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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 SEPTEMBER 30, 2003

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 by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes __ No X

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

At October 31, 2003 there were 2,077,250 shares of common stock outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Balance Sheets

| (Unaudited)<br>ASSETS | September 30, 2003 | December 31, 2002 |
|---|---|---|
| | (Dollars in thousands) | |
| Cash and due from banks | $ 5,814 | $ 5,224 |
| Short-term investments | 16,924 | 29,347 |
| Cash and cash equivalents | 22,738 | 34,571 |
| Certificates of deposit | 4,882 | 1,940 |
| Securities available for sale, at fair value | 75,928 | 49,333 |
| Federal Home Loan Bank stock, at cost | 7,208 | 5,469 |
| Loans, net of allowance for loan losses of $2,945,000 in 2003 and $2,810,000 in 2002 | 349,831 | 320,692 |
| Cash value of life insurance | 7,659 | 7,429 |
| Banking premises and equipment, net | 3,676 | 3,785 |
| Accrued interest receivable | 1,924 | 1,991 |
| Deferred income tax asset, net | 1,033 | 564 |
| Other assets | 655 | 656 |
| Total assets | $ 475,534 | $ 426,430 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Deposits | $ 297,354 | $ 275,573 |
| Federal Home Loan Bank advances | 135,038 | 106,386 |
| Other borrowed funds | -- | 394 |
| Mortgagors' escrow accounts | 1,347 | 1,197 |
| Accrued interest payable | 424 | 426 |
| Other liabilities | 1,092 | 4,252 |
| Total liabilities | 435,255 | 388,228 |
| 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; shares issued and outstanding: 2,077,250 at September 30, 2003 and 2,067,250 at December 31, 2002 | 2,077 | 2,067 |
| Additional paid-in capital | 9,400 | 9,188 |
| Undivided profits | 28,932 | 26,173 |
| Accumulated other comprehensive income (loss) | (130) | 774 |
| Total stockholders' equity | 40,279 | 38,202 |
| Total liabilities and stockholders' equity | $ 475,534 | $ 426,430 |

See accompanying Notes to Unaudited Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Income

| (In thousands, except for per share amounts) (Unaudited) | Three Months Ended September 30, 2003 | Three Months Ended September 30, 2002 | Nine Months Ended September 30, 2003 | Nine Months Ended September 30, 2002 |
|---|---|---|---|---|
| Interest and dividend income: | | | | |
| Loans | $ 5,817 | $ 5,735 | $ 17,365 | $ 17,129 |
| Debt and trust preferred securities | 579 | 474 | 1,471 | 1,513 |
| Other equity securities | 55 | 85 | 175 | 247 |
| Short-term investments and certificates of deposit | 57 | 158 | 189 | 401 |
| Total interest and dividend income | 6,508 | 6,452 | 19,200 | 19,290 |
| Interest expense: | | | | |
| Deposits | 1,035 | 1,439 | 3,335 | 4,413 |
| Borrowed funds | 1,215 | 1,203 | 3,492 | 3,468 |
| Total interest expense | 2,250 | 2,642 | 6,827 | 7,881 |
| Net interest income | 4,258 | 3,810 | 12,373 | 11,409 |
| Provision for loan losses | 45 | 75 | 135 | 225 |
| Net interest income, after provision for loan losses | 4,213 | 3,735 | 12,238 | 11,184 |
| Other income: | | | | |
| Customer service fees on deposits | 189 | 172 | 560 | 508 |
| Gain on sale of securities available for sale, net | -- | -- | 439 | -- |
| Gain on sale of loans | -- | -- | 25 | -- |
| Other | 111 | 71 | 351 | 283 |
| Total other income | 300 | 243 | 1,375 | 791 |
| Operating expenses: | | | | |
| Salaries and employee benefits | 1,194 | 1,102 | 3,564 | 3,206 |
| Data processing | 174 | 158 | 519 | 464 |
| Occupancy and equipment | 206 | 189 | 633 | 576 |
| Legal | 15 | 49 | 74 | 63 |
| Other | 441 | 478 | 1,439 | 1,312 |
| Total operating expenses | 2,030 | 1,976 | 6,229 | 5,621 |
| Income before income taxes | 2,483 | 2,002 | 7,384 | 6,354 |
| Income tax provision | 950 | 676 | 3,524 | 2,144 |
| Net income | $ 1,533 | $ 1,326 | $ 3,860 | $ 4,210 |
| Cash dividends declared per common share | $ 0.18 | $ 0.17 | $ 0.53 | $ 0.49 |
| Weighted average shares outstanding: | | | | |
| Basic | 2,072 | 2,060 | 2,070 | 2,057 |
| Diluted | 2,095 | 2,086 | 2,091 | 2,084 |
| Earnings per share: | | | | |
| Basic | $ 0.74 | $ 0.64 | $ 1.86 | $ 2.05 |
| Diluted | $ 0.73 | $ 0.64 | $ 1.85 | $ 2.02 |

