



NOTICE OF  
ANNUAL MEETING OF STOCKHOLDERS  
AND  
PROXY STATEMENT

*DATE*  
APRIL 26, 2007

*TIME*  
4:00 P.M. Local Time

*PLACE*  
Old Derby Academy  
34 Main Street  
Hingham, MA 02043

**HINGHAM INSTITUTION FOR SAVINGS**

55 Main Street  
Hingham, Massachusetts 02043  
(781) 749-2200

**NOTICE OF 2007 ANNUAL MEETING  
OF STOCKHOLDERS**

To the Holders of Common Stock  
of Hingham Institution for Savings

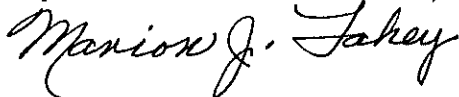
NOTICE IS HEREBY GIVEN that the 2007 Annual Meeting of Stockholders of Hingham Institution for Savings (the "Bank") will be held at the Old Derby Academy, 34 Main Street, Hingham, Massachusetts 02043, on Thursday, April 26, 2007 at 4:00 p.m. local time (the "Meeting") for the following purposes, all as set forth in the attached Proxy Statement:

1. To elect six Class I Directors of the Bank, each to hold office until the 2010 Annual Meeting of Stockholders of the Bank and until his or her respective successor is duly elected and qualified;
2. To elect a Clerk of the Bank, to hold office until the next Annual Meeting of Stockholders, and until his or her successor is duly elected and qualified; and
3. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 7, 2007, as the record date for the determination of stockholders entitled to receive notice of, and to vote at, the Meeting and any adjournments or postponements thereof.

Your attention is called to the accompanying Proxy Statement.

By Order of the Board of Directors,



Marion J. Fahey  
Clerk

Hingham, Massachusetts  
March 20, 2007

**IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING REGARDLESS OF THE NUMBER OF SHARES YOU MAY HOLD. PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED WITHIN THE UNITED STATES. IT IS IMPORTANT THAT PROXIES BE MAILED PROMPTLY. IF YOU ATTEND THE MEETING, YOU MAY WITHDRAW ANY PROXY GIVEN BY YOU AND VOTE YOUR SHARES IN PERSON.**

## TABLE OF CONTENTS

	<u>Page</u>
<b>SUMMARY OF PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS</b>	1
Date, Time and Place of Annual Meeting	1
Purpose of the Annual Meeting	1
Record Date and Required Stockholder Vote	1
<b>PROPOSAL ONE - ELECTION OF DIRECTORS</b>	2
<b>PROPOSAL TWO - ELECTION OF CLERK</b>	2
<b>VOTING PROCEDURE</b>	3
<b>ELECTION OF DIRECTORS</b>	3
<b>DIRECTORS NOT STANDING FOR ELECTION</b>	4
<b>MEETINGS OF THE BOARD OF DIRECTORS</b>	6
Director Candidates	7
Stockholder Communications	7
<b>EXECUTIVE COMPENSATION</b>	8
Compensation Discussion and Analysis	8
Report of Compensation Committee	9
Executive Officers	9
Summary Compensation Table	10
Retirement and Other Post-Employment Compensation	12
Employment Agreements and Special Termination Agreements	13
More Information about Plans and Agreements	15
Directors' Compensation	15
Employees of the Bank	16
Section 16(a) Beneficial Ownership Reporting Compliance	16
Compensation Committee Interlocks and Insider Participation	16
<b>CERTAIN TRANSACTIONS WITH MANAGEMENT AND ASSOCIATES</b>	16
Indebtedness of Management and Associates	16
Other Transactions	16
<b>PRINCIPAL STOCKHOLDERS: SECURITY OWNERSHIP OF MANAGEMENT</b>	17
<b>PRINCIPAL STOCKHOLDERS: PERSONS OWNING MORE THAN     FIVE PERCENT OF COMMON STOCK</b>	20
<b>ELECTION OF CLERK</b>	21
<b>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</b>	21
Audit Fees	21
Audit Related Fees	22
Tax Fees	22
All Other Fees	22
<b>REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS</b>	22
<b>OTHER MATTERS</b>	23
<b>STOCKHOLDER PROPOSALS</b>	23
<b>EXPENSES OF SOLICITATION</b>	23
<b>ANNUAL DISCLOSURE STATEMENT; STOCKHOLDERS' ANNUAL REPORT;     FORM 10-K</b>	24

## **HINGHAM INSTITUTION FOR SAVINGS**

55 Main Street  
Hingham, Massachusetts 02043  
(781) 749-2200

### **SUMMARY OF PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS**

The following summary is not intended to be a complete statement of all material features of the matters being voted on by the stockholders of the Bank and is qualified in its entirety by the more complete information set forth elsewhere herein.

#### **Date, Time and Place of Annual Meeting**

The Annual Meeting of Stockholders will be held at the Old Derby Academy, 34 Main Street, Hingham, Massachusetts 02043, on Thursday, April 26, 2007, at 4:00 p.m. local time.

#### **Purpose of the Annual Meeting**

The purpose of the Meeting is: (1) to elect six Class I Directors of the Bank to serve for a three-year term; (2) to elect a Clerk of the Bank to serve for a one-year term; and (3) to transact such other business as may properly come before the Meeting and any adjournment or postponement thereof.

#### **Record Date and Required Stockholder Vote**

The Board of Directors has fixed the close of business on March 7, 2007 as the record date (the "Record Date") for the determination of stockholders entitled to receive notice of, and to vote at, the Meeting or any adjournments or postponements thereof. Only holders of record of the Bank's common stock at the close of business on the Record Date will be entitled to notice of, and to vote at, the Meeting or any adjournments or postponements thereof. At the close of business on the Record Date, there were 2,117,250 shares of the Bank's common stock issued and outstanding, and each such outstanding share is entitled to one vote. As of such date, there were approximately 407 holders of record of the Bank's common stock, which number does not reflect the number of persons or entities who hold shares in nominee or "street" name through various brokerage firms; however, the Bank believes that its common stock is held by in excess of 1,000 beneficial owners.

The presence, in person or by proxy, of at least a majority of the total number of outstanding shares of common stock of the Bank is necessary to constitute a quorum for the transaction of business at the Meeting. A quorum being present, the Class I Directors and the Clerk will be elected by plurality vote of the shares present and voting, in person or by proxy. As of February 9, 2007, the Directors and principal officers of the Bank owned in the aggregate approximately 45% of the issued and outstanding shares of the Bank's common stock which may be voted at the Meeting.

## **PROPOSAL ONE ELECTION OF DIRECTORS**

The Bank's Amended and Restated Articles of Organization (the "Charter") and By-Laws provide that the Board of Directors shall be divided into three classes, with the Directors in each class serving for a term of three years. As the term of one class expires, a successor class is elected at each Annual Meeting of Stockholders. Each class of Directors currently consists of five or six members so as to make such classes as nearly equal in number as possible, as prescribed by the Bank's Charter and By-Laws.

At the Meeting, stockholders of the Bank are being asked to elect six Class I Directors of the Bank to serve until the 2010 Annual Meeting of Stockholders and until their successors are elected and qualified. The Board of Directors of the Bank has nominated Howard M. Berger, Esq., Marion J. Fahey, Kevin W. Gaughen, Esq., Julio R. Hernando, Esq., Edward L. Sparda, and Donald M. Tardiff, M.D. as Class I Directors. See "ELECTION OF DIRECTORS (Notice Item 1)."

**The Board of Directors of the Bank recommends that the stockholders vote FOR the election of the six nominees.**

## **PROPOSAL TWO ELECTION OF CLERK**

Under Massachusetts law, the Clerk of the Bank is to be elected by the stockholders at an annual meeting or special meeting duly called for that purpose. At the Meeting, the stockholders of the Bank are being asked to elect Marion J. Fahey, the nominee proposed by the Board of Directors, as Clerk of the Bank to serve until the 2008 Annual Meeting of Stockholders, or special meeting in lieu thereof, and until her successor is elected and qualified. See "ELECTION OF CLERK (Notice Item 2)."

**The Board of Directors of the Bank recommends that the stockholders vote FOR the election of Marion J. Fahey as Clerk of the Bank.**

**PROXY STATEMENT  
FOR THE  
ANNUAL MEETING OF STOCKHOLDERS**

Accompanying this Proxy Statement is a Notice of the 2007 Annual Meeting of Stockholders (the "Meeting") of Hingham Institution for Savings (the "Bank") to be held at the Old Derby Academy, 34 Main Street, Hingham, Massachusetts 02043, on Thursday, April 26, 2007, at 4:00 p.m. local time. Also enclosed is a form of proxy for the Meeting (and any adjournment or postponement thereof). This Proxy Statement and the enclosed form of proxy are furnished in connection with the solicitation of proxies by the Board of Directors of the Bank (the "Board") and are first being sent to stockholders on or about March 20, 2007. The enclosed proxy is for the use of holders of the Bank's common stock, \$1.00 par value per share (the "Common Stock"), of record at the close of business on March 7, 2007. Shares of Common Stock cannot be voted at the Meeting unless the owner of record is present to vote or is represented by proxy.

**VOTING PROCEDURE**

If you sign, date and return the enclosed proxy in time for the Meeting, your shares will be voted (unless you otherwise instruct) on all matters that may properly come before the Meeting. The proxy contains spaces in which you may insert instructions as to how your shares are to be voted with regard to electing Directors and electing the Bank's Clerk. If you specify instructions with respect to any of the proposals, your shares will be voted in accordance with your instructions. If no instructions are specified, your shares will be voted FOR the election as Directors of the nominees named herein, FOR the election as Clerk of the nominee named herein and, with respect to any other matters as properly come before the Meeting, in accordance with the best judgment of the holder(s) of your proxy.

