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 JUNE 30, 1995

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 July 31, 1995 there were 1,294,000 shares of common stock outstanding.

ITEM 1 - FINANCIAL STATEMENTS

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Balance Sheets

(In Thousands) (Unaudited)	June 30, 1995	December 31, 1994
ASSETS		
Cash and due from banks	$ 2,674	$ 3,897
Interest-bearing deposits	4,716	11
Cash and cash equivalents	7,390	3,908
Securities available for sale, at fair value	12,777	13,866
Securities held to maturity	27,686	29,064
Loans, net of allowance for loan losses of $1,277,000 in 1995 and $1,338,000 in 1994	108,334	100,398
Foreclosed real estate, net	204	439
Banking premises and equipment, net	2,201	1,699
Accrued interest receivable	938	835
Deferred income tax asset	1,360	1,557
Federal Home Loan Bank stock, at cost	994	994
Other assets	365	432
Total assets	$ 162,249	$153,192
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$123,679	$116,684
Federal Home Loan Bank advances	19,000	19,000
Accrued interest payable	453	358
Mortgagors' escrow accounts	232	252
Other liabilities	1,725	917
Total liabilities	145,089	137,211
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, $1.00 par value, 2,500,000 shares authorized; none issued	—	—
Common stock, $1.00 par value, 5,000,000 shares authorized; 1,293,500 and 1,293,000 shares issued and outstanding	1,293	1,293
Additional paid-in capital	8,588	8,584
Undivided profits	7,393	6,629
	17,274	16,506
Net unrealized loss on securities available for sale	(114)	(525)
Total stockholders' equity	17,160	15,981
Total liabilities and stockholders' equity	$162,249	$153,192

See accompanying Notes to Consolidated Financial Statements.

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Income

(In Thousands, Except Per Share Amounts) (Unaudited)	Three Months Ended June 30, 1995	Three Months Ended June 30, 1994	Six Months Ended June 30, 1995	Six Months Ended June 30, 1994
Interest and dividend income:				
Loans	$2,294	$1,719	$4,462	$3,283
Investment securities	605	687	1,221	1,355
Interest-bearing deposits	69	36	96	63
Total interest and dividend income	2,968	2,442	5,779	4,701
Interest expense:				
Deposits	1,153	886	2,124	1,761
Federal Home Loan Bank advances	301	187	567	351
Total interest expense	1,454	1,073	2,691	2,112
Net interest income	1,514	1,369	3,088	2,589
Provision for loan losses	30	50	60	80
Net interest income after provision for loan losses	1,484	1,319	3,028	2,509
Other income:				
Customer service fees	84	88	170	166
Loss on sale of investments	—	(42)	(49)	(51)
Gain on sale of loans, net	—	—	—	26
Litigation settlement	—	—	—	282
Other	54	57	97	101
Total other income	138	103	218	524
Operating expenses:				
Salaries and employee benefits	449	438	888	854
Data processing	73	71	146	143
Occupancy and equipment	74	69	145	140
Foreclosed and other real estate, net	11	18	26	122
Legal	24	55	60	97
Deposit insurance	76	77	152	153
Other	222	225	438	452
Total operating expenses	929	953	1,855	1,961
Income before income taxes	693	469	1,391	1,072
Income tax provision (benefit)	230	(90)	471	(180)
Net income	$ 463	$ 559	$ 920	$1,252
Income per common share	$ 0.36	$ 0.44	$ 0.71	$ 0.98
Cash dividends declared per common share	$ 0.07	$ 0.04	$ 0.12	$ 0.08
Weighted average shares outstanding	1,293	1,278	1,293	1,278

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 Six Months Ended
June 30, 1995 and 1994