See accompanying Notes to Unaudited Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity
For the Nine Months Ended
September 30, 2003 and 2002

| (In thousands, except per share amounts) (Unaudited) | Common Stock | Additional Paid-In Capital | Undivided Profits | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|
| Balance at December 31, 2001 | $ 2,047 | $ 8,891 | $ 21,924 | $ 675 | $ 33,537 |
| Comprehensive Income: | | | | | |
| Net income | - | - | 4,210 | - | 4,210 |
| Unrealized gain on securities available for sale, net of tax effect | - | - | - | 146 | 146 |
| Total comprehensive income | | | | | 4,356 |
| Stock options exercised, including tax benefit of $66 | 13 | 184 | | | 197 |
| Cash dividends declared ($0.49 per share) | - | - | (1,010) | - | (1,010) |
| Balance at September 30, 2002 | $ 2,060 | $ 9,075 | $ 25,124 | $ 821 | $ 37,080 |
| Balance at December 31, 2002 | $ 2,067 | $ 9,188 | $ 26,173 | $ 774 | $ 38,202 |
| Comprehensive Income: | | | | | |
| Net income | - | - | 3,860 | - | 3,860 |
| Unrealized gain on securities available for sale, net of reclassification adjustment and tax effect | - | - | - | (904) | (904) |
| Total comprehensive income | | | | | 2,956 |
| Stock options exercised, including tax benefit of $100 | 10 | 212 | | | 222 |
| Cash dividends declared ($0.53 per share) | - | - | (1,101) | - | (1,101) |
| Balance at September 30, 2003 | $ 2,077 | $ 9,400 | $ 28,932 | $ (130) | $ 40,279 |

See accompanying Notes to Unaudited Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Cash Flows

| (In thousands)<br>(Unaudited) | Nine Months Ended September 30, 2003 | Nine Months Ended September 30, 2002 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 3,860 | $ 4,210 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 135 | 225 |
| Amortization of securities, net | 508 | 255 |
| Amortization of deferred loan origination costs, net | 35 | 63 |
| Depreciation | 326 | 296 |
| Increase in cash value of life insurance | (230) | (29) |
| Gain on sale of securities | (439) | -- |
| Gain on sale of loans | (25) | -- |
| Changes in operating assets and liabilities: | | |
| Accrued interest receivable and other assets | 68 | (141) |
| Accrued interest payable and other liabilities | (2,714) | 350 |
| Net cash provided by operating activities | 1,524 | 5,229 |
| Cash flows from investing activities: | | |
| Activity in available-for-sale securities: | | |
| Sales | 4,438 | -- |
| Maturities, prepayments and calls | 19,146 | 10,332 |
| Purchases | (51,621) | (13,371) |
| Purchase of certificates of deposit | (2,942) | (970) |
| Loans originated, net of payments received | (30,264) | (29,748) |
| Proceeds from sale of loans | 980 | -- |
| Increase in Federal Home Loan Bank stock | (1,739) | (491) |
| Additions to Bank-owned life insurance policies | -- | (7,309) |
| Additions to banking premises and equipment | (217) | (334) |
| Net cash used in investing activities | (62,219) | (41,891) |

(continued)

See accompanying Notes to Unaudited Consolidated Financial Statements.

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Cash Flows (concluded)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2003 | 2002 |
| (In thousands)<br>(Unaudited) | | |
| Cash flows from financing activities: | | |
| Increase in deposits, net | $ 21,781 | $ 24,359 |
| Increase in mortgagors' escrow accounts | 150 | 188 |
| Proceeds from stock options exercised | 122 | 131 |
| Cash dividends paid on common stock | (1,449) | (1,294) |
| Net proceeds of borrowings with maturities of less than three months | 6,606 | 50 |
| Proceeds from Federal Home Loan Bank advances with maturities of three months or more | 63,300 | 40,500 |
| Repayment of Federal Home Loan Bank advances with maturities of three months or more | (41,648) | (30,829) |
| Net cash provided by financing activities | 48,862 | 33,105 |
| Net decrease in cash and cash equivalents | (11,833) | (3,557) |
| Cash and cash equivalents at beginning of period | 34,571 | 41,157 |
| Cash and cash equivalents at end of period | $ 22,738 | $ 37,600 |
| Supplementary information: | | |
| Interest paid on deposit accounts | $ 3,321 | $ 4,409 |
| Interest paid on borrowed funds | 3,508 | 3,457 |
| Income taxes paid | 6,590 | 1,873 |

See accompanying Notes to Unaudited Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

September 30, 2003 and 2002

## 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, 2002 filed on Form 10-K.

Financial information as of September 30, 2003 and the results of operations and cash flows for the three and nine months ended September 30, 2003 and 2002 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 September 30, 2003, there were $70.8 million in outstanding commitments as follows:

| (In thousands) | |
|---|---|
| Mortgage origination | $ 32,373 |
| Unadvanced home equity lines | 17,954 |
| Unadvanced construction funds | 9,102 |
| Letters of credit | 38 |
| Other credit lines | 11,366 |
| Total | $ 70,833 |

## DIVIDEND PAYMENT

On September 25, 2003, the Board of Directors declared a $0.18 cash dividend to all stockholders of record as of October 10, 2003, payable October 20, 2003.