Your proxy may be revoked at any time before it is exercised. Any stockholder attending the Meeting may vote in person even though he or she may have previously submitted a proxy. Your proxy may be revoked by written notice to the Bank prior to the Meeting, by delivering to the Bank a duly executed proxy bearing a later date, or at the Meeting prior to a vote.

At the close of business on March 7, 2007, 2,117,250 shares of Common Stock were entitled to vote on all properly presented matters. Only stockholders whose names appeared of record at the close of business on March 7, 2007 will be entitled to vote at the Meeting. The By-Laws of the Bank require that the holders of a majority in interest of all stock issued, outstanding and entitled to vote on matters at the Meeting be present in person or be represented by proxy at the Meeting in order to constitute a quorum for the transaction of business. Each share of Common Stock is entitled to one vote per share. The affirmative vote of the holders of a plurality of the shares present and voting, in person or by proxy, is necessary to elect the Directors and the Clerk, as set forth in Notice Items 1 and 2. Holders of the Common Stock do not have the right to cumulate their votes for the election of Directors or the Clerk. Shares of the Bank's Common Stock represented by executed proxies will be counted for purposes of establishing a quorum at the Meeting, regardless of how or whether such shares are voted on any specific proposal. With respect to the required vote on any particular matter, abstentions will be treated as votes cast or shares present and represented, while votes withheld by nominee recordholders who did not receive specific instructions from the beneficial owners of such shares will not be treated as votes cast or as shares present or represented.

**ELECTION OF DIRECTORS**

(Notice Item 1)

The Board of Directors of the Bank currently consists of sixteen members elected by the stockholders of the Bank. Under Massachusetts law, the Board will be authorized to fill vacancies arising between meetings of stockholders and also to increase the number of Directors to not more than eighteen and to fill the vacancy or vacancies thereby arising. The Bank's By-Laws fix the number of Directors that comprise the whole Board of Directors to be not less than seven nor more than twenty-five individuals. The By-Laws also provide that the Board of Directors shall be divided into three classes as nearly equal in number as possible with each such class of Directors being elected every third year at the Annual Meeting of Stockholders held that year. Each Director of the class elected at any particular meeting will hold office until the annual meeting three years subsequent thereto, and until his or her successor is duly elected and qualified, or until his or her earlier resignation, death or removal.

The names of the nominees for Class I Directors and certain information received from them are set forth below. All of the nominees are currently Directors, and each has consented to serve if elected. If any nominee shall become unavailable for any reason, the shares represented by the enclosed proxy will be voted in favor of such other person as the Board of Directors of the Bank may at the time recommend. The following tables list the name of each nominee, his or her age, period of service as a Director of the Bank, positions with the Bank, principal occupation and other directorships held. Each nominee has been engaged in his or her principal occupation for at least five years, unless otherwise indicated.

**Nominees for Election at the Meeting  
with Terms Expiring at the 2010 Annual Meeting  
(Class I Directors)**

<u>Nominee's Name and Age</u>	<u>Positions With Bank</u>	<u>Director or Trustee of Bank Since</u>	<u>Principal Occupation</u>
Howard M. Berger, Esq. Age – 58	Director	1998	Attorney
Marion J. Fahey Age – 82	Clerk & Director	1992	Retired; former Superintendent of Boston Public Schools.
Kevin W. Gaughen, Esq. Age – 52	Director	1994	Attorney (1)
Julio R. Hernando, Esq. Age – 36	Director	1994	Attorney (1)
Edward L. Sparda Age – 64	Director	1993	Retired; former Lieutenant, Massachusetts State Police.
Donald M. Tardiff, M.D. Age – 82	Director	1993	Retired physician.

**DIRECTORS NOT STANDING FOR ELECTION**

The tables set forth below provide certain information with respect to those Directors who have been previously elected as Class II and Class III Directors.

The tables list the name of each Director, his or her age, period of service with the Bank, positions with the Bank, principal occupation and other directorships held. Each individual has been engaged in his or her principal occupation for at least five years, except as otherwise indicated.

**Directors Whose Terms Will Expire  
at the 2008 Annual Meeting  
(Class II Directors)**

<u>Director's Name and Age</u>	<u>Positions With Bank</u>	<u>Director or Trustee of Bank Since</u>	<u>Principal Occupation</u>
Warren B. Noble Age – 76	Director	1980	Former Chairman of Noble Industries, retail camera/gift stores with a microfilm division.
Stacey M. Page Age – 43	Director	1992	President, Hingham Jewelers, Inc.
Joseph A. Ribaud, CPA Age – 72	Director	2002	Financial services consultant; former President, CEO and Chairman of Wolf & Company, P.C. through 1999.
James R. White Age – 84	Director	1993	Consultant; former Vice Chairman, Patriot Bank Corporation; former President and CEO, Brookline Trust Company and Commonwealth Bank and Trust Company. (2)
Geoffrey C. Wilkinson, Sr. Age – 55	Director	1993	President and CEO of George T. Wilkinson, Inc., a commercial heating company.

**Directors Whose Terms Will Expire  
at the 2009 Annual Meeting  
(Class III Directors)**

<u>Director's Name and Age</u>	<u>Positions With Bank</u>	<u>Director or Trustee of Bank Since</u>	<u>Principal Occupation</u>
James V. Consentino Age – 86	Director	1991	Retired; Founder of J.V. Consentino Plastering & Construction Company.
Ronald D. Falcione Age – 57	Director	1993	Real estate management and consulting.
Robert H. Gaughen, Jr., Esq. Age – 58	President & Director	1993 1991	President and Chief Executive Officer of the Bank. (1)
Robert A. Lane, Esq. Age – 40	Director	1993	Attorney (1)
Jacqueline M. Youngworth Age – 63	Director	1997	Former Chairman of Bay State Metal Products, Inc., a manufacturer of diversified metal products.

(1) Robert H. Gaughen, Jr., President and a Director of the Bank, and Kevin W. Gaughen, a Director of the Bank, are brothers. Directors Robert A. Lane and Julio R. Hernando are cousins, and they are both nephews of Robert H. Gaughen, Jr. and Kevin W. Gaughen. Directors Kevin W. Gaughen, Robert A. Lane and Julio R. Hernando are associated together in the practice of law.

(2) Mr. White is the father-in-law of Peter R. Smollett, Vice President - Commercial Lending Officer of the Bank.

With the exception of the five named individual Directors in (1) and (2) above, the Board of Directors has determined that all other members of the Board of Directors (constituting a majority of the full Board) are independent, as that term is defined by applicable rules.



## MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors, which met twelve times in 2006, has five principal committees: the Executive Committee, the Audit Committee, the Nominating and Personnel Committee, the Stock Option Committee and the Community Interaction Committee.

The Executive Committee, composed of eight Director members, oversees the management policies and affairs of the Bank. This Committee met twenty-four times in 2006. The current members of the Executive Committee are Robert H. Gaughen, Jr., James V. Consentino, Marion J. Fahey, Ronald D. Falcione, Kevin W. Gaughen, Robert A. Lane, Warren B. Noble and Jacqueline M. Youngworth.

The Nominating and Personnel Committee, composed of five Director members, oversees matters pertaining to the nomination of Directors and officers and other personnel and compensation matters. A copy of the charter of the Nominating and Personnel Committee appears on the Bank's website, [www.hinghamavings.com](http://www.hinghamavings.com). This Committee met two times in 2006. The current members of the Nominating and Personnel Committee are: James V. Consentino, Marion J. Fahey, Donald M. Tardiff, M.D., Howard M. Berger and Jacqueline M. Youngworth. The Board of Directors has determined that all current members of the Nominating and Personnel Committee are independent, as that term is defined by applicable rules of the NASDAQ. The Nominating and Personnel Committee is authorized to retain advisers and consultants and to compensate them for their services. During 2005 the Committee retained an independent consultant for the purpose of reviewing Senior Executive compensation structures. This Committee makes recommendations to the full Board of Directors for nominations for Directors to be elected at each Annual Meeting of Stockholders and considers stockholder proposals for such nominations. For information regarding procedures for submitting stockholder proposals, see "STOCKHOLDER PROPOSALS."

The Audit Committee, composed of five Director members, approves the Bank's annual audit, retains the Bank's external and internal auditors and presents the audit report to the Board of Directors. A copy of the charter of the Audit Committee appears on the Bank's website, [www.hinghamavings.com](http://www.hinghamavings.com). This committee met four times in 2006. The current members of the Audit Committee are Marion J. Fahey, Stacey M. Page, Joseph A. Ribaud, CPA, Donald M. Tardiff, M.D. and Geoffrey C. Wilkinson, Sr. The Board of Directors has determined that all members of the Audit Committee are "independent" and "independent of management," within the meaning of applicable rules of the Securities and Exchange Commission and the NASDAQ Global Market, and that Mr. Ribaud, the Chairman of the Audit Committee, is an "audit committee financial expert" as that term is defined by the Securities and Exchange Commission in light of his experience as a certified public accountant.

The Stock Option Committee, composed of six Director members, meets as appropriate to review and administer the Bank's Stock Option Plans pursuant to their terms. This Committee did not meet in 2006. The current members of the Stock Option Committee are Howard M. Berger, Stacey M. Page, Edward L. Sparda, Donald M. Tardiff, M.D., James R. White and Jacqueline M. Youngworth.

