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 SEPTEMBER 30, 1996

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 October 31, 1996 there were 1,297,500 shares of common stock outstanding.

ITEM 1 - FINANCIAL STATEMENTS

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Balance Sheets

(In Thousands) (Unaudited)	September 30, 1996	December 31, 1995
ASSETS		
Cash and due from banks	$ 4,752	$ 4,515
Interest-bearing deposits	3,124	6,071
Cash and cash equivalents	7,876	10,586
Securities available for sale, at fair value	33,237	39,152
Loans, net of allowance for loan losses of $1,324,000 in 1996 and $1,277,000 in 1995	145,578	119,472
Foreclosed real estate, net	-	34
Banking premises and equipment, net	2,442	2,496
Accrued interest receivable	1,109	1,048
Deferred income tax asset	1,219	1,045
Federal Home Loan Bank stock, at cost	1,225	1,200
Other assets	507	376
Total assets	$ 193,193	$ 175,409
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$ 147,541	$ 133,042
Federal Home Loan Bank advances	24,500	22,000
Accrued interest payable	515	505
Mortgagors' escrow accounts	404	287
Other liabilities	1,493	1,756
Total liabilities	174,453	157,590
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; 1,297,500 shares issued and outstanding at September 30, 1996 and 1,295,000 at December 31, 1995	1,298	1,295
Additional paid-in capital	8,616	8,597
Undivided profits	9,188	8,082
	19,102	17,974
Net unrealized loss on securities available for sale, after tax effect	(362)	(155)
Total stockholders' equity	18,740	17,819
Total liabilities and stockholders' equity	$ 193,193	$ 175,409

See accompanying Notes to Unaudited Consolidated Financial Statements.

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Income

(In Thousands, Except for Per Share Amounts) (Unaudited)	Three Months Ended September 30, 1996	Three Months Ended September 30, 1995	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
Interest and dividend income:				
Loans	$ 2,994	$ 2,382	$ 8,318	$ 6,844
Investment securities	532	614	1,675	1,835
Interest-earning balances	61	52	235	148
Total interest and dividend income	3,587	3,048	10,228	8,827
Interest expense:				
Deposits	1,424	1,221	4,166	3,345
Federal Home Loan Bank advances	354	306	946	873
Total interest expense	1,778	1,527	5,112	4,218
Net interest income	1,809	1,521	5,116	4,609
Provision for loan losses	30	30	69	90
Net interest income after provision for loan losses	1,779	1,491	5,047	4,519
Other income:				
Customer service fees on deposits	101	85	294	255
Loss on sale of investments	-	-	-	(49)
Other	40	44	140	141
Total other income	141	129	434	347
Operating expenses:				
Salaries and employee benefits	573	458	1,675	1,346
Data processing	90	74	247	220
Occupancy and equipment	121	76	361	221
Foreclosed and other real estate, net	(7)	9	-	35
Legal	(1)	(7)	9	53
Deposit insurance	1	(6)	3	146
Other	233	236	708	674
Total operating expenses	1,010	840	3,003	2,695
Income before income taxes	910	780	2,478	2,171
Income tax provision	382	280	1,034	751
Net income	$ 528	$ 500	$ 1,444	$ 1,420
Earnings per common share	$ 0.40	$ 0.39	$ 1.11	$ 1.10
Cash dividends declared per common share	$ 0.09	$ 0.07	$ 0.26	$ 0.19
Weighted average shares outstanding	1,298	1,294	1,297	1,293

See accompanying Notes to Unaudited Consolidated Financial Statements.

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity
For the Nine Months Ended
September 30, 1996 and 1995

(In Thousands) (Unaudited)	Common Stock	Additional Paid-In Capital	Undivided Profits	Net Unrealized Loss on Securities Available for Sale	Total Stockholders' Equity
Balance at December 31, 1994	$ 1,293	$ 8,584	$ 6,629	$ (525)	$ 15,981
Net Income	-	-	1,420	-	1,420
Change in net unrealized loss on securities available for sale, after tax effect	-	-	-	429	429
Stock options exercised, after tax effect	2	13	-	-	15
Cash dividends declared ($0.19 per share)	-	-	(246)	-	(246)
Balance at September 30, 1995	$ 1,295	$ 8,597	$ 7,803	$ (96)	$ 17,599
Balance at December 31, 1995	$ 1,295	$ 8,597	$ 8,082	$ (155)	$ 17,819
Net Income	-	-	1,444	-	1,444
Change in net unrealized loss on securities available for sale, after tax effect	-	-	-	(207)	(207)
Stock options exercised, after tax effect	3	19	-	-	22
Cash dividends declared ($0.26 per share)	-	-	(338)	-	(338)
Balance at September 30, 1996	$ 1,298	$ 8,616	$ 9,188	$ (362)	$ 18,740

See accompanying Notes to Unaudited Consolidated Financial Statements.