## FORWARD-LOOKING STATEMENTS

This report may contain statements relating to future results of the Bank (including certain projections and business trends) that are considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to changes in political and economic conditions, interest rate fluctuations, competitive product and pricing pressures within the Bank's market, bond market fluctuations, personal and corporate customers' bankruptcies, and inflation, as well as other risks and uncertainties.

## STOCK COMPENSATION PLANS

At September 30, 2003, the Bank had two fixed stock option plans. The Bank applies APB Opinion 25 and related Interpretations in accounting for the plans. Accordingly, no compensation cost has been recognized for the plans as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Had compensation cost for the plans been determined based on the fair value at the grant dates for awards under the plans consistent with the method prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," the Bank's net income and earnings per share would have been reduced to the pro forma amounts indicated on the following page:

| (In thousands, except per share amounts) | Three Months Ended September 30, 2003 | 2002 | Nine Months Ended September 30, 2003 | 2002 |
|---|---|---|---|---|
| Net income: | | | | |
| As reported | $1,533 | $ 1,326 | $ 3,860 | $ 4,210 |
| Less total stock-based employee compensation expense determined under fair value based method for all awards, net of tax effects | – | – | – | 6 |
| Pro forma | $ 1,533 | $ 1,326 | $ 3,860 | $ 4,204 |
| Earnings per common share-basic: | | | | |
| As reported | $ 0.74 | $ 0.64 | $ 1.86 | $ 2.05 |
| Pro forma | 0.74 | 0.64 | 1.86 | 2.04 |
| Earnings per common share - assuming dilution for stock options: | | | | |
| As reported | $ 0.73 | $ 0.64 | $ 1.85 | $ 2.02 |
| Pro forma | 0.73 | 0.64 | 1.85 | 2.02 |

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

AND RESULTS OF OPERATIONS.

## RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

### GENERAL

The Bank reported net income of $1.5 million for the quarter ended September 30, 2003 as compared to $1.3 million for the quarter ended September 30, 2002. Net income was $0.74 per share (basic) and $0.73 per share (diluted) for the quarter ended September 30, 2003 as compared with $0.64 (basic and diluted) for the same period in 2002. Improvements were reported in net interest income and other income, but were partially offset by increased operating expenses and an increase in the Bank's effective tax rate.

### NET INTEREST INCOME

Net interest income increased by $448,000 to $4.3 million for the third quarter of 2003 from the comparable quarter in 2002 primarily as a result of an increase in the weighted average rate spread of six basis points, accompanied by a 14% increase in average earning assets. The average yield on average assets declined in all categories when comparing the two quarters, which reflected market rates. However, the average rate on interest-bearing liabilities decreased to a greater extent due to market declines in the deposit and borrowed funds categories.

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

| Three months ended September 30, | 2003 | | | 2002 | | |
|---|---|---|---|---|---|---|
| | AVERAGE BALANCE | INTEREST | YIELD/ RATE | AVERAGE BALANCE | INTEREST | YIELD/ RATE |
| (Dollars in thousands) | | | | | | |
| Loans (1) (2) | $ 349,646 | $ 5,817 | 6.65 % | $ 309,707 | $ 5,735 | 7.41 % |
| Investment securities (3) (4) | 83,838 | 634 | 3.02 | 50,499 | 559 | 4.43 |
| Short-term investments | 18,482 | 57 | 1.23 | 37,094 | 158 | 1.70 |
| Total earning assets | 451,966 | 6,508 | 5.76 | 397,300 | 6,452 | 6.50 |
| Other assets | 18,596 | | | 14,298 | | |
| Total assets | $ 470,562 | | | $ 411,598 | | |
| Interest-bearing deposits (5) | $ 254,643 | 1,035 | 1.63 | $ 237,103 | 1,439 | 2.43 |
| Borrowed funds | 139,820 | 1,215 | 3.48 | 105,963 | 1,203 | 4.54 |
| Total interest-bearing liabilities | 394,463 | 2,250 | 2.28 | 343,066 | 2,642 | 3.08 |
| Demand deposits | 35,074 | | | 28,096 | | |
| Other liabilities | 752 | | | 3,691 | | |
| Total liabilities | 430,289 | | | 374,853 | | |
| Stockholders' equity | 40,273 | | | 36,745 | | |
| Total liabilities and stockholders' equity | $ 470,562 | | | $ 411,598 | | |
| Net interest income | | $ 4,258 | | | $ 3,810 | |
| Weighted average rate spread | | | 3.48 % | | | 3.42 % |
| Net interest margin (6) | | | 3.77 % | | | 3.84 % |

(1) Before allowance for loan losses.

(2) Includes non-accrual loans.