The Community Interaction Committee, composed of six Director members, formulates and reviews Bank policies and practices relating to community reinvestment efforts. This committee met four times in 2006 and the current members are Ronald D. Falcione, Robert H. Gaughen, Jr., Julio R. Hernando, Warren B. Noble, Edward L. Sparda and Geoffrey C. Wilkinson, Sr.

In 2006, each of the Directors of the Bank attended more than 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by committees thereof on which any such Director served (for such period of the year as he or she served on such committee). Pursuant to Bank policy, all of the Bank's Directors are encouraged and expected to attend the Bank's Annual Meeting of Stockholders. All sixteen of the Bank's Directors were in attendance at the Bank's 2006 Annual Meeting of Stockholders.

## **DIRECTOR CANDIDATES**

Stockholders of the Bank may recommend Director candidates for inclusion by the Board of Directors in the slate of nominees which the Board recommends to stockholders for election. The qualifications of recommended candidates will be reviewed by the Nominating and Personnel Committee. If the Board determines to nominate a stockholder-recommended candidate and recommends his or her election as a Director by the stockholders, his or her name will be included in the Bank's proxy card for the stockholder meeting at which his or her election is recommended.

Stockholders may recommend individuals to the Committee for consideration as potential Director candidates by submitting their names and background to: Marion J. Fahey, Chairman of the Nominating and Personnel Committee, Hingham Institution for Savings, 55 Main Street, Hingham, MA 02043. The Nominating and Personnel Committee will consider a recommendation only if appropriate biographical information and background material is provided on a timely basis. The process followed by the committee to identify and evaluate candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the committee and the Board. Assuming that appropriate biographical and background material is provided for candidates recommended by stockholders, the Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by Board members or by other persons.

In considering whether to recommend any candidate for inclusion in the Board's slate of recommended Director nominees, including candidates recommended by stockholders, the Nominating and Personnel Committee will apply the criteria which are set forth in the Committee's charter. These criteria may include the candidate's integrity, business acumen, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The Bank believes that the backgrounds and qualifications of the Directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. In making such recommendations, the committee shall consider candidates proposed by stockholders. The Committee shall review and evaluate information available to it regarding candidates proposed by stockholders and shall apply the same criteria, and shall follow substantially the same process in considering them, as it does in considering other candidates.

## **STOCKHOLDER COMMUNICATIONS**

The Board will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by committee charters and subject to any required assistance or advice from general counsel, the Chairman of the Board is primarily responsible for monitoring communications from shareholders and for providing copies or summaries of such communications to the other Directors as he considers appropriate.

Communications are forwarded to all Directors if they relate to important substantive matters and include suggestions or comments that the Chairman of the Board considers to be important to the Directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which the Bank tends to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the Board should address such communications in care of Robert H. Gaughen, Jr., Chairman of the Board of Directors, at Hingham Institution for Savings, 55 Main Street, Hingham, MA 02043.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The nominating and personnel committee of the board, in addition to its other responsibilities, serves as the bank's compensation committee. It annually reviews the compensation and benefits of senior management and makes recommendations about compensation to the full board of directors. It solicits observations and recommendations from the president/CEO with regard to the performance of other individual members of senior management and invites his participation in their discussions before they deliberate and make their decisions.

The committee's compensation philosophy is to set management compensation at such levels as to attract and retain senior executives who will contribute to the long-term success and growth of the bank. Senior management is compensated primarily through annual base salary and the long-term and short-term employee benefits described below, supplemented occasionally by bonuses and stock option grants. The single instance where the committee has employed a limited bonus plan to reward short-term performance is a plan for loan officers which is intended to reward and encourage loan originations. These awards take into consideration established internal goals but are made in the complete discretion of the committee in order to take into account all factors which become relevant during the course of the year. The awards have never exceeded 10% of a listed individual's annual base compensation. The committee's practices in regard to the mix of components within the executives' overall compensation packages has developed for a number of reasons:

- The committee's philosophy has been to compensate primarily by means of annual base compensation due to its belief that base compensation should not be an arbitrarily low number but should reflect management's actual long-term value to the organization.
- The committee also believes that the bank is at an established, stable stage of development where short-term period-to-period changes in performance metrics do not drive the intrinsic value of the bank in a fundamental way. The committee is also cognizant of past experiences within the thrift industry which counsel against providing management with too-strong incentives to attain short-term performance goals.
- The committee also believes that existing levels of stock ownership by management and the board already establish sufficient alignment of stockholder and management interests. Accordingly, no stock options have been awarded to management during calendar years 2000 through 2006.

In establishing its annual compensation recommendations for Mr. Gaughen and the other executives, the committee considers the Bank's current and long-term pre-tax earnings, return on assets, return on equity, growth in deposits and loans, increase in dividends declared and increase in stockholders' equity. The committee additionally considers statistics regarding general compensation levels in the industry and the committee's qualitative assessment of each executive's own performance for the year as that performance relates to maximizing long-term value for investors. In doing so, the committee members exercise their collective judgment without following quantitative formulas tying compensation to particular measures of financial performance or to particular deciles or quartiles of industry-wide or peer-group compensation. The summary compensation table that appears below indicates that annual raises for the past two years have centered around 5% for senior executives, with individual raises ranging from 4.4% to 6.3%.

For the past decade, in order to promote stability in management, the bank has had employment agreements in place with its executive officers which (i) have a two-year period (three years in Mr. Gaughen's case), (ii) prohibit the executive from leaving the bank to compete at another bank or savings institution within a specified geographic area and (iii) provide for continuation of salary and benefits during the remaining term of the agreement if the bank terminates the executive without cause during that time. If termination without cause occurs after a change in control, as defined, the executive would instead receive a lump sum payment equal to two times his or her five-year average compensation, as defined (three times in the case of Mr. Gaughen). See "Employment Agreements and Special Termination Agreements." The committee considers that such agreements offer reasonable incentives to retain valued executives, recognizing that executives, especially highly ranked executives, often face challenges in obtaining new employment following termination.

The committee also believes that post-retirement benefits promote stability in the case of key executives. See generally, in regard to the benefits mentioned in this paragraph, "Retirement and Other Post-Employment Compensation." All executives benefit from the bank's mandatory and matching contributions to the bank's 401(k) plan, which were increased at the time the bank terminated an earlier defined benefit plan in 2002. In 2002 the committee

recommended, and the board approved, supplemental retirement plans for the president/CEO and the senior vice president. These plans are intended to provide these executives with retirement provisions of a quality comparable to those generally available for such positions in the industry. During 2006 these plans were amended to revise the life insurance death benefits payable to Mr. Gaughen and Mrs. Jackson from three times the executive's salary in Mr. Gaughen's case, to a fixed sum of \$4 million or the net-at-risk insurance benefit less current cash value in the policies, whichever is less, and in Mrs. Jackson's case to \$1.2 million or the net-at-risk insurance benefit less current cash value in the policies on her life, whichever is less. Additionally, these provisions were extended to cover the officers on a post-retirement basis. Their current health insurance benefits were also extended to provide for post-retirement coverage. Mr. Gaughen's agreement was also amended to reflect his voluntary waiver of his right to accelerate payment of all supplemental retirement benefits upon early retirement on a date of his choosing. The committee considered these changes to be appropriate in light of the executives' contributions to the Bank's continued success.

## Report of Compensation Committee

We have reviewed and discussed the foregoing compensation discussion and analysis with management. Based on our review and discussion with management, we have recommended to the board of directors that the compensation discussion and analysis be included in this proxy statement and in the bank's annual report on Form 10-K for the year ended December 31, 2006.

Submitted by: Howard M. Berger  
James V. Consentino  
Marion J. Fahey  
Donald M. Tardiff, M.D.  
Jacqueline M. Youngworth  
Members, Nominating and Personnel Committee

Notwithstanding anything to the contrary set forth in any of the bank's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporate future filings, including this proxy statement, in whole or in part, the foregoing compensation committee report shall not be incorporated by reference into any such filings.

## Executive Officers

Our current Named Executive Officers (as defined below) are:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert H. Gaughen, Jr.	58	Director, President and Chief Executive Officer
Deborah J. Jackson	48	Senior Vice President and Treasurer
William M. Donovan, Jr.	58	Vice President-Administration
Peter R. Smollett	59	Vice President-Commercial Lending
Shawn T. Sullivan	45	Vice President-Commercial Lending
Michael J. Sinclair	44	Vice President-Retail Lending
Thomas I. Chew	64	Vice President-Branch Operations

**Robert H. Gaughen, Jr.** the bank's principal executive officer, has served as president and chief executive officer since 1993.

**Deborah J. Jackson** the bank's principal financial officer, joined the bank in 1994 as its vice president and treasurer and has served as senior vice president since 1998.

**William M. Donovan, Jr.** joined the bank in 1990 as its accounting officer and has served as vice president-administration since 1993.

**Peter R. Smollett** has served as vice president-commercial lending since 1993.

**Shawn T. Sullivan** joined the bank in 1996 as its assistant vice president-commercial lending and has served as vice president-commercial lending since 1998.

**Michael J. Sinclair** joined the bank in 1995 as its retail lending officer and has served as vice president-retail lending since 1999.

**Thomas I. Chew** has served as vice president-branch operations since joining the bank in 2000. Immediately prior to joining the bank, Mr. Chew was vice president-retail administration for Eastern Bank.