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In Thousands) (Unaudited)	Nine Months Ended September 30, 1996	1995
Cash flows from operating activities:		
Net income	$ 1,444	$ 1,420
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	69	90
Provision for losses on foreclosed real estate	-	20
Amortization of premium on investment securities, net of accretion	197	220
Amortization of deferred loan fees, net	(59)	(43)
Depreciation	145	92
Loss on sale of investments, net	-	49
Gain on sale of foreclosed and other real estate	(31)	(3)
Changes in operating assets and liabilities:		
Accrued interest receivable	(61)	(362)
Deferred income tax asset	-	(151)
Other assets	(131)	38
Accrued interest payable and other liabilities	(163)	988
Net cash provided by operating activities	1,410	2,358
Cash flows from investing activities:		
Proceeds from sales of securities available for sale	-	1,463
Purchase of securities available for sale	(3,991)	(4,882)
Purchase of securities held to maturity	-	(2,183)
Proceeds from maturities of securities available for sale	4,324	-
Principal payments received on mortgage-backed securities	5,015	2,560
Loans originated, net of payments received	(26,082)	(11,117)
Additions to foreclosed and other real estate, net of payments	-	(112)
Proceeds from sales of foreclosed and other real estate	31	245
Increase in Federal Home Loan Bank stock	(25)	(206)
Additions to banking premises and equipment	(91)	(685)
Net cash used in investing activities	(20,819)	(14,917)

See accompanying Notes to Unaudited Consolidated Financial Statements.

(continued)

ITEM 1 - FINANCIAL STATEMENTS (continued)

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Cash Flows (concluded)

(In Thousands) (Unaudited)	Nine Months Ended September 30, 1996	1995
Cash flows from financing activities:		
Increase in deposits, net	$ 14,499	$ 9,349
Increase in mortgagors' escrow accounts	117	73
Proceeds from stock options exercised	11	8
Cash dividends paid on common stock	(428)	(155)
Proceeds from Federal Home Loan Bank advances with maturities of 3 months or more	18,000	38,500
Repayment of Federal Home Loan Bank advances with maturities of 3 months or more	(15,500)	(33,500)
Net cash provided by financing activities	16,699	14,275
Net increase (decrease) in cash and cash equivalents	(2,710)	1,716
Cash and cash equivalents at beginning of year	10,586	3,908
Cash and cash equivalents at end of period	$ 7,876	$ 5,624
Supplementary information:		
Interest paid on deposit accounts	$ 4,162	$ 3,262
Interest paid on borrowed funds	940	857
Income taxes paid (refunded)	1,452	(2)
Financed sales of foreclosed real estate	34	205
Foreclosed real estate transferred to loans	-	129

See accompanying Notes to Unaudited Consolidated Financial Statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

September 30, 1996 and 1995

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, 1995 filed on Form F-2.

Financial information as of September 30, 1996 and the results of operations and cash flows for the three month and nine month periods ended September 30, 1996 and 1995 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.

ACCOUNTING POLICY CHANGES

In March 1995, the Financial Accounting Standards Board ("FASB") issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment. If the carrying amount of the asset exceeds its fair value, an impairment loss shall be recognized. This Statement was adopted by the Bank on January 1, 1996 and had no impact on the Bank's consolidated financial statements.

In May 1995, the FASB issued SFAS No. 122, "Accounting for Mortgage Servicing Rights." SFAS No. 122 amends SFAS No. 65 to eliminate the accounting distinction between rights to service mortgage loans for others that are acquired through loan origination activities and those acquired through purchased transactions. A mortgage banking enterprise that acquires mortgage servicing rights through either the purchase or origination of mortgage loans and sells or securitizes those loans with servicing rights retained should allocate the total cost of the mortgage loans to the mortgage servicing rights and the loans based on their relative fair values. The Statement also requires that the capitalized mortgage servicing rights be evaluated for impairment based on the fair value of those rights.