(3) Excludes the impact of the 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 $56,000 for the third quarter of 2003 compared to the third quarter of 2002 and is primarily attributable to an increase of approximately $54.7 million in the volume of average earning assets, partially offset by a decrease of 74 basis points in the average yield. Interest income on loans increased $82,000 when comparing the two periods, primarily resulting from the increase of $39.9 million in average loans outstanding, partially offset by a 76 basis point decline in yields. Contributing to the increase in loan interest income were $138,000 in prepayment penalties assessed to borrowers who paid their loans in advance of their scheduled maturity dates as compared to $48,000 for the third quarter of 2002. Investment securities and short-term investments, combined, accounted for approximately 22% of the total earning assets in both three-month periods; however, balances in the lower yielding, short-term investment category were shifted into the higher yielding investment securities category when comparing the two periods. Income combined, however, decreased by $26,000 due to decreases in the overall yield partially offset by increased account balances. The yield on total interest-earning assets was 5.76% for the quarter ended September 30, 2003 as compared to 6.50% for the quarter ended September 30, 2002, reflecting the declines in market rates.

The average rate on interest-bearing liabilities decreased to 2.28% for the third quarter of 2003 from 3.08% for the comparable quarter of 2002. Total interest expense decreased $392,000 for the quarter ended September 30, 2003 compared to the quarter ended September 30, 2002. In response to market conditions, the Bank lowered the rate it pays on most of its interest bearing deposit accounts. Interest on deposits decreased by $404,000 primarily as a result of an 80 basis point decrease in the weighted average rate, partially offset by a $17.5 million increase in average interest-bearing deposit balances. Interest expense paid on borrowed funds for the third quarter of 2003 increased by $12,000 as compared to the same quarter in 2002 as a result of a $33.9 million increase in average borrowings partially offset by a 106 basis point decrease in the weighted average rate.

PROVISION FOR LOAN LOSSES

At September 30, 2003 and 2002, 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. During the third quarter of 2003, management provided $45,000 to achieve a loan loss reserve balance of $2.9 million at September 30, 2003. Management considers many factors when evaluating the balance in the loan loss reserve including, but not limited to, trends in portfolio volume, maturity and composition, trends in delinquencies and non-accruals, and the national and local economic condition. Comparably, at September 30, 2002, management's evaluation of the balance of the reserve for loan losses indicated the need of a quarterly provision of $75,000. At September 30, 2003 the reserve for loan losses represented 0.84% of total loans as compared to 0.87% at September 30, 2002.

## OTHER INCOME

Total other income was $300,000 for the quarter ended September 30, 2003 as compared to $243,000 for the same quarter of 2002, an increase of $57,000. Other income is comprised of customer service fees, increases in the cash surrender value of life insurance policies, and other items. Customer service fees increased by $17,000 over the two periods, primarily the result of an increase in the volume of fee-based customer transactions.

Increases in Bank-owned life insurance accounted for $72,000 of other income in 2003 as compared to $29,000 for 2002. The policies were purchased late in August 2002 and, therefore, do not represent a full quarter of performance in 2002. Increases in the cash surrender value of such life insurance policies are reflected in other income, but are not subject to taxation.

## OPERATING EXPENSES

Total operating expenses were $2.0 million, or an annualized 1.73% of average total assets, for the quarter ended September 30, 2003 as compared to $2.0 million, or 1.92%, for the same quarter of 2002. Operating expenses include salaries and employee benefits, data processing, occupancy and equipment and other items.

Salaries and employee benefits expenses rose primarily due to annual merit-based salary increases and the adoption of a Supplemental Employee Retirement Plan for certain Bank officers which became effective in September 2002.

Legal expenses were $15,000 for the third quarter of 2003 as compared to $49,000 for the same period in 2002. The expenses for 2002 were primarily the result of ongoing litigation between the Bank and the Massachusetts Department of Revenue related to the tax treatment of dividends received by the Bank from its subsidiary, Hingham Capital Corporation, a real estate investment trust. (Refer to the Income Taxes section for further explanation.) The Bank also incurred legal expenses related to the review of modifications to employee retirement plans and collection efforts of a fraudulent check deposit.

Included in other operating expenses for the third quarter of 2002 was a loss of approximately $75,000 related to the deposit and subsequent withdrawal by a customer of a fraudulent check. In the fourth quarter of 2003, the Bank recovered more than 50% of this loss amount.

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 third quarter of 2003, the Bank recorded $950,000 (38% of pre-tax income) in tax expense as compared to $676,000 (34% of pre-tax income) for the same quarter in 2002. The higher effective tax rate in 2003 reflects the loss of the 95% dividends received deduction for dividends paid to the Bank by its real estate investment trust ("REIT") subsidiary. For further discussion, see "Income Taxes - Massachusetts Tax Legislation" pertaining to the nine months ended September 30, 2003 and 2002.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED

September 30, 2003 AND 2002

## GENERAL

The Bank reported net income of $3.9 million, or $1.86 per share (basic) and $1.85 per share (diluted) for the nine months ended September 30, 2003 as compared with $4.2 million or $2.05 per share (basic) and $2.02 per share (diluted) for the same period in 2002. The decline in net income is primarily attributable to a $700,000 net increase in income taxes which resulted from the settlement of a tax dispute with the Commonwealth of Massachusetts which occurred in 2003. Pretax income was $7.4 million for the nine months ended September 30, 2003 as compared to $6.4 million for the same period of 2002. The increase is attributable principally to improvement in net interest income of $1.0 million and gains on sales of investment securities of $439,000, partially offset by a $608,000 increase in operating expenses.