## SUMMARY COMPENSATION TABLE

The remuneration paid to or accrued during the years ended December 31, 2004, 2005 and 2006 for the chief executive officer and chief financial officer of the bank and the only five other executive officers of the bank with salaries and bonuses in excess of \$100,000 for services rendered during 2006 (the "named executive officers") was as follows. As permitted under applicable securities laws and regulations, certain columns for which the reported numbers would be zero have been omitted from the following table and other tables in this Proxy Statement.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Change to Pension Value and Nonqualified Deferred Compensation	All Other Compensation (\$)	Total (\$)
				Earnings (\$)		
Robert H. Gaughen, Jr. President and Chief Executive Officer	2006	513,694	-	497,409 (1)	51,103 (2)	1,062,206
	2005	485,460	-	473,906 (1)	33,964 (2)	993,330
	2004	461,567	-	451,514 (1)	29,783 (2)	942,864
Deborah J. Jackson Senior Vice President and Treasurer	2006	207,119	-	55,590 (1)	14,758 (3)	277,467
	2005	197,232	4,000	52,308 (1)	13,645 (3)	267,185
	2004	187,525	-	49,220 (1)	13,353 (3)	250,098
Peter R. Smollett Vice President- Commercial Lending	2006	174,634	11,500	-	10,478 (4)	196,612
	2005	166,831	9,500	-	10,010 (4)	186,341
	2004	158,887	9,500	-	9,533 (4)	177,920
Shawn T. Sullivan Vice President- Commercial Lending	2006	160,171	11,500	-	9,572 (4)	181,243
	2005	150,690	8,500	-	9,041 (4)	168,231
	2004	143,514	8,500	-	8,611 (4)	160,625
William M. Donovan, Jr. Vice President- Administration	2006	146,878	-	-	8,813 (4)	155,691
	2005	140,315	-	-	8,419 (4)	148,734
	2004	133,625	-	-	8,017 (4)	141,642
Thomas I. Chew Vice President- Branch Operations	2006	127,045	-	-	7,623 (4)	134,668
	2005	121,744	-	-	7,305 (4)	129,049
	2004	115,939	-	-	6,956 (4)	122,895
Michael J. Sinclair Vice President- Retail Lending	2006	128,537	10,500	-	7,712 (4)	146,749
	2005	122,415	9,000	-	7,345 (4)	138,760
	2004	116,586	9,500	-	6,995 (4)	133,081

- (1) The amounts represent (a) \$497,409, \$473,906 and \$451,514, paid by the bank to Mr. Gaughen in 2006, 2005 and 2004 respectively under the terms of a supplemental employment retirement plan established on September 1, 2002 and amended on November 5, 2003, and (b) \$55,590, \$52,308 and \$49,220, paid by the bank to Mrs. Jackson in 2006, 2005 and 2004 respectively under the terms of a supplemental employment retirement plan established on September 1, 2002 and amended on November 5, 2003. See "Retirement and Other Post-Employment Compensation" for additional information.
- (2) The amounts represent (a) taxable income of \$8,065, \$6,000 and \$3,479 in 2006, 2005, and 2004 respectively for Mr. Gaughen's pro rata portion of annual lease payments made by the bank on a vehicle leased by the bank, which pro rata portion is based on Mr. Gaughen's personal use of the vehicle, (b) \$3,514, \$3,291 and \$3,749 paid by the bank in 2006, 2005 and 2004, respectively to Cohasset Country Club for both business and personal use, (c) contributions of \$13,200, \$12,600 and \$12,300 paid by the bank to its 401(k) plan in 2006, 2005 and 2004 respectively, (d) \$5,524 paid by the bank in each of 2006, 2005 and 2004 for long-term care insurance, and (e) \$20,800, \$6,549 and \$4,731 paid by the bank in 2006, 2005 and 2004 respectively for a split-dollar death benefit. See "Retirement and Other Post-Employment Compensation" for additional information regarding the items in (c)-(e) above.

- (3) These amounts represent (a) contributions of \$12,427, \$11,834, and \$11,252, paid by the bank to its 401(k) plan in 2006, 2005 and 2004 respectively, and (b) \$1,587 paid by the bank in each of 2006, 2005 and 2004 for long-term care insurance and (c) \$744, \$224 and \$514 paid by the bank in 2006, 2005 and 2004 respectively for a split-dollar death benefit. See "Retirement and Other Post-Employment Compensation" for additional information.
- (4) These amounts represent contributions to the 401(k) plan for 2006, 2005 and 2004 respectively and for Mr. Smollett were \$10,478, \$10,010 and \$9,533; for Mr. Sullivan were \$9,572, \$9,041 and \$8,611; for Mr. Donovan were \$8,813, \$8,419 and \$8,017; for Mr. Chew were \$7,623, \$7,305 and \$6,956; and for Mr. Sinclair were \$7,712, \$7,345 and \$6,995. See "Retirement and Other Post-Employment Compensation – 401(k) Plan" for additional information.

### GRANTS OF PLAN - BASED AWARDS

No option grants, stock awards or other awards under any equity incentive plan or non-equity incentive plan were made to any named executive officer during 2006.

### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

<u>Name</u>	Option Awards (1)				
	Number of Securities Underlying Unexercised Options (#) <u>Exercisable</u>	Number of Securities Underlying Unexercised Options (#) <u>Unexercisable</u>	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date
Deborah J. Jackson	3,500	—	—	15.00	4-12-09
William M. Donovan, Jr.	2,000	—	—	15.00	4-12-09

### OPTION EXERCISES AND STOCK VESTED

<u>Name</u>	Option Awards (1)	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) (2)
Robert H. Gaughen, Jr.	1,000	19,290

- (1) All options were granted with exercise prices equal to 100% of fair market value on the date of grant. None of the options is an incentive stock option. All such options were exercisable when granted on April 12, 1999. The stock option committee retains discretion, subject to limitations set forth in the stock option plan, to modify the terms of outstanding options. The options were granted for a term of 10 years, subject to earlier termination in certain events relating to termination of employment.
- (2) Represents the difference between the exercise price and the closing sales price of the bank's common stock on the NASDAQ Global Market on the date of exercise.

## Retirement and Other Post-Employment Compensation

### NONQUALIFIED DEFERRED COMPENSATION

The following table contains information about the executive supplemental retirement plans described below, which are included within the category of nonqualified deferred compensation under definitions contained in applicable securities regulations.

<u>Name</u>	<u>Executive Contributions in Last FY (\$)</u>	<u>Registrant Contributions in Last FY (\$ (1))</u>	<u>Aggregate Earnings in Last FY (\$)</u>	<u>Aggregate Withdrawals/ Distributions (\$ (2))</u>	<u>Aggregate Balance at Last FYE (\$)</u>
Robert H. Gaughen, Jr.	—	497,409	—	497,409	—
Deborah J. Jackson	—	55,590	—	55,590	—

(1) This amount has been included in the summary compensation table in the columns headed "All Other Compensation" and "Total."

(2) Under this arrangement, in contrast to a deferred compensation arrangement under which the employer retains control of each year's amount and the employee receives a tax deferral until the amount is distributed to, or controlled by, him or her, the bank's contributions each year are paid out to a trust established for the executive. The executive has immediate control over the full amount of the contribution, including the power to distribute it to himself or herself, and is taxed immediately on the full amount of the contribution in the year of contribution. Accordingly, the full contribution has been treated as having been distributed to the executive in the year of contribution. This type of trust is commonly called a secular trust, in contrast to a so-called rabbi trust which is controlled by the employer rather than by the executive and which involves no tax liability to the executive until the year in which the executive obtains control over the funds in the trust

The bank's current retirement plans have evolved as follows:

**Former Pension Plan.** The bank formerly provided a retirement plan through the Savings Banks Employees Retirement Association ("SBERA") as did many other community banks and thrift institutions in Massachusetts. The bank terminated this former plan during 2002. Each participating employee received all funds that had vested to his or her account under the terms of the former plan. In addition, the bank used 70% of the former plan's surplus assets to increase the benefits of the employees covered under the former plan, thereby increasing the amount distributed to the employees under the former plan. The bank also increased certain benefits under its existing 401(k) plan, as described below.

**Executive Supplemental Retirement Agreements.** During 2002 the bank established supplemental employment retirement plans, as amended on November 5, 2003, for the benefit of Mr. Gaughen and Mrs. Jackson. Under these plans the bank makes annual contributions to secular trusts controlled by these executives. The executive has immediate control over the full amount of the contribution, including the power to distribute it to himself or herself, and is taxed immediately on the full amount of the contribution in the year of the contribution. The bank is entitled to an equivalent tax deduction in the year of the contribution. The annual contributions from inception of the plan through the executive's anticipated year of retirement were scheduled when the plan was established and were designed so as to produce a sum of money (assuming investment gains of 6% per year) that would produce a certain retirement income to Mr. Gaughen and Mrs. Jackson (\$314,033 per year for Mr. Gaughen and \$118,755 per year for Mrs. Jackson assuming retirement at age 62 in 2011 and 2020, respectively). The bank's obligation is only to make these specified payments through 2011 and 2020, respectively, or through the executive's earlier retirement or death; the bank has no obligation to make any payment after 2011 or 2020, respectively, if the executive retires later than originally expected. The executives assume all investment risk and actuarial risk concerning the retirement amounts; the bank has no obligation to guarantee the target retirement amounts. Expense related to these distributions amounted to \$552,999 for the year ended December 31, 2006.

In connection with these plans, the bank purchased life insurance policies at costs of \$7,309,000 in 2002 and an additional \$2,800,000 in 2003 and contributed them to a rabbi trust. The purpose of the rabbi trust is to make distributions to the secular trust for the individuals if the bank does not make timely payment of those contributions.