(In Thousands) (Unaudited)	Common Stock	Additional Paid-in Capital	Undivided Profits	Net Unrealized Gain (Loss) on Securities Available for Sale	Total Stockholders' Equity
Balance at December 31, 1993	$1,277	$8,453	$4,292	$ 52	$14,074
Net Income	—	—	1,252	—	1,252
Change in net unrealized gain (loss) on securities available for sale	—	—	—	(787)	(787)
Stock options exercised	2	6	—	—	8
Cash dividends declared ($0.08 per share)	—	—	(102)	—	(102)
Balance at June 30, 1994	$1,279	$8,459	$5,442	$(735)	$14,445
Balance at December 31, 1994	$1,293	$8,584	$6,629	$(525)	$15,981
Net Income	—	—	920	—	920
Change in net unrealized loss on securities available for sale, net of tax effect	—	—	—	411	411
Stock options exercised including tax effect	—	4	—	—	4
Cash dividends declared ($0.12 per share)	—	—	(156)	—	(156)
Balance at June 30, 1995	$1,293	$8,588	$7,393	$(114)	$17,160

See accompanying Notes to Consolidated Financial Statements.

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Statements of Cash Flows

(In Thousands) (Unaudited)	Six Months Ended June 30, 1995	Six Months Ended June 30, 1994
Cash flows from operating activities:		
Net income	$ 920	$1,252
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	60	80
Provision for loss on foreclosed real estate	10	72
Amortization of premium on investment securities, net of accretion	142	313
Amortization of deferred loan fees, net	(31)	(25)
Depreciation	60	58
Loss on sale of investments, net	49	51
Gain on sale of loans	—	(26)
Gain on sale of foreclosed and other real estate	(4)	(40)
(Increase) decrease in accrued interest receivable	(103)	52
Increase in deferred income tax asset	(100)	(180)
Increase in other assets	(13)	(650)
Increase in accrued interest payable and other liabilities	877	134
Net cash provided by operating activities	1,867	1,091
Cash flows from investing activities:		
Proceeds from sales of securities available for sale	1,463	6,502
Purchase of securities available for sale	—	(2,036)
Purchase of securities held to maturity	—	(3,000)
Proceeds from maturities of securities available for sale	—	100
Principal payments received on mortgage-backed securities	1,522	6,125
Loans originated, net of payments received	(7,773)	(13,110)
Proceeds from sale of loans	—	2,394
Additions to foreclosed and other real estate, net of payments	(107)	(257)
Proceeds from sales of foreclosed and other real estate	224	686
Additions to banking premises and equipment	(562)	(144)
Net cash used in investing activities	(5,233)	(2,740)

(continued)

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Statements of Cash Flows (concluded)

(In Thousands) (Unaudited)	Six Months Ended June 30, 1995	1994
Cash flows from financing activities:		
Increase in deposits, net	$6,995	$665
Increase (decrease) in mortgagors' escrow accounts	(20)	48
Proceeds from stock options exercised	2	8
Cash dividends paid on common stock	(129)	(51)
Proceeds from Federal Home Loan Bank Advances 3 months and greater	23,000	—
Repayment of Federal Home Loan Bank Advances 3 months and greater	(23,000)	—
Net cash provided by financing activities	6,848	670
Net increase (decrease) in cash and cash equivalents	3,482	(979)
Cash and cash equivalents at beginning of year	3,908	4,889
Cash and cash equivalents at end of period	$7,390	$3,910
Supplementary information:		
Interest paid on deposit accounts	$2,043	$1,773
Interest paid on borrowed funds	553	344
Income taxes refunded, net	(17)	—
Loans transferred to foreclosed real estate	—	855
Financed sales of foreclosed real estate	63	1,008
Foreclosed real estate transferred to loans	129	286

See accompanying Notes to Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

June 30, 1995 and 1994

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements of Hingham Institution for Savings presented herein should be read in conjunction with the consolidated financial statements of Hingham Institution for Savings for the year ended December 31, 1994 filed on Form F-2.

Financial information as of June 30, 1995 and the results of operations and cash flows for the three and six month periods ended June 30, 1995 and 1994 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.

