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R.H.G.
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FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 204529

FORM F - 4

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

FOR THE QUARTER ENDED MARCH 31, 1994

FDIC CERTIFICATE NUMBER - 90211-0

HINGHAM INSTITUTION FOR SAVINGS
(Exact name of bank 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)

(617) 749-2200
(Bank'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 of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the bank was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) YES _____ X _____ NO _____

(2) YES _____ X _____ NO _____

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

At April 30, 1994 there were 1,278,340 shares of common stock outstanding.

ITEM 1 - FINANCIAL STATEMENTS

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

| | March 31, 1994 | December 31, 1993 |
|---|----------------------------------|----------------------|
| | ----- (In Thousands) ----- | |
| ASSETS | | |
| Cash and due from banks | \$3,450 | \$3,272 |
| Interest-bearing deposits | 6,126 | 1,617 |
| | ----- | ----- |
| Cash and cash equivalents | 9,576 | 4,889 |
| Investment securities, fair value \$52,801,000 in 1994 and \$58,827,000 in 1993 | 53,495 | 58,904 |
| Loans, net of allowance for loan losses of \$1,180,000 in 1994 and \$1,191,000 in 1993 . . | 80,248 | 76,936 |
| Foreclosed real estate, net. | 1,823 | 2,384 |
| Banking premises and equipment, net | 1,567 | 1,549 |
| Accrued interest receivable | 1,025 | 902 |
| Deferred income tax asset | 962 | 872 |
| Federal Home Loan Bank stock, at cost. | 994 | 994 |
| Other assets | 1,619 | 459 |
| | ----- | ----- |
| | \$151,309 | \$147,889 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits | \$120,620 | \$117,717 |
| Federal Home Loan Bank advances | 15,000 | 15,000 |
| Accrued interest payable | 315 | 311 |
| Mortgagors' escrow accounts. | 248 | 190 |
| Other liabilities | 860 | 597 |
| | ----- | ----- |
| Total liabilities | 137,043 | 133,815 |
| | ----- | ----- |
| Stockholders' equity: | | |
| Preferred stock, \$1.00 par value, 2,500,000 shares authorized; none issued . . | -- | -- |
| Common stock, \$1.00 par value, 5,000,000 shares authorized; 1,277,840 and 1,277,340 shares issued and outstanding. . . | 1,278 | 1,277 |
| Additional paid-in capital | 8,455 | 8,453 |
| Undivided profits | 4,934 | 4,292 |
| | ----- | ----- |
| 14,667 | 14,022 | |
| Net unrealized gain (loss) on securities available for sale | (401) | 52 |
| | ----- | ----- |
| Total stockholders' equity | 14,266 | 14,074 |
| | ----- | ----- |
| | \$151,309 | \$147,889 |
| | ===== | ===== |

See accompanying Notes to Consolidated Financial Statements.

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Operations

| | Three Months Ended March 31, | |
|--|---|---------|
| | 1994 | 1993 |
| | ----- (In Thousands, Except Per Share Data) | |
| Interest and dividend income: | | |
| Loans | \$1,564 | \$1,470 |
| Investment securities | 668 | 947 |
| Interest-bearing deposits | 27 | 16 |
| | ----- | ----- |
| Total interest and dividend income | 2,259 | 2,433 |
| | ----- | ----- |
| Interest expense: | | |
| Deposits | 875 | 1,069 |
| Federal Home Loan Bank advances | 164 | 181 |
| | ----- | ----- |
| Total interest expense | 1,039 | 1,250 |
| | ----- | ----- |
| Net interest income | 1,220 | 1,183 |
| Provision for loan losses | 30 | 0 |
| | ----- | ----- |
| Net interest income after provision for loan losses | 1,190 | 1,183 |
| | ----- | ----- |
| Other income: | | |
| Customer service fees | 78 | 58 |
| Gain (loss) on sale of investments, net | (9) | 354 |
| Gain on sale of loans, net | 26 | 0 |
| Litigation settlement | 282 | 0 |
| Fidelity bond insurance settlement | 0 | 515 |
| Other | 44 | 24 |
| | ----- | ----- |
| Total other income | 421 | 951 |
| | ----- | ----- |
| Operating expenses: | | |
| Expenses related to proxy contest | 0 | 110 |
| Salaries and employee benefits | 416 | 375 |
| Data processing | 72 | 76 |
| Occupancy and equipment | 71 | 80 |
| Foreclosed real estate, net | 104 | 81 |
| Real estate held for investment, net | 0 | 291 |
| Legal | 42 | 39 |
| Deposit insurance | 76 | 88 |
| Other | 227 | 163 |
| | ----- | ----- |
| Total operating expenses | 1,008 | 1,303 |
| | ----- | ----- |
| Income before income taxes | 603 | 831 |
| Income tax provision (benefit) | (90) | 1 |
| | ----- | ----- |
| Net income | \$693 | \$830 |
| | ===== | ===== |
| Income per common share | \$0.54 | \$0.66 |
| | ===== | ===== |
| Weighted average shares outstanding | 1,277 | 1,257 |
| | ===== | ===== |

See Accompanying Notes to Consolidated Financial Statements.