In addition, the bank entered into endorsement method split dollar plan agreements with Mr. Gaughen and Mrs. Jackson. Under these agreements, the bank owns the insurance policies held in the rabbi trust. Upon each executive's death, the executive's designated beneficiaries are entitled to receive an amount equal to (i) \$4,000,000 in the case of Mr. Gaughen and \$1,200,000 in the case of Mrs. Jackson or (ii) 100% of the total proceeds of the insurance policy, less the cash value of the policy, whichever amount is lower. The remainder of the death benefit will be paid to the bank.

In 2003, the bank discontinued providing Mr. Gaughen with an additional supplemental pension benefit under the terms of a split dollar life insurance policy and related agreement with Mr. Gaughen dated April 24, 1997. As part of the termination, Mr. Gaughen transferred ownership of the insurance policy to the bank. This supplemental policy was designed to provide Mr. Gaughen with an additional pension benefit of \$79,921 per year at age 65, based upon Mr. Gaughen's average salary for the three years immediately preceding retirement (assuming annual salary increases of 6%). Until the policy's termination, the bank accrued premium expense of \$3,147 related to this policy. The discontinuance of the split dollar life insurance policy and related agreement had the effect of reducing the total supplemental pension benefit provided to Mr. Gaughen. In order to restore the total supplemental pension benefit for Mr. Gaughen to its previous level, the bank purchased an additional insurance policy on Mr. Gaughen's life in November 2003 at a cost of \$2,800,000 and, effective in 2004, increased the contribution to the secular trust for Mr. Gaughen by approximately \$200,000 per year. These increased contributions to the secular trust are reported as part of total contributions set forth in the tables which appear in this proxy statement. The cash surrender value of all the insurance policies referred to above at December 31, 2006 was \$12,213,000.

During 2006, the bank established an unfunded post-retirement health benefits plan for Mr. Gaughen and Mrs. Jackson. The bank made charges against earnings of \$16,768 and \$18,583, respectively in accordance with generally accepted accounting principles (FAS 106) although no cash premiums or contributions were paid.

*401(k) Plan.* Each employee having completed three months of continuous service beginning with such employee's date of employment becomes a participant in the bank's 401(k) plan. Each eligible employee may defer up to 75% of his or her income on a tax-favored basis pursuant to Internal Revenue Service guidelines. Effective May 1, 2002, the bank's matching contribution policy is to contribute \$0.50 for each dollar contributed by the employee up to a maximum matching contribution equal to 3% of the employee's yearly compensation. The bank's matching contribution is limited to the IRS' maximum compensation limit of \$220,000. Effective January 1, 2002, the bank began making a contribution equal to 3% of yearly compensation for all 401(k) participants whether or not they choose to make any contributions. All participants become fully vested after two years of service or age 62, if earlier. Bank officers participate in the plan on the same basis as all other employees.

## **Employment Agreements and Special Termination Agreements**

Robert H. Gaughen, Jr., the bank's president and chief executive officer, has entered into an employment agreement with the bank dated November 20, 1995, which provides that Mr. Gaughen's salary is subject to review and adjustment no less frequently than annually, in an amount reflecting cost-of-living increases as well as any merit increases which the board of directors may consider appropriate. Mr. Gaughen's annual salary is currently \$525,000, and he is eligible to participate on an equitable basis in all of the bank's bonus and fringe benefit plans, subject to applicable eligibility requirements. Furthermore, Mr. Gaughen's employment agreement provides that he may not be required to relocate outside the bank's primary geographic area. The contract currently provides for a term ending in April 2009. Unless either party gives written notice to the contrary, the term of the agreement shall be extended for successive one-year periods in April of each year, provided that the then remaining term of the contract never exceeds three years.

Deborah J. Jackson, the bank's senior vice president and treasurer, has entered into an employment agreement with the bank dated April 25, 1996. Mrs. Jackson's annual salary is currently \$210,800 and she is eligible to participate on an equitable basis in all of the bank's bonus and fringe benefit plans, subject to applicable eligibility requirements. Furthermore, Mrs. Jackson's employment agreement provides that she may not be required to relocate outside the bank's primary geographic area. The contract is reviewed annually to determine whether it will be extended for one-year periods and currently provides for a term ending in April 2008.

Peter R. Smollett, the bank's vice president – commercial lending, has entered into an employment agreement with the bank dated April 25, 1996. Mr. Smollett's annual salary is currently \$177,426 and he is eligible to participate on an equitable basis in all of the bank's bonus and fringe benefit plans, subject to applicable eligibility requirements.



Furthermore, Mr. Smollett's employment agreement provides that he may not be required to relocate outside the bank's primary geographic area. The contract is reviewed annually to determine whether it will be extended for one-year periods and currently provides for a term ending in April 2008.

William M. Donovan, Jr., the bank's vice president – administration, has entered into an employment agreement with the bank, dated April 25, 1996. Mr. Donovan's annual salary is currently \$149,226 and he is eligible to participate on an equitable basis in all of the bank's bonus and fringe benefit plans, subject to applicable eligibility requirements. Furthermore, Mr. Donovan's employment agreement provides that he may not be required to relocate outside the bank's primary geographic area. The contract is reviewed annually to determine whether it will be extended for one-year periods and currently provides for a term ending in April 2008.

Shawn T. Sullivan, the bank's vice president – commercial lending, has entered into an employment agreement with the bank dated April 29, 1999. Mr. Sullivan's annual salary is currently \$164,094 and he is eligible to participate on an equitable basis in all of the bank's bonus and fringe benefit plans, subject to applicable eligibility requirements. Furthermore, Mr. Sullivan's employment agreement provides that he may not be required to relocate outside the bank's primary geographic area. The contract is reviewed annually to determine whether it will be extended for one-year periods and currently provides for a term ending in April 2008.

Thomas I. Chew, the bank's vice president – branch operations, has entered into an employment agreement with the bank dated April 24, 2003. Mr. Chew's annual salary is currently \$128,856 and he is eligible to participate on an equitable basis in all of the bank's bonus and fringe benefit plans, subject to applicable eligibility requirements. Furthermore, Mr. Chew's employment agreement provides that he may not be required to relocate outside of the bank's primary geographic area. The contract is reviewed annually to determine whether it will be extended for one-year periods and currently provides for a term ending in April 2008.

Michael J. Sinclair, the bank's vice president – retail lending, has entered into an employment agreement with the bank, dated April 24, 1997. Mr. Sinclair's annual salary is currently \$130,813 and he is eligible to participate on an equitable basis in all of the bank's bonus and fringe benefit plans, subject to applicable eligibility requirements. Furthermore, Mr. Sinclair's employment agreement provides that he may not be required to relocate outside of the bank's primary geographic area. The contract is reviewed annually to determine whether it will be extended for one-year periods and currently provides for a term ending in April 2008.

Each of the employment agreements described above has similar termination and change-in-control provisions. In each of the agreements, the executive is prohibited from resigning as an employee during the term of the contract except with the board's consent or in some circumstances following a change in control, as described below. Following any breach of this provision by the executive, the bank is entitled, among other things, to have the executive enjoined from working for another bank or thrift institution in Plymouth, Barnstable or Norfolk Counties or certain other areas of Massachusetts during the remaining term. The bank is entitled to terminate the executive at any time with or without cause. Termination without cause requires the payment of severance pay in amounts equal to the executive's salary over the remaining term of the contract, plus continuation of employee benefits during such period. Such payment is not to be reduced by any compensation which the executive may subsequently earn from other sources.

Special rules apply if there is a change in control (as defined in the agreements) of the bank during the term of each of the employment agreements. If the executive were to be terminated by the bank other than for cause in connection with or within one year after such a change in control, he or she would be entitled to receive a lump sum cash payment (in lieu of his or her regular severance pay) equal to a multiple of their average annual compensation with respect to the five most recent taxable years ending prior to such change in control (or such portion thereof as they were full-time employees of the bank), less one dollar and less any special bonus paid in connection with the change in control (three times this amount, in the case of Mr. Gaughen, and twice this amount, in the case of Mrs. Jackson, Mr. Smollett, Mr. Sullivan, Mr. Donovan, Mr. Chew and Mr. Sinclair). If such lump sum cash payments had been made on December 31, 2006, the approximate amounts payable would have been \$2,695,686 for Mr. Gaughen, \$570,732 for Mrs. Jackson, \$444,689 for Mr. Smollett, \$321,242 for Mr. Sullivan, \$363,420 for Mr. Donovan, \$247,661 for Mr. Chew and \$258,013 for Mr. Sinclair. If the executive were to terminate his or her employment voluntarily for good reason, as defined below, in connection with or within one year after a change in control, he or she would be entitled to receive a similar lump sum cash payment. "Good reason" includes a reduction in compensation, a forced relocation, material increase in the executive's duties, or a material decrease in the executive's position. The executive is not entitled to receive any of the foregoing payments to the extent that such payments would be considered excess "parachute payments" under the Internal Revenue Code of 1986. Federal legislation authorizes the Federal Deposit Insurance Corporation under certain circumstances to prohibit or limit payments that are contingent on the termination of a person's employment with an insured depository institution.

The members of the nominating and personnel committee believe that the severance benefits described above are generally in line with severance benefits offered to similarly situated officers of New England banks and thrift institutions of similar size to the bank represented in the data that the committee reviewed.

## More Information about Plans and Agreements

The preceding discussion of executive compensation contains descriptions of various employee benefit plans and employment-related agreements. These descriptions are qualified in their entirety by reference to the full text or detailed descriptions of the plans and agreements which are filed as exhibits to the bank's annual report on Form 10-K.

### DIRECTOR COMPENSATION

Directors of the bank receive \$730 for each board of directors meeting they attend. No such fees were paid to members of the board of directors who are also fulltime employees of the bank. The clerk of the bank receives a stipend of \$6,510 per annum plus an additional fee of \$115 per meeting attended.