## NET INTEREST INCOME

Net interest income increased to $12.4 million for the first nine months of 2003 from $11.4 million for the comparable period in 2002, a result of an increase in the weighted average rate spread of six basis points, partially offset by a 10% increase in average earning assets. Net interest margin, however, decreased to 3.88% for the first nine months of 2003 from 3.94% for the same period last year.

The yield on average assets declined 64 basis points reflecting market rates as shown in all of the Bank's earning asset categories. However, the average rate paid on liabilities decreased 70 basis points during the first nine months of the year.

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

| Nine months ended September 30, | 2003 | | | 2002 | | |
|---|---|---|---|---|---|---|
| | AVERAGE BALANCE | INTEREST | YIELD/ RATE | AVERAGE BALANCE | INTEREST | YIELD/ RATE |
| (Dollars in thousands) | | | | | | |
| Loans (1) (2) | $ 338,771 | $ 17,365 | 6.83 % | $ 303,813 | $ 17,129 | 7.52 % |
| Investment securities (3) (4) | 66,294 | 1,646 | 3.31 | 51,468 | 1,760 | 4.56 |
| Short-term investments | 20,015 | 189 | 1.26 | 30,916 | 401 | 1.73 |
| Total earning assets | 425,080 | 19,200 | 6.02 | 386,197 | 19,290 | 6.66 |
| Other assets | 18,182 | | | 12,301 | | |
| Total assets | $ 443,262 | | | $ 398,498 | | |
| Interest-bearing deposits (5) | $ 248,148 | 3,335 | 1.79 | $ 229,077 | 4,413 | 2.57 |
| Borrowed funds | 121,057 | 3,492 | 3.85 | 102,450 | 3,468 | 4.51 |
| Total interest-bearing liabilities | 369,205 | 6,827 | 2.47 | 331,527 | 7,881 | 3.17 |
| Demand deposits | 32,200 | | | 27,738 | | |
| Other liabilities | 2,699 | | | 3,721 | | |
| Total liabilities | 404,104 | | | 362,986 | | |
| Stockholders' equity | 39,158 | | | 35,512 | | |
| Total liabilities and stockholders' equity | $ 443,262 | | | $ 398,498 | | |
| Net interest income | | $ 12,373 | | | $ 11,409 | |
| Weighted average rate spread | | | 3.55 % | | | 3.49 % |
| Net interest margin (6) | | | 3.88 % | | | 3.94 % |

(1) Before allowance for loan losses.

(2) Includes non-accrual loans.

(3) Excludes the impact of the 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 decreased by $90,000 for the nine months ended September 30, 2003 as compared to the same period in 2002. This decrease is primarily attributable to a 64 basis point decline in the yield on earning assets, partially offset by an increase of approximately $38.9 million in the volume of average earning assets. Interest income on loans increased by $236,000 primarily as a result of an increase of approximately $35.0 million in average loans outstanding, partially offset by a decrease in yields from 7.52% to 6.83%. Contributing to the increase in loan interest income were $275,000 in prepayment penalties assessed to borrowers who paid their loans in advance of their scheduled maturity dates as compared to $167,000 for the first nine months of 2002. Investment securities and short-term investments, combined, accounted for approximately 21% of total earning assets in both periods; however, balances in the lower yielding, short-term investment category were shifted into the higher yielding investment securities category. Over the same two periods, however, interest on investment securities and short-term investments decreased $326,000 principally due to decreases in the overall yield.

Total interest expense decreased $1.1 million for the nine months ended September 30, 2003 compared to the same period in 2002. Interest on deposits decreased by $1.1 million as a result of a 78 basis point decline in the average cost of funds, partially offset by higher average balances. The average deposit rate decreased from 2.57% to 1.79% while average balances increased from $229.1 million to $248.1 million. Interest expense on borrowed funds for the first nine months of 2003 increased by $24,000 as compared to the same period in 2002 primarily as a result of a $18.6 million increase in average borrowings partially offset by a 66 basis point decrease in the weighted average rate. The average rate on interest-bearing liabilities decreased to 2.47% for the first nine months of 2003 from 3.17% for the comparable period in 2002.

<u>PROVISION FOR LOAN LOSSES</u>

At September 30, 2003 and 2002, 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. During the first nine months of 2003, management provided $135,000 to achieve a loan loss reserve balance of $2.9 million at September 30, 2003. Management considers many factors when evaluating the balance in the loan loss reserve including, but not limited to, trends in portfolio volume, maturity and composition, trends in delinquencies and non-accruals and the national and local economic condition. Comparably, at September 30, 2002, management's evaluation of the balance of the reserve for loan losses indicated the need of a provision of $225,000 for the nine-month period.

