 1998 primarily as a result of a 15% increase in average earning assets offset by a 12 basis point decrease in the weighted average rate spread.

Three months ended March 31,	1999			1998		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
(Dollars In Thousands)						
Loans (1) (2)	$ 209,496	$ 4,236	8.09 %	$ 175,861	$ 3,764	8.56 %
Investment securities (3) (4)	30,581	443	5.79	37,441	562	6.00
Interest-bearing deposits	11,946	139	4.65	5,899	80	5.42
Total earning assets	252,023	4,818	7.65	219,201	4,406	8.04
Other assets	8,299			6,827		
Total assets	$ 260,322			$ 226,028		
Interest-bearing deposits (5)	$ 166,535	1,630	3.92	$ 151,938	1,603	4.22
Borrowed funds	56,444	760	5.39	42,189	610	5.78
Total interest-bearing liabilities	222,979	2,390	4.29	194,127	2,213	4.56
Demand deposits	11,796			8,794		
Other liabilities	1,454			1,301		
Total liabilities	236,229			204,222		
Stockholders' equity	24,093			21,806		
Total liabilities and stockholders' equity	$ 260,322			$ 226,028		
Net interest income		$ 2,428			$ 2,193	
Weighted average rate spread			3.36 %			3.48 %
Net interest margin (6)			3.85 %			4.00 %

(1) Gross of allowance for loan losses.

(2) Includes average 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.

Interest and dividend income increased by $412,000 for the first quarter of 1999 compared to the first quarter of 1998. This improvement is primarily attributable to an increase of approximately $32.8 million, or 15%, in the volume of average earning assets during the quarter ended March 31, 1999 compared to the quarter ended March 31, 1998. Interest income on loans increased by $472,000 over the same two periods primarily as a result of an increase of approximately $33.6 million in average loans outstanding offset by a 47 basis point decrease in the average yield. Over the same two periods, interest and dividends on investments decreased by $119,000 due to a decrease in average balances and the weighted average yield. Interest income on interest-earning balances increased $59,000 over the two periods due to a $6.0 million increase in average balances partially offset by a 77 basis point decrease in the average yield. The yield on total interest-earning assets was 7.65% for the quarter ended March 31, 1999 as compared to 8.04% for the quarter ended March 31, 1998.

The average rate on interest-bearing liabilities decreased to 4.29% for the first quarter of 1999 from 4.56% for the comparable quarter of 1998. Total interest expense increased $177,000 for the quarter ended March 31, 1999 compared to the quarter ended March 31, 1998. Interest on deposits increased by $27,000 primarily as a result of a $14.6 million increase in average interest-bearing deposit balances partially offset by a 30 basis point decrease in the weighted average rate. Interest expense paid on borrowed funds for the first quarter of 1999 increased by $150,000 as compared to the same quarter in 1998 as a result of a $14.3 million increase in average borrowings partially offset by a 39 basis point decrease in the weighted average rate.

PROVISION FOR LOAN LOSSES

At March 31, 1999 and 1998, management's review of the allowance for loan losses concluded that the balance was adequate to provide for losses based upon evaluation of risk in the loan portfolio. A $60,000 provision for loan losses was charged to operations for the first quarter of 1999 and $39,000 was charged for 1998. During the first quarter of 1999, the Bank recovered approximately $2,000 of previously charged-off loans. The balance of the allowance for loan losses at March 31, 1999 was $1.8 million.

OTHER INCOME

Total other income was $167,000 for the quarter ended March 31, 1999 as compared to $154,000 for the same quarter of 1998, an increase of $13,000, or 8%. Other income is comprised of customer service fees and other items. The increase in other income was primarily the result of an increase in the volume of fee-based customer transactions. Also contributing to the increase are fees derived from ATM surcharging. As a member of SUM, a Massachusetts-based ATM alliance, the Bank does not assess an ATM surcharge on customers of fellow SUM participants. Non-SUM participant customers are assessed an ATM fee, however.

OPERATING EXPENSES

Total operating expenses were $1.3 million, or an annualized 2.02% of average total assets, for the quarter ended March 31, 1999 as compared to $1.2 million, or 2.04%, for the same quarter of 1998. Operating expenses include salaries and employee benefits, data processing, occupancy and equipment and other. There were increases in each of these categories primarily as a result of the opening of a new branch office in South Weymouth. Operations at this branch commenced in February 1999.

INCOME TAXES

The Bank recognizes income taxes under the asset and liability method established in Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are established for the temporary difference between the accounting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. The Bank's deferred tax asset is reviewed quarterly and adjustments to such asset are recognized as deferred income tax expense or benefit based on management's judgment relating to the realizability of such asset.

During the first quarter of 1999, the Bank recorded $471,000 in tax expense as compared to $443,000 for the same quarter in 1998. The Bank has employed strategies based on current tax laws resulting in an effective tax rate of approximately 38%.