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED
MARCH 31, 1994 and 1993

| | Common Stock | Additional Paid-in Capital | Undivided Profits | Net Unrealized Gain (Loss) on Marketable Equity Securities (In Thousands) | Net Unrealized Gain (Loss) on Securities Available for Sale | Total Stockholders' Equity |
|---|-----------------|----------------------------------|----------------------|--|---|----------------------------------|
| Balance at December 31, 1992 | \$1,253 | \$8,380 | \$4,103 | (\$24) | \$0 | \$13,712 |
| Net Income | | | 830 | | | 830 |
| Decrease in net unrealized loss on marketable equity securities | | | | 24 | | 24 |
| Stock options exercised | 14 | 42 | | | | 56 |
| Balance March 31, 1993 | \$1,267 | \$8,422 | \$4,933 | \$0 | \$0 | \$14,622 |
| Balance at December 31, 1993 | \$1,277 | \$8,453 | \$4,292 | \$0 | \$52 | \$14,074 |
| Net Income | | | 693 | | | 693 |
| Change in net unrealized gain (loss) on securities available for sale | | | | 0 | (453) | (453) |
| Stock options exercised | 1 | 2 | | | | 3 |
| Cash dividend declared (\$0.04 per share) | | | (51) | | | (51) |
| Balance March 31, 1994 | \$1,278 | \$8,455 | \$4,934 | \$0 | (\$401) | \$14,266 |

See Accompanying Notes to Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three Months Ended March 31, | |
|--|---------------------------------|----------|
| | 1994 | 1993 |
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net income | \$693 | \$830 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 30 | 0 |
| Provision for loss on foreclosed real estate | 50 | 15 |
| Provision for loss and write-downs on real estate held for investment | 0 | 271 |
| Amortization of discount on investment securities, net of accretion | 81 | 159 |
| Amortization of deferred loan fees, net | (12) | (8) |
| Depreciation | 27 | 45 |
| Loss (gain) on sale of investments, net | 9 | (354) |
| Loss (gain) on sale of loans | (26) | 0 |
| (Increase) decrease in accrued interest receivable | (123) | (51) |
| Increase in deferred income tax asset | (90) | 0 |
| (Increase) decrease in other assets | (1,160) | (36) |
| Increase (decrease) in accrued interest payable and other liabilities | 267 | 100 |
| Net cash provided by (used in) operating activities | (254) | 971 |
| Cash flows from investing activities: | | |
| Proceeds from maturities of investment securities | 0 | 0 |
| Proceeds from sales of investment securities | 3,133 | 11,361 |
| Principal payments received on mortgage-backed securities | 3,769 | 3,441 |
| Purchase of investment securities | (2,036) | (14,163) |
| Loan payments received (loans originated), net | (5,205) | 1,589 |
| Proceeds from sale of loans | 1,895 | 0 |
| Additions to foreclosed real estate, net of payments | (30) | 4 |
| Proceeds from sales of foreclosed real estate | 547 | 538 |
| Additions to real estate held for investment | 0 | (14) |
| Additions to banking premises and equipment | (45) | (2) |
| Net cash provided by (used in) investing activities | 2,028 | 2,754 |

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

| | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 1994 | 1993 |
| | (In thousands) | |
| Cash flows from financing activities: | | |
| Increase (decrease) in deposits, net | \$2,903 | (\$2,329) |
| Increase (decrease) in mortgagors' escrow accounts | 58 | 59 |
| Proceeds from stock options exercised | 3 | 56 |
| Cash dividends paid on common stock. | (51) | 0 |
| Net cash provided by (used in) financing activities. | 2,913 | (2,214) |
| Net increase in cash and cash equivalents | 4,687 | 1,511 |
| Cash and cash equivalents at beginning of year | 4,889 | 3,450 |
| Cash and cash equivalents at end of period | \$9,576 | \$4,961 |
| Supplementary information: | | |
| Interest paid on deposit accounts. | \$874 | \$1,095 |
| Interest paid on borrowed funds. | 161 | 187 |
| Loans transferred to foreclosed real estate. | 766 | 657 |
| Financed sales of foreclosed real estate | 474 | 1,375 |
| Foreclosed real estate transferred to loans. | 286 | 0 |
| Real estate held for investment transferred to foreclosed real estate | 0 | 2,526 |

See Accompanying Notes to Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Notes to Unaudited Financial Statements

March 31, 1994 and 1993

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited quarterly 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, 1993 filed on Form F-2.