Each member of the executive committee of the board of directors receives a fee of \$780 per meeting attended. The clerk of the executive committee receives an additional fee of \$115 per meeting attended. Each member of the audit committee of the board of directors receives a fee of \$780 per meeting attended. Each member of all other committees of the board of directors receives \$500 for each committee meeting attended. The clerk and chairman of these committees each receive an additional fee of \$115 per meeting attended. None of these fees applies to any director who is also an employee of the bank. In addition to the above, Executive committee members are required by statute and/or bank policy to perform certain revaluations of commercial real estate loan collateral and construction loan inspections. Members are paid \$125 per revaluation and between \$165 to \$215 per construction inspection.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)</u>	<u>Options Awards (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Howard M. Berger	9,560	—	—	—	9,560
James V. Consentino	22,320	—	—	—	22,320
Marion J. Fahey	41,736	—	—	—	41,736
Ronald D. Falcione	31,600	—	—	—	31,600
Kevin W. Gaughen	26,280	—	—	—	26,280
Robert H. Gaughen, Jr.	—	—	—	—	—
Julio R. Hernando	9,830	—	—	—	9,830
Robert A. Lane	27,030	—	—	—	27,030
Warren B. Noble	29,430	—	—	—	29,430
Stacy M. Page	11,000	—	—	—	11,000
Joseph A. Ribaud, CPA	12,155	—	—	—	12,155
Edward L. Sparda	10,310	—	—	—	10,310
Donald M. Tardiff, MD	13,105	—	—	—	13,105
James R. White	8,610	—	—	—	8,610
Geoffrey C. Wilkinson, Sr.	13,175	—	—	—	13,175
Jacqueline M. Youngworth	33,430	—	—	—	33,430

## **Employees of the Bank**

As of December 31, 2006, the Bank had 69 full-time and 23 part-time employees. The Bank considers its employee relationships to be excellent.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

None.

## **Compensation Committee Interlocks and Insider Participation**

The current members of the Nominating and Personnel Committee, the Bank's Compensation Committee, are Mr. Berger, Mr. Consentino, Miss Fahey, Dr. Tardiff and Mrs. Youngworth. No member of the Nominating and Personnel Committee was at any time during the fiscal year ended December 31, 2006 an employee of the Bank, and none was an officer of the Bank with the exception of Miss Fahey, the director who serves as the Bank's Clerk, nor has any member of the Nominating and Personnel Committee had any relationship with the Bank requiring disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934.

None of the Bank's executive officers has served as a director or member of the compensation committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served as a Director of or member of the Nominating and Personnel Committee.

## **CERTAIN TRANSACTIONS WITH MANAGEMENT AND ASSOCIATES**

### **Indebtedness of Management and Associates**

Prior to May 1993, the Bank made loans and extended credit to Directors and officers of the Bank, and their associates, subject to the limitations of Massachusetts General Laws, Chapter 168, Section 19, the administrative guidelines issued thereunder and subject to the provisions of FDIC regulations. All such loans, as well as all loans to other employees of the Bank, were represented by the Bank's management at the time of the origination of such loans as having been made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated persons and did not involve more than the normal risk of collectibility or present other unfavorable features to the Bank.

In November 1993, the Bank adopted a policy providing that the Bank will no longer extend credit (excluding passbook loans) to Directors, officers and other employees of the Bank.

### **Other Transactions**

The Bank may engage in additional transactions with, or use products or services of, Directors, nominees for Director, principal officers, principal shareholders or various organizations in which such persons may have interests or of which such persons may be directors, nominees for director, officers, partners or principal stockholders. With respect to the year ended December 31, 2006, unless specifically disclosed herein, any amounts so involved have in no case been material in relation to the business of the Bank, and it is believed that other than as described below, the amount involved in any such transaction or series of transactions did not exceed \$60,000 and was not otherwise material in relation to the business of any such person or other organization.

During 2006, the Bank paid legal fees to the law firm of Gaughen, Gaughen, Lane & Hernando in the amount of approximately \$656,564 in connection with representation of the Bank in connection with commercial and residential mortgage loan originations, foreclosure and collection actions and certain other routine litigation. Additionally, this law firm received the sum of \$279,401 in agency fees for title insurance due them in connection with loan originations. The Bank believes that the foregoing sums have been reasonable in relation to the services provided to the Bank. It is expected that the Bank will continue to have similar transactions with, and use the services of, the law firm of Gaughen, Gaughen, Lane & Hernando in the future. All legal fees and title insurance fees paid to the law firm of Gaughen, Gaughen, Lane & Hernando have been reimbursed to the Bank by its borrowers, with the exception of \$49,845. Directors Kevin W. Gaughen, Robert A. Lane and Julio R. Hernando are partners of Gaughen, Gaughen, Lane & Hernando.

It is expected that any future transactions between the Bank and its Directors, officers, holders of 5% or more of the shares of any class of its voting stock or any affiliates thereof will be on terms no less favorable to the Bank than could be obtained by the Bank in arm's length negotiation with unaffiliated third parties.

### **PRINCIPAL STOCKHOLDERS: SECURITY OWNERSHIP OF MANAGEMENT**

The following table sets forth information with respect to ownership of the Common Stock, the Bank's only voting security, by the Bank's Directors, nominees for Director and principal officers as of February 9, 2007. Information presented as to the Common Stock includes the number of shares beneficially owned by such person and the percentage of such number of shares to the total amount of Common Stock outstanding in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent Of Class(1)</u>
Howard M. Berger	9,225 (2)	*
James V. Consentino	181,200 (3)	8.52
Marion J. Fahey	16,300 (4)	*
Ronald D. Falcione	54,989 (5)	2.59
Kevin W. Gaughen	142,424 (6)	6.70
Robert H. Gaughen, Jr.	357,689 (7)	16.82
Julio R. Hernando	140,440 (8)	6.61
Robert A. Lane	157,560 (9)	7.41
Warren B. Noble	30,000 (10)	1.41
Stacey M. Page	5,471 (11)	*
Joseph A. Ribauda	4,000 (12)	*
Edward L. Sparda	3,700 (13)	*
Donald M. Tardiff, M.D.	3,000 (14)	*
James R. White	3,150 (15)	*
Geoffrey C. Wilkinson, Sr.	17,233 (16)	*
Jacqueline M. Youngworth	190,800 (17)	8.98
William M. Donovan, Jr.	6,450 (18)	*
Deborah J. Jackson	12,925 (19)	*
Michael J. Sinclair	465 (20)	*
Peter R. Smollett	2,500 (21)	*
Shawn T. Sullivan	2,000 (22)	*
Thomas I. Chew	0	*
Directors, nominees for Director and Principal Officers as a group (22 persons)	968,433 (23)	45.56%

(1) An asterisk denotes less than 1%.

(2) Includes (i) 4,600 shares of Common Stock held directly by Mr. Berger's IRA account, (ii) 3,125 shares of Common Stock held in Mr. Berger's wife's IRA account, and (iii) 1,500 shares of Common Stock issuable pursuant to stock options exercisable on or within 60 days of February 9, 2007.

(3) Includes (i) 29,214 shares of Common Stock held directly by Mr. Consentino, (ii) 29,516 shares of Common Stock held directly by Ruth M. Consentino, Mr. Consentino's wife, (iii) 61,500 shares of Common Stock held by the Ruth M. Consentino Trust u/d/t 8/29/00 as to which Mr. Consentino shares voting and dispositive power as a trustee, (iv) 20,591 shares of Common Stock held by the Consentino Family Trust u/d/t 8/29/00 as to which Mr. Consentino shares voting and dispositive power as a trustee, and (v) 40,379 shares of Common Stock held by the James V. Consentino Trust u/d/t 2/20/01 as to which Mr. Consentino is the current beneficiary.

(4) Includes (i) 750 shares of Common Stock held jointly with Jessica M. Keefe, Miss Fahey's grandniece, (ii) 750 shares held jointly with Janet M. Keefe, Miss Fahey's grandniece, (iii) 3,900 shares held jointly with Mary Ellen Keefe Graziano, Miss Fahey's niece, and (iv) 10,900 shares held in Miss Fahey's IRA account.