BALANCE SHEET ANALYSIS - COMPARISON AT MARCH 31, 1999 TO DECEMBER 31, 1998

Assets totaled $268.4 million at March 31, 1999, as compared to $260.1 million at December 31, 1998, an increase of 3%.

INVESTMENT SECURITIES

Investment securities were $27.6 million, or 10% of total assets, at March 31, 1999, a decrease of $672,000 from $28.2 million at December 31, 1998. During the first quarter of 1999 there were $2.6 in calls, maturities and principal paydowns offset by the purchase of $2.0 million in agency securities.

The investment portfolio is comprised of U.S. Government and federal agency obligations and mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). Mortgage-backed issues comprised 27% of the portfolio at March 31, 1999 and 30% at December 31, 1997.

At March 31, 1999 and December 31, 1998, the Bank's entire investment 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 $50,000 at March 31, 1999, a decrease of $37,000 from December 31, 1998, a result of a decline in the bond market. The fair value of securities fluctuates with the movement of interest rates. Generally, during periods of rising interest rates, the fair values decline whereas the opposite may hold true during a decreasing interest rate environment.

LOANS

During the first three months of 1999, loans outstanding increased by $6.2 million to $211.0 million on March 31, 1999, from $204.8 million at December 31, 1998 attributable primarily to originated loans of $23.1 million offset by amortization and payoffs. On March 31, 1999 and December 31, 1998, loans outstanding represented 79% of total assets.

Loan Balances by Type

(In Thousands)	March 31, 1999	December 31, 1998
Mortgage loans:		
Residential	$ 91,953	$ 87,804
Commercial	102,953	101,004
Construction	11,049	9,835
Equity lines-of-credit	7,742	7,825
Second mortgages	1,617	1,656
	215,314	208,124
Less unadvanced loan funds	(3,582)	(2,850)
Total mortgage loans, net	211,732	205,274
Other loans:		
Personal installment	768	917
Commercial loans	203	239
Revolving credit	62	63
Total other loans	1,033	1,219
Total loans	212,765	206,493
Allowance for loan losses	(1,791)	(1,729)
Net deferred interest and loan costs	44	10
Loans, net	$ 211,018	$ 204,774

Included in the above table are loans which have been classified as impaired pursuant to the adoption of SFAS No. 114 in the amounts of $395,000 at March 31, 1999 and $400,000 at December 31, 1998.

Loans are carried net of the allowance for loan losses. The allowance is maintained at a level to absorb losses within the loan portfolio. At March 31, 1999 and December 31, 1998, the allowance had a balance of $1.8 million and $1.7 million, respectively, which included no funds allocated to loans classified as impaired pursuant to the adoption of SFAS No. 114.

Non-accrual loans increased by $380,000 to $872,000 at March 31, 1999 from $492,000 at December 31, 1998. At March 31, 1999 and December 31, 1998, the Bank held no foreclosed assets. At March 31, 1999, non-performing assets were 0.32% of total assets.

Non-Performing Assets

(In Thousands)	March 31, 1999	December 31, 1998
Non-accrual loans:		
Residential mortgages (1)	$ 227	$ 229
Commercial mortgages	645	263
Commercial loans	-	-
Installment loans	-	-
Total non-accrual loans	$ 872	$ 492
Foreclosed real estate, net	—	—
Total non-performing assets	$ 872	$ 492
Percentage of non-accrual loans to:		
Loans, net	0.41%	0.24%
Total assets	0.32%	0.19%
Percentage of non-performing assets, net to:		
Loans, net and foreclosed real estate, net	0.41%	0.24%
Total assets	0.32%	0.19%

(1) Includes home equity loans.

DEPOSITS

Deposits increased by $4.0 million to $182.8 million at March 31, 1999 from $178.7 million at December 31, 1998. The opening of the South Weymouth Branch contributed significantly to deposit growth. Core deposits, which include regular, money market, NOW and demand deposits, were $87.0 million at March 31, 1999, an increase of $901,000 over the December 31, 1998 balance. Certificate accounts were $95.8 million, or 52.4% of total deposits, at March 31, 1999. Certificate accounts were 51.8% of total deposits at December 31, 1998.

Deposit Balances by Type

(Dollars in Thousands)	March 31, 1999	% of Total	December 31, 1998	% of Total
Non-certificate accounts:				
Regular	$35,421	19.4%	$34,460	19.3%
Money market deposits	25,498	14.0	22,721	12.7
NOW	13,913	7.6	15,725	8.8
Demand	12,162	6.6	13,187	7.4
Total non-certificate accounts	86,994	47.6	86,093	48.2
Term certificates less than $100,000	70,875	38.8	68,853	38.5
Term certificates $100,000 or more	24,916	13.6	23,795	13.3
Total certificate accounts	95,791	52.4	92,648	51.8
Total deposits	$182,785	100.00%	$178,741	100.0%

BORROWINGS

Federal Home Loan Bank of Boston (FHLB) advances were $59.0 million at March 31, 1999 as compared to $55.0 million at December 31, 1998. These advances are fixed rate in nature and the majority have remaining maturities of less than two years. During the first quarter of 1999, $7.0 million in maturing advances were re-financed at the FHLB and $4.0 million in new borrowings were initiated.