## OTHER INCOME

Total other income was $1.4 million for the nine months ended September 30, 2003 as compared to $791,000 for the same period in 2002, an increase of $584,000 which is primarily attributable to $464,000 in gains on sales of loans and securities available for sale in 2003. During the first quarter of 2003, the Bank sold its entire investment in preferred stocks. There were no gains on sales of securities for the first nine months of 2002. In the second quarter of 2003, the Bank sold $1.0 million in residential mortgage loans at a gain of $25,000. There were no such sales in 2002. Customer service fees increased $52,000 as a result of an increase in the volume of fee-based transactions. Also reflected in other income for 2003 was $230,000, as compared to $29,000 for 2002, which represents the increase in cash value of the life insurance policies which the Bank purchased in August 2002. Included in other income for 2002 was $130,000 related to the curtailment of the Bank's defined benefit pension plan.

## OPERATING EXPENSES

Total operating expenses were $6.2 million, or an annualized 1.87% of average total assets, for the nine months ended September 30, 2003 as compared to $5.6 million, or 1.88%, for the same period in 2002. Operating expenses include salaries and employee benefits, data processing, occupancy and equipment and other items.

Salaries and employee benefits expenses rose primarily due to annual merit-based salary increases and the adoption of a Supplemental Employee Retirement Plan for certain Bank officers which became effective in September 2002.

Data processing expenses in 2003 increased over 2002 primarily due to improvements in the Bank's data communication network which were implemented in 2003.

Legal expenses were $74,000 for the first nine months of 2003 as compared to $63,000 for the same period in 2002. The expenses for 2003 and 2002 were primarily the result of ongoing litigation between the Bank and the Massachusetts Department of Revenue related to the tax treatment of dividends received by the Bank from its subsidiary, Hingham Capital Corporation, a real estate investment trust. (Refer to "Income Taxes - Massachusetts Tax Legislation" for the nine months ended September 30, 2003 and 2002 for further explanation.) The Bank also incurred legal expenses in 2002 related to the review of modifications to employee retirement plans and collection efforts of a fraudulent check deposit.

During the third quarter of 2002, the Bank recorded a loss of approximately $75,000 related to the deposit and subsequent withdrawal by a customer of a fraudulent check. In the fourth quarter of 2003, the Bank recovered more than 50% of the loss amount.

<u>INCOME TAXES</u>

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 nine months of 2003, the Bank recorded $3.5 million (48% of pre-tax income) in tax expense as compared to $2.1 million (34% of pre-tax income) recorded in 2002, an increase due to the settlement of a dispute with the Commonwealth of Massachusetts.

Massachusetts Tax Legislation

Beginning in the year 2000 and continuing throughout 2002, the Bank accrued taxes based on the Massachusetts state tax law which allowed for the deduction of 95% of the dividends paid to the Bank by its real estate investment trust ("REIT") subsidiary. In March 2003, the Massachusetts legislature enacted a law which disallows such deductions, retroactive to tax periods beginning in 1999. As a result, the Bank accrued an additional state tax liability of $2.1 million in the first quarter of 2003, the cumulative effect of the new tax law. Also, the Bank accrued the Federal tax benefit related to such state taxes in the amount of $700,000. At that time, the Bank intended to contest the retroactive feature of the legislation.

In June 2003, the Bank reached an agreement with the Commonwealth of Massachusetts Department of Revenue ("DOR"), whereby the Bank would be liable to the DOR for 50% of the contested cumulative amount of taxes due. On June 23, 2003, the Bank paid $1.0 million to the DOR in full and final satisfaction of taxes due related to its REIT and accordingly recorded a reversal of the remaining $1.1 million tax it had expensed in the first quarter of 2003. The Bank also recorded a reversal of the related Federal tax benefit in the amount of $350,000.

BALANCE SHEET ANALYSIS - COMPARISON AT SEPTEMBER 30, 2003 TO DECEMBER 31, 2002

Assets totaled $475.5 million at September 30, 2003, as compared to $426.4 million at December 31, 2002, an increase of 12%.

INVESTMENT SECURITIES

Investment securities were $75.9 million, or 16.0% of total assets, at September 30, 2003, an increase of $26.6 million from $49.3 million at December 31, 2002. During the first nine months of 2003, there were $51.6 million in securities purchases offset by $23.5 million in sales, calls, maturities and principal paydowns.

The investment portfolio is comprised of federal agency obligations, mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA) and, in 2002, equity investments. At September 30, 2003, approximately 67% of the portfolio consisted of fixed-rate agency bond issues. Mortgage-backed issues comprised 33% of the portfolio at September 30, 2003. At December 31, 2002, the portfolio also included $4.4 million in bank and government agency-issued preferred securities, all of which were sold during the first quarter of 2003.

The Bank holds an investment of $4.9 million in FDIC-insured certificates of deposit issued by other financial institutions. The Bank invested in such certificates due to the increase in yield over comparably-termed federal agency bonds.