- (5) Includes (i) 48,325 shares of Common Stock held directly by Mr. Falcione, (ii) 4,664 shares held by Dorothy E. Falcione, his wife, and (iii) 2,000 shares of Common Stock that Mr. Falcione owns jointly with his wife.
- (6) Includes (i) 450 shares of Common Stock held in Mr. Gaughen's IRA account, (ii) 150 shares of Common Stock held of record by Mr. Gaughen as custodian for Kevin W. Gaughen, Jr., his son, (iii) 128,148 shares of Common Stock held by The Music Box Trust which Mr. Gaughen is a co-trustee of, and in which Mr. Gaughen has a beneficial interest in 21,358 shares, (iv) 11,017 shares of Common Stock held directly by Mr. Gaughen, and (v) 2,659 shares of Common Stock held directly by Beverly Gaughen, Mr. Gaughen's wife.
- (7) Includes (i) 154,781 shares of Common Stock held directly by Mr. Gaughen, Jr., (ii) 10,146 shares that Mr. Gaughen, Jr. owns jointly with his wife, (iii) 38,892 shares held in Mr. Gaughen, Jr.'s IRA account, (iv) 21,586 shares of Common Stock held by The Robert H. Gaughen, Jr. Secular Trust dated 9/1/02, (v) 128,148 shares of Common Stock held by The Music Box Trust of which Mr. Gaughen, Jr. is a co-trustee and in which Trust his beneficial interest is 21,358 shares, (vi) 1,380 shares of Common Stock held directly by Margaret Corrigan, Mr. Gaughen, Jr.'s wife, (vii) 1,378 shares of Common Stock held directly by Patrick Gaughen, Mr. Gaughen, Jr.'s son, and (viii) 1,378 shares of Common Stock held directly by Kara Gaughen, Mr. Gaughen, Jr.'s daughter.
- (8) Includes (i) 9,408 shares of Common Stock held directly by Mr. Hernando, (ii) 824 shares of Common Stock held by Mr. Hernando's IRA account, (iii) 6,150 shares of Common Stock which Mr. Hernando owns jointly with Jill Hernando, his wife, (iv) 1,378 shares of Common Stock held directly by Jill Hernando, Mr. Hernando's wife, (v) 210 shares of Common Stock held by the IRA account of Jill Hernando, Mr. Hernando's wife, (vi) 20,591 shares of Common Stock held by the Consentino Family Trust u/d/t 8/29/00, of which Mr. Hernando shares voting and dispositive power as a co-trustee and as to which Mr. Hernando disclaims any beneficial ownership, (vii) 61,500 shares of Common Stock held by the Ruth M. Consentino Trust u/d/t 8/29/00, of which Mr. Hernando shares voting and dispositive power as a co-trustee and as to which Mr. Hernando disclaims any beneficial ownership, and (viii) 40,379 shares of Common Stock held by the James V. Consentino Trust u/d/t 2/20/01, of which Mr. Hernando shares voting and dispositive power as a co-trustee and as to which Mr. Hernando disclaims any beneficial ownership.
- (9) Includes (i) 21,810 shares of Common Stock held directly by Mr. Lane, (ii) 1,199 shares of Common Stock held by Mr. Lane's IRA account, (iii) 459 shares of Common Stock held by the IRA account of Martha Lane, Mr. Lane's wife, (iv) 11,622 shares of Common Stock held directly by Mrs. Lane, (v) 20,591 shares of Common Stock held by the Consentino Family Trust u/d/t 8/29/00, of which Mr. Lane shares voting and dispositive power as a co-trustee and as to which Mr. Lane disclaims any beneficial ownership, (vi) 61,500 shares of Common Stock held by the Ruth M. Consentino Trust u/d/t 8/29/00, of which Mr. Lane shares voting and dispositive power as a co-trustee and as to which Mr. Lane disclaims any beneficial ownership, and (vii) 40,379 shares of Common Stock held by the James V. Consentino Trust u/d/t 2/20/01, of which Mr. Lane shares voting and dispositive power as a co-trustee and as to which Mr. Lane disclaims any beneficial ownership.
- (10) Includes (i) 21,000 shares of Common Stock held directly by Mr. Noble, and (ii) 9,000 shares of Common Stock held directly by Dorothy Noble, Mr. Noble's wife.
- (11) Includes (i) 2,262 shares of Common Stock held directly by Mrs. Page, and (ii) 3,209 shares of Common Stock which Mrs. Page owns jointly with David B. Page, her husband.
- (12) Includes (i) 2,000 shares of Common Stock held directly by Mr. Ribaudo, (ii) 500 shares of Common Stock which Mr. Ribaudo owns jointly with Patricia A. Ribaudo, his wife, and (iii) 1,500 shares of Common Stock issuable pursuant to stock options exercisable on or within 60 days of February 9, 2007.
- (13) Comprised of 3,700 shares of Common Stock which Mr. Sparda owns jointly with Chris E. Sparda, his son.
- (14) Comprised of 3,000 shares of Common Stock held directly by Dr. Tardiff.
- (15) Includes: (i) 1,650 shares of Common Stock held by Mr. White's IRA account, and (ii) 1,500 shares of Common Stock held directly by Dene White, his wife.
- (16) Includes: (i) 11,271 shares of Common Stock which Mr. Wilkinson, Sr. owns jointly with Nancy S. Wilkinson, his wife, (ii) 2,587 shares of Common Stock held by New England Combustion Products Inc. of which Mr. Wilkinson is President, (iii) 1,500 shares of Common Stock held by Mr. Wilkinson's IRA account, (iv) 1,875 shares of Common Stock held directly by Nancy S. Wilkinson, his wife.

- (17) Includes: (i) 187,800 shares of Common Stock held by The Youngworth Security Trust, as to which Mrs. Youngworth has voting and dispositive power as a trustee, and (ii) 3,000 shares of Common Stock held by the Estate of Thomas H. Youngworth, Sr. which Mrs. Youngworth is executrix of.
- (18) Includes (i) 1,600 shares of Common Stock held directly by Mr. Donovan, (ii) 2,000 shares of Common Stock issuable pursuant to stock options which may be exercised by Mr. Donovan on or within 60 days after February 9, 2007, and (iii) 2,850 shares of Common Stock held by Mr. Donovan's IRA account.
- (19) Includes (i) 1,100 shares of Common Stock held by Mrs. Jackson's IRA account, (ii) 6,000 shares of Common Stock held by the William G. Jackson Living Trust of which Mrs. Jackson is the sole beneficiary, (iii) 2,325 shares of Common Stock held by The Hingham Institution for Savings Secular Trust FBO Deborah J. Jackson, and (iv) 3,500 shares of Common Stock issuable pursuant to stock options exercisable on or within 60 days of February 9, 2007.
- (20) Includes (i) 171 shares of Common Stock held by Mr. Sinclair's IRA account, and (ii) 294 shares of Common Stock held by Kimberley A. Sinclair, Mr. Sinclair's wife.
- (21) Comprised of 2,500 shares of Common Stock held directly by Mr. Smollett.
- (22) Comprised of 2,000 shares of Common Stock issuable pursuant to stock options which may be exercised by Mr. Sullivan on or within 60 days after February 9, 2007.
- (23) Beneficial ownership of 128,148 shares held by The Music Box Trust is attributed to both Mr. Kevin W. Gaughen and Mr. Robert H. Gaughen, Jr. in the above table. Such shares are counted only once in this total.

Shared voting and dispositive power as co-trustees of 20,591 shares of Common Stock held by the Consentino Family Trust u/d/t 8/29/00 is attributed to both Mr. Robert A. Lane and Mr. Julio R. Hernando in the above table. Mr. Lane and Mr. Hernando disclaim any beneficial ownership. Such shares are reflected in Mr. James V. Consentino's total and are counted only once in this total.

Shared voting and dispositive power as co-trustees of 61,500 shares of Common Stock held by the Ruth M. Consentino Trust u/d/t 8/29/00 is attributed to both Mr. Robert A. Lane and Mr. Julio R. Hernando in the above table. Mr. Lane and Mr. Hernando disclaim any beneficial ownership. Such shares are reflected in Mr. James V. Consentino's total and are counted only once in this total.

Shared voting and dispositive power as co-trustees of 40,379 shares of Common Stock held by the James V. Consentino Trust u/d/t 2/20/01 is attributed to both Mr. Robert A. Lane and Mr. Julio R. Hernando in the above table. Mr. Lane and Mr. Hernando disclaim any beneficial ownership. Such shares are reflected in Mr. James V. Consentino's total and are counted only once in this total.

**PRINCIPAL STOCKHOLDERS:  
PERSONS OWNING MORE THAN FIVE PERCENT OF COMMON STOCK**

The following table sets forth information with respect to the ownership of the Common Stock by persons (including any "group" as that term is used in Rule 13d-3 of the Exchange Act) who are known to be the beneficial owners of more than five percent (5%) of the Common Stock of the Bank as of February 9, 2007. Information presented as to the Common Stock includes the number of shares beneficially owned by such person and the percentage of such number of shares to the total amount of Common Stock outstanding.

<u>Name and Address</u>	<u>Amount and Nature of Beneficial Ownership(1)</u>	<u>Percent of Class</u>
The Banc Funds Co. LLC (2) 208 LaSalle Street Chicago, IL 60604	113,300	5.33
James V. Consentino (3) 252 Neck Street North Weymouth, MA 02191	181,200	8.52
Kevin W. Gaughen (4) 110 Highland Ave. Hull, MA 02045	142,424	6.70
Robert H. Gaughen, Jr. (5) 351 Forest Avenue Cohasset, MA 02025	357,689	16.82
Eleanor G. Hernando (6) Diego Ayllon #13, Apt. 1B Madrid, Spain 28043	134,459	6.33
Julio R. Hernando (7) 9 Heather Avenue Milton, MA 02186	140,440	6.61
Robert A. Lane (8) 63 Pondview Drive Kingston, MA 02364	157,560	7.41
The Music Box Trust (9) 528 Broad Street East Weymouth, MA 02189	128,148	6.03
The Youngworth Security Trust Jacqueline M. Youngworth 1000 Cordwainer Drive Norwell, MA 02061	187,800	8.83
Jacqueline M. Youngworth (10) 1000 Cordwainer Drive Norwell, MA 02061	190,800	8.98

(1) Sole voting and investment power, except as noted in the footnotes to the Management Stockholder Table. See "PRINCIPAL STOCKHOLDERS: SECURITIES OWNERSHIP OF MANAGEMENT."

(2) Based solely on a report on Schedule 13F reporting holdings as of September 30, 2006.

(3) See footnote 3 to the previous table.

(4) See footnote 6 to the previous table.

(5) See footnote 7 to the previous table.