Other borrowed funds represent the balance held in treasury, tax and loan deposits under the Bank's note option depository agreement. These borrowings amounted to $52,000 and $56,000 at March 31, 1999 and December 31, 1998, respectively.

CAPITAL

During the three month period ended March 31, 1999, stockholders' equity increased by $497,000 to $24.2 million, due to net income for the period of $751,000 offset by the decrease in the value of securities available for sale and the declaration of $217,000, or $0.11 per share, in cash dividends.

LIQUIDITY AND CAPITAL RESOURCES

The Bank's primary sources of liquidity are deposit balances, available-for-sale securities, principal and interest payments on loans and investment securities and FHLB advances.

At March 31, 1999, the Bank held $27.6 million in available-for-sale securities and during the first quarter of 1999 the Bank received $950,000 in principal payments on its investment portfolio. Deposits increased by $4.0 million over the quarter.

The Bank is a member of the Federal Home Loan Bank of Boston and is eligible to obtain both short and long term credit advances. At March 31, 1999, the Bank had $59.0 million in credit advances outstanding with approximately 80% of the advances maturing in less than two years. At March 31, 1999 the Bank could borrow up to a total of approximately $80.1 million, to meet its borrowing needs based on the Bank's available qualified collateral which consists primarily of certain 1-4 family residential mortgages. Upon specific approval from the FHLB, the Bank may also pledge securities and other mortgages as collateral to secure as much as $57.6 million in additional borrowings for a total borrowing capacity of $137.7 million. The Bank is a note option depository for treasury, tax and loan deposits, which provide the Bank with an additional source of funding, up to $1.0 million, at a preferred interest rate.

The Bank can also enter into repurchase agreement transactions should the need for additional liquidity arise. At March 31, 1999, the Bank had no repurchase agreements outstanding.

At March 31, 1999, the Bank had capital of $24.2 million, or 9.0% of total assets, as compared to $23.7 million, or 9.1%, at December 31, 1998. 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.

Regulatory Capital

(Dollars in Thousands)

	March 31, 1999	December 31, 1998	Minimum Regulatory Ratios
Tier 1 Capital as a Percentage of Risk-Weighted Assets	13.4%	13.6%	4.0%
Total Capital as a Percentage of Risk-Weighted Assets	14.4%	14.6%	8.0%
Tier 1 Capital to Average Assets	9.3%	9.4%	3.0-5.0%
Total Risk-Weighted Assets	$179,470	$173,518	

At March 31, 1999 and December 31, 1998, the Bank exceeded all of the minimum regulatory capital ratio requirements.

IMPACT OF THE YEAR 2000

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which may result in a system failure or miscalculations. This could cause disruptions to operations, including, among other things, a temporary inability to process transactions or engage in normal business activities.

The Bank has assessed the potential impact of the Year 2000 Issue on its key operational areas. Virtually all of the Bank's deposit and loan data processing is supplied by one vendor who has substantially completed renovations of its software. The first stage of the testing process was completed in October of 1998, and the results indicated that in all material respects, the software will accurately calculate date-sensitive data. The second and final test will be conducted in May 1999.

The Bank has also completed testing of other critical systems such as the components of its wide-area network, its interface with the Federal Reserve Bank of Boston and various accounting applications. In each case, the results have indicated Year 2000 compliancy.

The Bank continues to work with its other vendors who provide software, hardware, and other date-sensitive equipment to ensure that all systems will remain operational in the Year 2000 and beyond. Also under consideration are the Bank's commercial loan customers, whose operations may be impacted by Year 2000 problems and may subsequently impair their ability to meet their financial obligations to the Bank.

The Bank is in the process of refining and testing its Year 2000 Contingency Plan. The Plan defines the Bank's most critical functions and addresses the alternative and ancillary procedures which should be followed if the Year 2000 issue proves to be disruptive. The Plan is expected to be finalized by the second quarter of 1999.

It is the Bank's belief that all key systems are, or will be, Year 2000 compliant in advance of the millennium, and expenditures are not expected to be material.

ITEM III - QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

ASSET/LIABILITY MANAGEMENT

The earnings of most banking institutions are exposed to interest rate risk because their balance sheets, both assets and liabilities, are predominantly interest bearing. It is the Bank's objective to minimize, to the degree prudently possible, its exposure to interest rate risk, 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.

The results of these analysis indicate that the Bank's interest rate risk exposure is managed and well within pre-defined limits.

SIGNATURES

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

HINGHAM INSTITUTION FOR SAVINGS

Date: May 13, 1999

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

Date: May 13, 1999

/s/ Deborah J. Jackson
Senior Vice President & Treasurer