Financial information as of March 31, 1994 and the results of operations and cash flows for the three months ended March 31, 1994 and 1993 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.

ITEM 2 - Management's Discussion and Analysis of Financial Condition
and Results of Operations.

REGULATORY MATTERS

In March of 1992, the Bank entered into a Memorandum of Understanding with the FDIC and the Massachusetts Commissioner of Banks. The Memorandum sets forth plans for reducing classified assets, improving the earnings of the Bank, and revises the Bank's Fund's Management Policy to address liquidity needs as well as monitoring interest rate sensitivity. Lending, investment and budget policies has been incorporated into a comprehensive business plan, which has been submitted to the FDIC and the Commissioner of Banks. In addition, specific goals were established under this Memorandum for reducing the ratio of non-performing loans to total loans.

DIVIDEND PAYMENT:

During the quarter the Board of Directors with the approval of the FDIC and the Massachusetts Commissioner of Banks, declared a \$.04 cash dividend to all stockholders of record as of April 11, 1994 payable April 21, 1994. This is the first cash dividend declared since the end of 1990.

LIQUIDITY AND CAPITAL RESOURCES:

Assets totaled \$151,309,000 at March 31, 1994, and \$147,889,000 at December 31, 1993; an increase of 2.31% due to an increase in deposits of \$2,903,000. During this period, stockholders' equity increased from \$14,074,000 to \$14,266,000 primarily due to the net income of \$693,000 reduced by net unrealized gain or loss on securities available for sale of \$453,000 representing a net unrealized loss at March 31, 1994 of \$401,000 from a net unrealized gain of \$52,000 at December 31, 1993 and dividends delcard of \$51,000.

Massachusetts-Chartered Savings Banks that are insured by the FDIC are subject to minimum capital maintenance requirements. At March 31, 1994 the Bank's total capital of \$14,266,000 was equal to 9.43% of total assets and exceeded FDIC's minimum capital requirements.

During the first three months of 1994 foreclosed real estate, net decreased by \$561,000 from \$2,384,000 at December 31, 1993 to \$1,823,000 on March 31, 1994 which represents 1.20% of total assets. Management is continuing its aggressive posture in divesting of properties previously foreclosed and remains optimistic because of the promising increase in residential real estate activity that the region is currently experiencing.

During this same period total gross loans outstanding increased by \$3,322,000 from \$78,298,000 at December 31, 1993 to \$81,620,000 on March 31, 1994. Loans originated, net of amortization and payoffs and loans sold of approximately \$3,300,000. On March 31, 1994, gross loans outstanding represented 53.94% of total assets. Non-accrual loans decreased by \$261,000 or 91.26% from \$286,000 at December 31, 1993 to \$25,000 at March 31, 1994.

Interest-bearing deposits increased by \$4,509,000 from \$1,617,000 at December 31, 1993 to \$6,126,000 on March 31, 1994, which represents 4.05% of total assets.

LIQUIDITY AND CAPITAL RESOURCES continued:

Effective December 31, 1993, the Bank adopted the provisions of SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities." The Statement establishes standards for all debt securities and for equity securities that have readily determinable fair values. As required under SFAS No. 115, prior year financial statements have not been restated.

SFAS No. 115 requires investments in debt securities that management has the positive intent and ability to hold to maturity be classified as "held to maturity" and reflected at amortized cost. Investments that are purchased and held principally for the purpose of selling them in the near term are classified as "trading securities" and are reflected on the balance sheet at fair value, with unrealized gains and losses included in earnings. Investments not classified as either of the above are classified as "available for sale" and are reflected on the balance sheet at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity. The cumulative effect of the change in accounting principle at December 31, 1993 is to increase stockholders' equity by \$52,000. There was no effect on net income for the year ended December 31, 1993 relating to the adoption of SFAS No. 115.

As of March 31, 1994, debt securities available for sale at fair value totaled \$22,799,000, and securities held to maturity at amortized cost totaled \$30,696,000 with a fair value of \$30,001,000.

Deposits increased by \$2,903,000 from \$117,717,000 at December 31, 1993 to \$120,620,000 on March 31, 1994. Certificate accounts increased from \$33,014,000 at December 31, 1993 to \$35,383,000 at March 31, 1994 which represents a \$2,369,000 increase with non-certificate accounts increasing from \$84,703,000 at December 31, 1993 to \$85,237,000 at March 31, 1994 which represents a \$534,000 increase.

RESULTS OF OPERATIONS:

THREE MONTHS ENDED March 31, 1994 AND 1993

GENERAL:

The net income for the quarter ended March 31, 1994 totaled \$693,000 or \$0.54 per share as compared with net income of \$830,000 or \$0.66 per share for the quarter ended March 31, 1993.