BRANCH EXPANSION

During the month of June 1995, the Bank purchased two buildings in the towns of Cohasset and Scituate, which were formerly occupied by Cohasset Savings Bank. Upon receipt of approval from the Massachusetts Commissioner of Banks and the Federal Deposit Insurance Corporation, Hingham Institution for Savings intends to operate branches in each of these locations, thereby doubling the Bank's branch network. Retail banking and lending services will be offered in each of the two communities. It is anticipated that the branches will open for business in the fourth quarter of 1995.

ACCOUNTING POLICY CHANGE

In May 1993, the Financial Accounting Standards Board issued SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." The Statement requires that impaired loans be measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

The statement is applicable to all creditors and to all loans, except large groups of smaller balance homogeneous loans that are collectively evaluated for impairment, loans that are measured at fair value or at the lower of cost or fair value, leases, and convertible or nonconvertible debentures and bonds and other debt securities.

SFAS No. 114 also limits the classification of loans as in-substance foreclosures to situations where the creditor actually receives physical possession of the debtor's assets.

This statement was adopted by the Bank on January 1, 1995. As of June 30, 1995 loans classified as impaired amounted to $623,000, of which $503,000 related to loans with no valuation allowance established in accordance with SFAS No. 114, and $120,000 related to loans with a corresponding valuation allowance of $17,000.

COMMITMENTS

At June 30, 1995, there were outstanding commitments to advance construction funds, to advance existing home equity and other credit lines and to originate loans in the amount of $12.8 million.

REGULATORY MATTERS

Effective May 8, 1995, the Federal Deposit Insurance Corporation and the Massachusetts Commissioner of Banks removed the Memorandum of Understanding which had been in place since March of 1992. The Memorandum had set forth plans for reducing classified assets and improving the earnings of the Bank, and revised the Bank's Fund's Management Policy to address liquidity needs as well as monitoring interest rate sensitivity. The Memorandum was removed because the Bank was found to be in general compliance with the provisions contained in the Memorandum and had demonstrated material improvement in its financial condition.

DIVIDEND PAYMENT

On June 29, 1995, the Board of Directors declared a $0.07 cash dividend to all stockholders of record as of July 11, 1995, payable July 21, 1995. This dividend represented an increase of $0.02 per share, or 40%, over the previous quarterly dividend of $0.05 per share.

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

RESULTS OF OPERATIONS FOR THE THREE MONTH PERIODS ENDED JUNE 30, 1995 AND 1994

GENERAL

The Bank reported net income of $463,000, or $0.36 per share for the quarter ended June 30, 1995. Earnings for the same period in 1994, which were positively impacted by tax benefits, were $559,000, or $0.44 per share. On a pre-tax basis, second quarter 1995 earnings were $693,000, an increase of $224,000, or 48%, above the $469,000 in earnings reported for the same period last year.

NET INTEREST INCOME

Net interest income increased to $1.5 million for the second quarter of 1995 from $1.4 million for the comparable 1994 quarter. Net interest margin, which is calculated by dividing net interest income by average earning assets, increased by 16 basis points to 3.96% for the second quarter of 1995 from 3.80% for the same period last year. The weighted average rate spread declined slightly to 3.44% for the quarter from 3.48% for the same quarter last year.

Three months ended June 30,	1995			1994		
(In Thousands)	AVERAGE BALANCE	INTEREST	YIELD	AVERAGE BALANCE	INTEREST	YIELD
Loans (1) (2)	$106,160	$2,294	8.64%	$84,795	$1,719	8.11%
Investment securities (3)	42,146	605	5.74%	55,282	687	4.97%
Short-term investments	4,589	69	6.01%	3,854	36	3.74%
Total earning assets	152,895	2,968	7.76%	143,931	2,442	6.79%
Other assets	5,747			7,209		
Total assets	$158,642			$151,140		
Deposits	$115,696	1,153	3.99%	$114,759	886	3.09%
FHLB borrowings	19,014	301	6.33%	15,020	187	4.98%
Total interest-bearing liabilities	134,710	1,454	4.32%	129,779	1,073	3.31%
Weighted average rate spread (4)			3.44%			3.48%
Demand deposits	5,388			5,918		
Other liabilities	1,644			1,087		
Total liabilities	141,742			136,784		
Stockholders' equity	16,900			14,356		
Total liabilities and stockholders' equity	$158,642			$151,140		
Net interest income		$1,514			$1,369	
Net interest margin (5)			3.96%			3.80%

(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 securities available for sale.