At September 30, 2003 and December 31, 2002, 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 (loss). The net unrealized loss on securities available for sale, net of tax, was $130,000 at September 30, 2003, as compared to a gain of $774,000 at December 31, 2002. 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 falling interest rate environment.

## LOANS

During the first nine months of 2003, loans outstanding increased by $29.1 million to $349.8 million on September 30, 2003, from $320.7 million at December 31, 2002, attributable primarily to originated loans of $160.6 million offset by amortization and payoffs. Comparably, loan originations for the entire year of 2002 were $158.7 million. Ninety-nine percent of total loans at September 30, 2003 and December 31, 2002 were collateralized by mortgages. On September 30, 2003 and December 31, 2002, net loans outstanding represented 74% and 75% of assets, respectively.

Loan Balances by Type

| (In thousands) | September 30, 2003 | December 31, 2002 |
|---|---|---|
| Mortgage loans: | | |
| Residential | $ 152,204 | $ 138,152 |
| Commercial | 164,319 | 155,720 |
| Construction | 17,003 | 12,482 |
| Equity lines-of-credit | 13,903 | 15,141 |
| Second mortgages | 4,058 | 963 |
| Total mortgate loans | 351,487 | 322,458 |
| Other loans: | | |
| Personal installment | 729 | 522 |
| Commercial loans | 85 | 116 |
| Revolving credit | 139 | 127 |
| Total other loans | 953 | 765 |
| Total loans | 352,440 | 323,223 |
| Allowance for loan losses | (2,945) | (2,810) |
| Net deferred loan origination costs | 336 | 279 |
| Loans, net | $ 349,831 | $ 320,692 |

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 September 30, 2003 and December 31, 2002, the allowance had a balance of $2.9 million and $2.8 million, respectively, which included no funds allocated to loans classified as impaired pursuant to SFAS No. 114.

At September 30, 2003, there were two loans classified as non-accrual totaling $312,000 as compared to $519,000 at December 31, 2002. At September 30, 2003 and December 31, 2002, the Bank held no foreclosed assets. At September 30, 2003, non-performing assets were 0.09% of total loans as compared to 0.16% of total loans at December 31, 2002.

Non-Performing Assets

| (In thousands) | September 30, 2003 | December 31, 2002 |
|---|---|---|
| Non-accrual loans: | | |
| Residential mortgages | $ 173 | $ - |
| Commercial mortgages | 139 | 519 |
| Installment loans | - | - |
| Total non-accrual loans | 312 | 519 |
| Foreclosed real estate, net | — | — |
| Total non-performing assets | $ 312 | $ 519 |
| Percentage of non-accrual loans to: | | |
| Loans, net | 0.09% | 0.16% |
| Total assets | 0.07% | 0.12% |
| Percentage of non-performing assets, net to: | | |
| Loans, net and foreclosed real estate, net | 0.09% | 0.16% |
| Total assets | 0.07% | 0.12% |

Included in the non-accrual loan amounts listed above are loans which have been classified as impaired in the amounts of $312,000 and $139,000 pursuant to SFAS No. 114 at September 30, 2003 and at December 31, 2002, respectively.

BANK-OWNED LIFE INSURANCE

At September 30, 2003, the Bank reported $7.7 million in the cash value of life insurance which was purchased during the third quarter of 2002. The policies, which insure the lives of certain Bank officers, accrete at a variable rate of interest with minimum stated guaranteed rates.

## DEPOSITS

Deposits increased by $21.8 million to $297.4 million at September 30, 2003 from $275.6 million at December 31, 2002. Core deposits, which include regular, money market, NOW and demand deposits, were $181.5 million at September 30, 2003, an increase of $39.6 million over the December 31, 2002 balance. Increases were most pronounced in the Money Market product, which increased $32.4 million, or 76%, over the nine month period, primarily due to the product's competitive rate of interest. Certificate accounts were $115.9 million, or 39% of total deposits, at September 30, 2003. Certificate accounts were 49% of total deposits at December 31, 2002.

Deposit Balances by Type

| (Dollars in thousands) | September 30, 2003 | % of Total | December 30, 2002 | % of Total |
|---|---|---|---|---|
| Non-certificate accounts: | | | | |
| Regular | $53,926 | 18.1% | $51,354 | 18.6% |
| Money market deposits | 74,829 | 25.2 | 42,439 | 15.4 |
| NOW | 17,222 | 5.8 | 18,615 | 6.8 |
| Demand | 35,499 | 11.9 | 29,446 | 10.7 |
| Total non-certificate accounts | 181,476 | 61.0 | 141,854 | 51.5 |
| Term certificates less than $100,000 | 79,005 | 26.6 | 88,970 | 32.3 |
| Term certificates $100,000 or more | 36,873 | 12.4 | 44,749 | 16.2 |
| Total certificate accounts | 115,878 | 39.0 | 133,719 | 48.5 |
| Total deposits | $297,354 | 100.00% | $275,573 | 100.0% |

## BORROWINGS

Federal Home Loan Bank of Boston (FHLB) advances were $135.0 million at September 30, 2003 as compared to $106.4 million at December 31, 2002. These advances are fixed rate in nature and the majority have remaining maturities of less than three years. During the first nine months of 2003, $58.5 million in advances refinanced and $29.8 million in new borrowings were initiated at the FHLB primarily to purchase mortgage-backed securities and to fund loan growth. The recent economic environment indicates extended low interest rates and, as such, the Bank has refinanced recent borrowings at shorter terms.