The decrease in net income of \$137,000 for the first quarter of 1994 compared to 1993 primarily results from the following: The 1993 non-recurring Fidelity Bond Insurance Settlement of \$515,000; the non-recurring 1993 expenses related to proxy contest of \$110,000; and the 1994 non-recurring other income items include litigation settlement with a former president of \$282,000.

NET INTEREST INCOME:

Net interest income increased to \$1,120,000 for the first quarter of 1994 from \$1,183,000 for the comparable 1993 quarter. The weighted average interest rate spread increased to 3.21% in the first quarter of 1994 from 3.08% in the first quarter of 1993.

The increase in net interest income and weighted average interest rate spread are outlined in the following Interest and Dividend Income and Interest Expense sections.

INTEREST AND DIVIDEND INCOME:

Interest and dividend income decreased by \$174,000 for the first quarter of 1994 compared to the first quarter of 1993. This decrease is primarily attributable to a decrease in the yields during the quarter ended March 31, 1994 compared to the quarter ended March 31, 1993. The principle reasons for the reduction in yields are due to the sale of \$1,895,000 loans in the first quarter of 1994, the refinancing of fixed rate loans, repricing of adjustable rate mortgage loans at lower interest rates and the sale of investment securities to recognize gains and the reinvestment of the proceeds at lesser yields. The yield on all earning assets decreased to 6.48% for the quarter ended March 31, 1994 as compared to 6.96% for the quarter ended March 31, 1993.

INTEREST EXPENSE:

Total interest expense decreased \$211,000 for the quarter ended March 31, 1994 compared to the quarter ended March 31, 1993 with interest on deposits decreasing by \$194,000. Interest paid on the Federal Home Loan Bank advances for the first quarter of 1994 as compared to the comparable quarter in 1993 decreased by \$17,000. The reductions in interest expense are due to lower weighted average rates paid during the 1994 quarter. The average cost of funds decreased to 3.27% in the first quarter of 1994 from 3.88% in the comparable 1993 quarter.

This decrease in costs of funds is the result of lower interest rates paid on certificates renewed since the first quarter of 1993 and reduction in interest rates paid on regular savings accounts during the first quarter of 1994.

PROVISION FOR LOAN LOSSES:

At March 31, 1994, management's review of the allowance for loan losses concluded that the balance was adequate to provide for potential losses based upon evaluation of risk in the loan portfolio. The balance of the allowance for loan losses as of March 31, 1994 was \$1,180,000 as compared to \$1,472,000 as of March 31, 1993.

OTHER INCOME:

Total other income decreased to \$421,000 from \$951,000 when comparing the first quarter of 1994 to the first quarter of 1993. The decrease is mainly attributable to a non-recurring \$515,000 Fidelity Bond Insurance Settlement during the first quarter of 1993 and the gain on sale of investments, net of \$354,000 in the first quarter of 1993 compared to a loss on sale of investments, net of \$9,000 in the first quarter of 1994.

OPERATING EXPENSES:

Total operating expenses decreased to \$1,008,000 from \$1,303,000 when comparing the first quarter of 1994 to the first quarter of 1993, representing a decrease of \$295,000 or 22.64%.

Expenses relating to real estate held for investment, net of rental income, decreased when comparing the first quarter of 1994 expense of \$0 to the first quarter of 1993 expense of \$291,000 in that all properties held for investment were transferred to foreclosed real estate during 1993.

Non-recurring expenses related to the proxy contest amounted to \$110,000 during the first quarter of 1993.

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 judgements relating to the realizability of such asset.

During the first quarter of 1994, the Bank recognized an additional deferred tax benefit of \$90,000 based on anticipated future income. During the first quarter of 1993, no quarterly deferred tax benefits were recognized.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

WEIGHTED AVERAGES FOR
THE QUARTER ENDED

| | March 31, | |
|---|---------------|---------------|
| | ----- 1994 | 1993 ----- |
| Weighted average yield earned on: | | |
| Loans (1)(2) | 7.91% | 8.36% |
| Investment securities and Federal Home Loan Bank stock (3) | 4.70% | 5.62% |
| Interest-bearing deposits | 3.10% | 2.98% |
| Total interest-earning assets | 6.48% | 6.96% |
| Weighted average rate paid on: | | |
| Interest-earning deposits and and mortgagors' escrow | 3.13% | 3.76% |
| FHLB advances | 4.38% | 4.83% |
| Total interest-bearing liabilities | 3.27% | 3.88% |
| Weighted average interest rate spread (4) | 3.21% | 3.08% |

(1) Non-accrual loans are included in the average loan balances.

(2) Before deducting average allowance for loan losses.

(3) Before deducting average net unrealized loss on marketable equity securities and net unrealized gain/loss on securities available for sale.

(4) Represents the weighted average yield on interest-earning assets less the weighted average rate paid on total interest-bearing liabilities.

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: _____

President & Chief Executive Officer

Date: _____

Vice President & Treasurer