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

(5) Represents net interest income divided by average earning assets.

Interest and dividend income increased by $526,000 for the second quarter of 1995 compared to the second quarter of 1994. This increase is attributable to an increase of approximately $9.0 million in the volume of average earning assets during the quarter ended June 30, 1995 compared to the quarter ended June 30, 1994 combined with a 97 basis point rise in the average yield over the same two periods. Interest income on loans increased by $575,000 over the same two periods primarily as a result of an increase of approximately $21.4 million in average loans outstanding. Over the same two periods, interest and dividends on investments decreased by $82,000 due to sales and principal paydowns on investment securities partially offset by an increase in the weighted average yield.

Total interest expense increased $381,000 for the quarter ended June 30, 1995 compared to the quarter ended June 30, 1994. Interest on deposits increased by $267,000 as a result of higher weighted average rates paid on deposits accompanied by changes in the deposit mix. Interest paid on Federal Home Loan Bank advances for the second quarter of 1995 increased by $114,000 as compared to the same quarter in 1994 primarily as a result of a higher weighted average rate accompanied by a $4.0 million increase in average borrowings. The average rate on interest-bearing liabilities increased to 4.32% for the second quarter of 1995 from 3.31% in the comparable quarter of 1994.

PROVISION FOR LOAN LOSSES

At June 30, 1995 and 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. A $30,000 provision for loan losses was charged to operations for the second quarter of 1995 and a $50,000 provision was charged for 1994. The balance of the allowance for loan losses at June 30, 1995 and June 30, 1994 was $1.3 million and $1.2 million, respectively.

OTHER INCOME

Total other income was $138,000 for the quarter ended June 30, 1995 as compared to $103,000 for the same quarter of 1994. During the second quarter of 1994 the Bank sold $3.5 million in securities to fund loan growth at a net loss of $42,000. In the second quarter of 1995, there were no sales of securities.

OPERATING EXPENSES

Total operating expenses were $929,000, or an annualized 2.3% of average total assets, for the quarter ended June 30, 1995 as compared to $953,000, or 2.5%, for the same quarter of 1994. This change is primarily attributable to a $31,000 decrease in legal expenses over the two periods. The higher legal expenses in the second quarter of 1994 related to the conclusion of certain litigation.

INCOME TAXES

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

During the second quarter of 1995, the Bank recorded $280,000 in tax expense. Offsetting this expense, the Bank recognized an additional deferred tax benefit of $50,000 based on anticipated future income. The Bank enhanced its tax position by transferring certain securities into its wholly-owned subsidiary, Hingham Security Corporation, which is taxed at a Massachusetts State rate of 1.32%. As a result, the Bank was taxed at an approximate combined effective rate of 33.2%. During the second quarter of 1994, $90,000 in tax benefits were recognized.

RESULTS OF OPERATIONS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 1995 AND 1994

GENERAL

The Bank reported net income of $920,000, or $0.71 per share for the six months ended June 30, 1995 as compared with $1.3 million or $0.98 per share for the same period in 1994. Earnings for 1994 were positively impacted by tax benefits and also included $282,000 in income related to a litigation settlement. Pre-tax income, excluding the effect of the litigation settlement, for the six months ended June 30, 1995 and 1994 were $1.4 million and $790,000, respectively, an increase of $601,000.