- (6) Includes (i) 4,931 shares held of record by Mrs. Hernando, (ii) 128,148 shares of Common Stock held by The Music Box Trust, as to which Mrs. Hernando shares voting and dispositive power as a co-trustee, and (iii) 1,380 shares of Common Stock held by Julio Hernando, Mrs. Hernando's husband.
- (7) See footnote 8 to the previous table.
- (8) See footnote 9 to the previous table.
- (9) Robert H. Gaughen, Jr., a Director and principal officer of the Bank, Kevin W. Gaughen, a Director of the Bank, and Eleanor Hernando, their sister, are co-trustees of The Music Box Trust.
- (10) See footnote 17 to the previous table.

## **ELECTION OF CLERK**

(Notice Item 2)

At the Meeting, the Clerk is to be elected to hold office until the next annual meeting and until his or her successor is duly elected and qualified. It is the responsibility of the Clerk to maintain a complete and accurate record of all votes and proceedings of the stockholders and of the Board of Directors at their respective meetings, as well as to perform such additional duties as the Board of Directors may from time to time determine.

The Board of Directors recommends that Marion J. Fahey be elected as Clerk of the Bank, to serve until the next annual meeting and until her successor is duly elected and qualified or until her earlier resignation, death or removal.

Miss Fahey has served as Clerk since 1993. Miss Fahey has served as a Director of the Bank since 1992. Miss Fahey has never been employed by the Bank. Biographical information about Miss Fahey is set forth under "ELECTION OF DIRECTORS."

Unless contrary instructions are given, shares represented by proxies solicited by the Board of Directors will be voted FOR the election of Marion J. Fahey as Clerk of the Bank to serve until the next annual meeting and until her successor is duly elected and qualified or until her earlier resignation, death or removal. The affirmative vote of the holders of a majority of shares constituting the quorum at the Meeting is required to elect the Clerk of the Bank.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has selected the independent registered public accounting firm of Wolf & Company, P.C. ("Wolf"), to be the independent auditors of the Bank for the fiscal year ending December 31, 2007. Wolf has no direct or indirect financial interest in the Bank nor has it had any connection with the Bank in the capacity of promoter, voting trustee, Director, officer or employee. A representative of Wolf is expected to be present at the Annual Meeting to respond to appropriate questions and will have the opportunity to make a statement if such representative so desires.

Wolf has served as independent auditors of the Bank since July 21, 1993 and, prior to the year ending December 31, 1990, Wolf served as independent auditors of the Bank for more than ten years. For the two fiscal years ending December 31, 1991 and 1992 the Bank selected the firm of KPMG Peat Marwick, independent certified public accountants, to be the Bank's independent auditors.

The consolidated financial statements of the Bank as of December 31, 2006 and 2005 and for each of the years in the three-year period ended December 31, 2006, have been audited by Wolf. All such financial statements are included in the Bank's 2006 Annual Report which accompanies this Proxy Statement.

## **Audit Fees**

Wolf billed the Bank an aggregate of \$107,700 and \$101,500 in fees for professional services rendered in connection with the audit of the Bank's consolidated financial statements for the two most recent fiscal years and for the reviews of the financial statements included in each of the Bank's Quarterly Reports on Form 10-Q during the fiscal years ended December 31, 2006 and 2005, respectively.



## **Audit Related Fees**

Wolf billed the Bank an aggregate of \$1,000 and \$4,275 in audit related fees for professional services rendered to the Bank and its affiliates for the fiscal years ended December 31, 2006 and 2005, respectively. The fees related to agreed upon procedures in connection with the review of the Bank's pension plans and meetings with management.

## **Tax Fees**

Wolf billed the Bank an aggregate of \$23,000 and \$22,000 in fees for tax related services rendered to the Bank and its affiliates for the fiscal years ended December 31, 2006 and 2005, respectively. These fees included the quarterly estimation of taxes due, the annual preparation of Federal and State tax returns for the Bank and its subsidiaries, and an annual tax planning meeting.

## **All Other Fees**

Wolf did not bill the Bank for other fees for professional services for the fiscal years ended December 31, 2006 and 2005.

## **REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The Audit Committee of the Bank's Board of Directors is composed of five members and acts under a written charter first adopted and approved in 1993. The Board has determined that all members of the Audit Committee are independent directors, as defined by its charter and the rules of the NASDAQ Global Market, and that Mr. Ribaud, the Chairman of the Audit Committee, is an "audit committee financial expert" as that term is defined by the Securities and Exchange Commission in light of his experience as a certified public accountant. The Audit Committee held four meetings during the fiscal year ended December 31, 2006.

The Audit Committee reviewed the Bank's audited consolidated financial statements for the year ended December 31, 2006 and discussed these financial statements with the Bank's management. The Audit Committee also reviewed and discussed the audited consolidated financial statements and the matters required by Statement on Auditing Standards No. 61 (Communication with Audit Committees) with Wolf, the Bank's Independent Registered Public Accounting Firm.

The Bank's independent auditors also provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). In addition, the Audit Committee discussed with the independent auditors the matters disclosed in this letter and their independence from the Bank.

Based on its discussions with management and the independent auditors, and its review of the representations and information provided by management and the independent auditors, the Audit Committee recommended to the Bank's Board of Directors that the audited consolidated financial statements be included in the Bank's Annual Report on Form 10-K for the year ended December 31, 2006.

By the Audit Committee of the Board of Directors of Hingham Institution for Savings.

### Current Members:

Marion J. Fahey  
Stacey M. Page  
Joseph A. Ribaud CPA  
Donald M. Tardiff, M.D.  
Geoffrey C. Wilkinson, Sr.

## **OTHER MATTERS**

(Notice Item 3)

The Board of Directors knows of no business which will be presented for consideration at the Meeting other than that set forth in this Proxy Statement. The enclosed form of proxy confers upon each proxy holder discretionary authority to vote the shares represented by such proxy in accordance with his or her best judgment with respect to any other matter which may be properly presented for action at the Meeting.

## **STOCKHOLDER PROPOSALS**

No person who intends to present a proposal for action at the 2008 Annual Meeting of the Stockholders of the Bank may seek to have the proposal included in the proxy statement or form of proxy for the meeting unless that person (a) is a record or beneficial owner of shares of Common Stock representing at least \$2,000 in market value or 1% of the securities entitled to be voted on the proposal at the meeting, which shares have been held by such person for at least one year, continue to be owned by such person at the time the proposal is submitted and through the date on which the meeting is held, (b) notifies the Bank in writing of his or her intention to appear personally or by appropriate representative at that meeting to present his or her proposal for action, (c) submits his or her proposal so that it is received at the Bank's principal executive office on or before November 21, 2007 for inclusion in the appropriate proxy statement and form of proxy relating to such meeting, and (d) otherwise satisfies the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended. The Bank's ByLaws provide that any Director nominations and new business submitted by stockholders must be filed with the Clerk of the Bank at least 60 days (February 24, 2008), but not more than 150 days (November 26, 2007), prior to the date of the meeting, and that no other nominations or proposals by stockholders shall be acted upon at the meeting. Therefore, proposals submitted prior to the deadline for consideration at the meeting but after the deadline for inclusion in the proxy statement will be placed on the agenda at the meeting but will not be included in the proxy statement. Any such proposal should be mailed to: Clerk, Hingham Institution for Savings, 55 Main Street, Hingham, MA 02043.

Even if the foregoing requirements are satisfied, a person may only submit a maximum of one proposal and supporting statement of not more than 500 words for inclusion in the proxy materials and, under certain circumstances enumerated in the rules of the Securities and Exchange Commission relating to the solicitation of proxies, the Bank may be entitled to omit the proposal and any statement in support thereof from its proxy statement and form of proxy.

## **EXPENSES OF SOLICITATION**

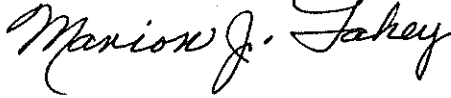
The Bank will bear the cost of preparing, assembling and mailing the Notice, Proxy Statement and form of proxy for the Meeting. Solicitation of proxies will be primarily through the use of mails, but regular employees of the Bank may solicit proxies by personal interview, by telephone or by telegraph without additional remuneration therefor. The Bank will also provide persons, firms, banks and corporations holding shares in their names, or in the names of their nominees, which in either case are beneficially owned by others, with proxy materials for transmittal to such beneficial owners and will reimburse such record holders for their reasonable expenses in so doing. In addition, the Bank has retained Regan & Associates, Inc. to aid in the solicitation of proxies from individuals, brokers, bank nominees and other institutional holders, for which a base fee of \$3,500 (plus out-of-pocket expenses) will be paid.

The Board of Directors would like to have you attend the Meeting in person. However, whether or not you expect to attend the Meeting, it is very important that your shares be represented. Therefore, it would be helpful if you would sign and date the enclosed form of proxy and promptly return it. If you attend the Meeting, you may, if you wish, withdraw any proxy previously given and vote your shares in person.

## ANNUAL DISCLOSURE STATEMENT; STOCKHOLDERS' ANNUAL REPORT; FORM 10-K

The Bank's Annual Report to Stockholders for the fiscal year ended December 31, 2006 accompanies this Proxy Statement. The Annual Report to Stockholders constitutes the annual disclosure statement of the Bank and is available to the public at the main office and each branch office of the Bank in accordance with the regulations of the Federal Deposit Insurance Corporation. In addition, a copy of the Bank's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the Federal Deposit Insurance Corporation, as well as the Annual Report to Stockholders, may be obtained without charge, by any stockholder of the Bank upon written request addressed to Robert H. Gaughen, Jr., President, Hingham Institution for Savings, 55 Main Street, Hingham, MA 02043, telephone (781) 749-2200.

By Order of the Board of Directors,



Marion J. Fahey  
Clerk

Dated: March 20, 2007