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 $394,000 at December 31, 2002. There were no such borrowings at September 30, 2003.

## 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 is fixed with respect to rate and maturity date. The remaining securities can be called at the discretion of the issuer. Mortgage-backed securities, which comprise 33% 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 anytime. 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 78% of the Bank's borrowings are fixed in term of rate and maturity. The remaining 22%, or $29.5 million, can be called for earlier repayment at the discretion of the issuer. However, in the current economic environment, it is unlikely that these borrowings will be called in the near term.

The Bank also monitors its off-balance sheet items. At September 30, 2003, the Bank had approximately $70.8 million in commitments to extend credit as compared to $69.1 million at December 31, 2002.

The Bank takes each of these issues into consideration when measuring its liquidity position. Specific measurements include the Bank's cash flow position at both the 30 day and 90 day horizon, the level of volatile assets on earning assets and its loan to deposit ratio. At September 30, 2003 and December 31, 2002, 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 approximately $195.6 million to meet its borrowing needs, based on the Bank's available qualified collateral which consists primarily of 1-4 family residential mortgages, the Bank's investment in securities issued by U.S. government agencies and the qualifying portion of the Bank's investment in its real estate investment trust subsidiary. Upon specific approval from the FHLB, the Bank may also pledge other mortgages and other assets as collateral to secure as much as $54.5 million in additional borrowings. At September 30, 2003, the Bank had $135.0 million in advances outstanding.

At September 30, 2003, the Bank had capital of $40.3 million, or 8.5% of total assets, as compared to $38.2 million, or 9.0%, at December 31, 2002. During the nine months ended September 30, 2003, stockholders' equity increased by $2.1 million due primarily to net income for the period of $3.9 million. Stock option exercises during the first nine months of 2003 contributed $222,000 to capital.

During 2003, the Bank declared dividends of $0.53 per share which reduced capital by $1.1 million. 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 investment securities. At September 30, 2003, the Bank's entire securities portfolio was classified as available for sale which had the effect of decreasing capital by $904,000.

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.

| (Dollars in thousands) | Actual Regulatory Capital Ratios | | Required Minimum Regulatory Ratios |
|---|---|---|---|
| | September 30, 2003 | December 31, 2002 | |
| Tier 1 Capital as a Percentage of Risk-Weighted Assets | 14.11% | 14.47% | 4.0% |
| Total Capital as a Percentage of Risk-Weighted Assets | 15.14% | 15.55% | 8.0% |
| Tier 1 Capital to Average Assets | 8.59% | 8.89% | 4.0% |
| Total Risk-Weighted Assets | $286,352 | $258,720 | |

At September 30, 2003 and December 31, 2002, the Bank exceeded all of the minimum regulatory capital ratio requirements.

## ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

### ASSET/LIABILITY MANAGEMENT

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

During the first nine months of 2003 and, in particular, the third quarter, the decline in market interest rates stimulated loan refinancings nationwide. The Bank experienced an increase in loan prepayments as well, as customers refinanced into longer term, fixed-rate mortgages. Also, deposit customers continued to prefer shorter term products such as money market accounts. The analyses indicate, however, that the Bank's interest rate risk exposure continues to be well managed and within pre-defined limits.

ITEM 4 – 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 September 30, 2003, 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. Based on that evaluation, the CEO and CFO have concluded the Bank's disclosure controls and procedures are effective, in that they provide reasonable assurance 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. 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 September 30, 2003 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

Not applicable

ITEM 2 - CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

ITEM 5 - OTHER INFORMATION

Not applicable

ITEM 6 – EXHIBITS AND REPORTS ON FORM 8-K

| Exhibit No. | |
|---|---|
| 31 | Certification |

During the quarter for which this report is filed, the following report on Form 8-K has been filed:

| Date Filed | Items Reported |
|---|---|
| July 21, 2003 | Second Quarter Earnings Statement |

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Hingham Institution for Savings (the "Bank") for the quarter ended June 30, 2003, 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, and Deborah J. Jackson, Chief Financial Officer of the Bank, each 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 present, in all material respects, the financial condition and results of operations of the Bank.

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

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

Date: November 12, 2003

Date: November 12, 2003

## 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: November 12, 2003

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

Date: November 12, 2003

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

CERTIFICATIONS EXHIBIT 31

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)] for the registrant and we 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) 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

   c) 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 (or persons performing the equivalent functions):

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: November 12, 2003

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

CERTIFICATIONS EXHIBIT 31

I, Deborah J. Jackson, 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)] for the registrant and we 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) 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

    c) 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 (or persons performing the equivalent functions):

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: November 12, 2003

/s/
Deborah J. Jackson
Chief Financial Officer