NET INTEREST INCOME

Net interest income increased to $3.1 million for the first half of 1995 from $2.6 million for the comparable period in 1994. The weighted average interest rate spread increased to 3.61% for the first half of 1995 from 3.35% for the first half of 1994. Net interest margin, which is calculated by dividing net interest income by average earning assets, increased by 43 basis points to 4.09% for the first half of 1995 from 3.66% for the same period last year.

Six months ended June 30,	1995			1994		
(In Thousands)	AVERAGE BALANCE	INTEREST	YIELD	AVERAGE BALANCE	INTEREST	YIELD
Loans (1) (2)	$104,971	$4,462	8.50%	$81,915	$3,283	8.02%
Investment securities (3)	42,792	1,221	5.71%	56,054	1,355	4.83%
Short-term investments	3,213	96	5.98%	3,624	63	3.48%
Total earning assets	150,976	5,779	7.66%	141,593	4,701	6.64%
Other assets	5,768			7,679		
Total assets	$156,744			$149,272		
Deposits	$113,820	2,124	3.73%	$113,409	1,761	3.11%
FHLB borrowings	19,041	567	5.96%	15,010	351	4.68%
Total interest-bearing liabilities	132,861	2,691	4.05%	128,419	2,112	3.29%
Weighted average rate spread (4)			3.61%			3.35%
Demand deposits	5,894			5,586		
Other liabilities	1,419			1,007		
Total liabilities	140,174			135,012		
Stockholders' equity	16,570			14,260		
Total liabilities and stockholders' equity	$156,744			$149,272		
Net interest income		$3,088			$2,589	
Net interest margin (5)			4.09%			3.66%

(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 securities available for sale.

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

(5) Represents net interest income divided by average earning assets.

Interest and dividend income increased by $1.1 million for the first six months of 1995 compared to the same period in 1994. This increase is primarily attributable to an increase of approximately $9.4 million in the volume of average earning assets during the period ended June 30, 1995 compared to the period ended June 30, 1994 combined with a 102 basis point rise in the average yield over the same two periods. Interest income on loans increased by $1.2 million over the same two periods primarily as a result of an increase of approximately $23.1 million in average loans outstanding. Over the same two periods, interest and dividends on investments decreased by $134,000 due to sales and principal paydowns on investment securities partially offset by an increase in the weighted average yield.

Total interest expense increased $579,000 for the six month period ended June 30, 1995 compared to the same period in 1994. Interest on deposits increased by $363,000 as a result of higher weighted average rates paid on deposits accompanied by changes in the deposit mix. Interest paid on Federal Home Loan Bank advances for the first half of 1995 increased by $216,000 as compared to the same period in 1994 primarily as a result of a higher weighted average rate accompanied by a $4.0 million increase in average borrowings. The average rate on interest-bearing liabilities increased to 4.05% for the first half of 1995 from 3.29% for the comparable period in 1994.

PROVISION FOR LOAN LOSSES

At June 30, 1995 and 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. A $60,000 provision for loan losses was charged to operations for the first half of 1995 and an $80,000 provision was charged for 1994. The balance of the allowance for loan losses at June 30, 1995 and June 30, 1994 was $1.3 million and $1.2 million, respectively.

OTHER INCOME

Total other income was $218,000 for the six months ended June 30, 1995 as compared to $524,000 for the same period in 1994, a decrease of $306,000 which is primarily attributable to a $282,000 settlement related to the actions of a former president which was received in 1994. In addition, in 1994 the Bank sold $2.4 million in loans at a net gain of $26,000. There were no gains related to the sale of loans for the first half of 1995.

OPERATING EXPENSES

Total operating expenses were $1.9 million, or an annualized 2.4% of average total assets, for the six months ended June 30, 1995 as compared to $2.0 million, or 2.6%, for the same period in 1994. This $100,000 decrease was due primarily to expenses relating to foreclosed properties and other real estate, net. There were $204,000 in foreclosed properties at June 30, 1995 as compared to $1.3 million at June 30, 1994.

INCOME TAXES

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

During the first half of 1995, the Bank recorded $571,000 in tax expense. Offsetting this expense, the Bank recognized an additional deferred tax benefit of $100,000 based on anticipated future income. As a result, the Bank was taxed at an approximate effective rate of 33.9%. During the first half of 1994, $180,000 in tax benefits were recognized.

BALANCE SHEET ANALYSIS - COMPARISON AT JUNE 30, 1995 TO DECEMBER 31, 1994

Assets totaled $162.2 million at June 30, 1995, as compared to $153.2 million at December 31, 1994, an increase of 5.9%.

INVESTMENT SECURITIES

Investments in debt securities that management has the positive intent and ability to hold to maturity are 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.

Investment securities were $40.5 million, or 25% of total assets, at June 30, 1995, a decrease of $2.4 million from $42.9 million at December 31, 1994. At June 30, 1995, securities held to maturity at amortized cost totaled $27.7 million with a fair value of $27.2 million, and debt securities available for sale at fair value totaled $12.8 million. The net unrealized loss on securities available for sale, net of tax was $114,000 at June 30, 1995, an improvement of $411,000 from December 31, 1994.

During the first six months of 1995, proceeds from the sales of $1.5 million in available-for-sale securities were used to fund the growth in the loan portfolio.

LOANS

During the first six months of 1995, total loans outstanding increased by $7.9 million to $108.3 million on June 30, 1995, from $100.4 million at December 31, 1994 attributable primarily to $17.1 million in originated loans offset by amortization, pay-offs and transfers to foreclosed real estate. On June 30, 1995 and December 31, 1994, loans outstanding represented 67% and 66% of total assets, respectively. Loans totaling $798,000 and $505,000 were classified as non-accrual at June 30, 1995 and December 31, 1994, respectively.

Loans by Balance Type

(In Thousands)	June 30, 1995	December 31, 1994
Mortgage loans:		
Residential	$58,858	$57,671
Commercial	37,416	33,763
Construction	8,287	6,404
Equity lines-of-credit	5,083	3,687
Second mortgages	328	249
	109,972	101,774
Less unadvanced loan funds	(2,071)	(1,755)
Total mortgage loans, net	107,901	100,019
Commercial loans:		
Secured	1,064	888
Unsecured	25	71
Total commercial loans	1,089	959
Consumer loans:		
Personal installment	809	934
Education	24	30
Revolving credit	77	81
Total consumer loans	910	1,045
Total loans	109,900	102,023
Less: Allowance for loan losses	(1,277)	(1,338)
Net deferred interest and loan fees	(289)	(287)
Loans, net	$108,334	$100,398

At June 30, 1995, included in the above table are $623,000 in loans which have been classified as impaired pursuant to the adoption of SFAS No. 114. See accompanying Notes to Consolidated Financial Statements.

Loans are carried net of the allowance for loan losses. The allowance is maintained at a level to absorb possible losses within the loan portfolio. At June 30, 1995, the allowance had a balance of $1.3 million, which included $17,000 allocated to loans classified as impaired pursuant to the adoption of SFAS No. 114. At December 31, 1994 the allowance had a balance of $1.3 million.

During the first six months of 1995, foreclosed real estate, net decreased by $235,000 or 54% to $204,000 at June 30, 1995, from $439,000 at December 31, 1994. Effective January 1, 1995, two properties totalling $129,000 which were classified as "in-substance" foreclosure were transferred from the foreclosed real estate category and reclassified as impaired/non-accrual loans pursuant to the adoption of SFAS No. 114. At June 30, 1995, foreclosed real estate, net, was 0.13% of total assets as compared to 0.29% at December 31, 1994. Management is continuing its aggressive posture in divesting properties previously foreclosed and remains optimistic because of the promising increase in residential real estate activity that the region is currently experiencing.

Non-Performing Assets

(In Thousands)	June 30, 1995	December 31, 1994
Non-accrual loans:		
Mortgage loans (1)	$774	$432
Commercial loans	—	48
Installment loans	24	25
Total non-accrual loans	798	505
Foreclosed real estate, net	204	439
Total non-performing assets, net	$1,002	$944
Percentage of non-accrual loans to:		
Loans, net	0.74%	0.50%
Total assets	0.49%	0.33%
Percentage of non-performing assets, net to:		
Loans, net and foreclosed real estate, net	0.92%	0.94%
Total assets	0.62%	0.62%

(1) Includes home equity loans.

DEPOSITS

Deposits increased by $7.0 million to $123.7 million at June 30, 1995 from $116.7 million at December 31, 1994. Core deposits, which include regular, money market, NOW and demand deposits, were $67.3 million, or 54.4% of total deposits, at June 30, 1995. Core deposits were 63.5% of total deposits at December 31, 1994. Certificate accounts were $56.4 million at June 30, 1995 an increase of $13.8 million over the $42.6 million at December 31, 1994.

Deposit Balances by Type

(Dollars in Thousands)	June 30, 1995	% of Total	December 31, 1994	% of Total
Non-certificate accounts:				
Regular	$31,001	25.1%	$ 32,888	28.2%
Money market deposits	19,560	15.8	23,934	20.5
NOW	10,019	8.1	10,584	9.1
Demand	6,745	5.4	6,687	5.7
Total non-certificate accounts	67,325	54.4	74,093	63.5
Term certificates less than $100,000	44,968	36.4	34,679	29.7
Term certificates $100,000 or more	11,386	9.2	7,912	6.8
Total certificate accounts	56,354	45.6	42,591	36.5
Total deposits	$123,679	100.0%	$116,684	100.0%

BORROWINGS

Federal Home Loan Bank (FHLB) advances were $19.0 million at June 30, 1995 and December 31, 1994. At June 30, 1995, advances were fixed rate in nature and had remaining maturities of less than two years.

CAPITAL

During the six month period ended June 30, 1995, stockholders' equity increased by $1.2 million to $17.2 million, primarily due to net income for the six month period of $920,000 and the increase in the value of securities available for sale, offset by the declarations of two cash dividends totalling $0.12 per share.

LIQUIDITY AND CAPITAL RESOURCES

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

At June 30, 1995, the Bank held $12.8 million in available-for-sale securities and during the first six months of 1995 the Bank received $1.5 million in principal payments on its entire investment portfolio. Deposits increased by $7.0 million during the same six month period.

The Bank is a member of the Federal Home Loan Bank and is eligible to obtain both short and long term credit advances. Borrowing capacity is limited to the Bank's available qualified collateral which consists primarily of 1-4 family residential mortgages and certain investment securities. At December 31, 1994, the Bank's qualified collateral totalled $79.6 million. At June 30, 1995, the Bank had $19.0 million in credit advances outstanding with maturities of less than two years.

The Bank can also enter into repurchase agreement transactions should the need for additional liquidity arise. At June 30, 1995, the Bank had no repurchase agreements outstanding.

At June 30, 1995, the Bank had capital of $17.2 million, or 10.6% of total assets, as compared to $16.0 million, or 10.4%, at December 31, 1994. Massachusetts chartered savings banks that are insured by the FDIC are subject to minimum capital maintenance requirements. Regulatory guidelines define the minimum amount of qualifying capital an institution must maintain as a percentage of risk-weighted assets and average total assets.

Regulatory Capital

(Dollars in Thousands)

	June 30, 1995	December 31, 1994
Total Risk-Weighted Assets	$95,313	$87,603
Tier 1 Capital as a Percentage of Risk-Weighted Assets	18.12%	18.84%
Total Capital as a Percentage of Risk-Weighted Assets	19.37%	20.09%
Leverage Ratio	10.87%	10.88%

At June 30, 1995, the Bank exceeded all of the minimum regulatory capital ratio requirements.

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: August 9, 1995

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

Date: August 9, 1995

/s/ Deborah J. Jackson
Vice President & Treasurer

SIGNATURES

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HINGHAM INSTITUTION FOR SAVINGS

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