This Statement was adopted by the Bank on January 1, 1996 and had no impact on the consolidated financial statements as of and for the nine months ended September 30, 1996 because no loans were sold with servicing rights retained during that period. Retroactive capitalization of mortgage servicing rights retained in transactions in which a mortgage banking enterprise originates mortgage loans and sells or securitizes those loans before the adoption of this Statement is prohibited.

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." This Statement encourages all entities to adopt a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees," whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. Entities electing to remain with the accounting in Opinion

No. 25 must make pro forma disclosures of net income and earnings per share, as if the fair value based method of accounting had been applied.

Generally, stock options issued under the Bank's stock option plan have no intrinsic value at the grant date, and under Opinion No. 25 no compensation cost is recognized for them. The accounting requirements of this Statement are generally effective for transactions entered into in fiscal years that begin after December 15, 1995. The disclosure requirements of this Statement are generally effective for financial statements for fiscal years beginning after December 15, 1995. The Bank will continue its current accounting treatment for stock options and make the pro forma disclosures required by this Statement in its annual audited financial statements at December 31, 1996.

COMMITMENTS

At September 30, 1996, there were outstanding commitments to advance construction funds and to originate loans in the amount of $16.2 million and commitments to advance existing home equity, letters of credit and other credit lines in the amount of $7.3 million.

DIVIDEND PAYMENT

On September 26, 1996, the Board of Directors declared a $0.09 cash dividend to all stockholders of record as of October 11, 1996, payable October 21, 1996.

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

RESULTS OF OPERATIONS FOR THE THREE MONTH PERIODS ENDED SEPTEMBER 30, 1996 AND 1995

GENERAL

The Bank reported net income of $528,000, or $0.40 per share for the quarter ended September 30, 1996 as compared with $500,000 or $0.39 per share for the same period in 1995. Earnings for 1995 were positively impacted by tax benefits. On a pre-tax basis, the Bank reported income of $910,000 for the third quarter of 1996 as compared to $780,000 for the third quarter of 1995, an increase of 17%.

NET INTEREST INCOME

Net interest income increased by $288,000, to $1.8 million, for the third quarter of 1996 from the comparable quarter in 1995. Contributing to this increase was an improvement in the mix of earning assets. Average loans were 78% of average total earning assets during the third quarter of 1996. In comparison in 1995, average loans were 71% of average total earning assets.

Three months ended September 30,	1996			1995		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
(In Thousands)						
Loans (1) (2)	$ 142,743	$ 2,994	8.39 %	$ 110,939	$ 2,382	8.59 %
Investment securities (3) (4)	36,208	532	5.88	42,538	614	5.77
Interest-earning balances	4,543	61	5.37	3,459	52	6.01
Total earning assets	183,494	3,587	7.82	156,936	3,048	7.77
Other assets	6,443			6,395		
Total assets	$ 189,937			$ 163,331		
Interest-bearing deposits (5)	$ 137,903	1,424	4.13	$ 118,047	1,221	4.14
FHLB advances	23,985	354	5.90	19,333	306	6.33
Total interest-bearing liabilities	161,888	1,778	4.39	137,380	1,527	4.45
Demand deposits	8,235			6,654		
Other liabilities	1,242			1,828		
Total liabilities	171,365			145,862		
Stockholders' equity	18,572			17,469		
Total liabilities and stockholders' equity	$ 189,937			$ 163,331		
Net interest income		$ 1,809			$ 1,521	
Weighted average rate spread			3.43 %			3.32 %
Net interest margin (6)			3.94 %			3.88 %

(1) Gross of allowance for loan losses.

(2) Includes average non-accrual loans.

(3) Excludes the impact of the average net unrealized loss on securities available for sale.

(4) Includes Federal Home Loan Bank stock.

(5) Includes mortgagors' escrow accounts.

(6) Net interest income divided by average total earning assets.

Interest and dividend income increased by $539,000 for the third quarter of 1996 compared to the third quarter of 1995. This improvement is primarily attributable to an increase of approximately $26.6 million, or 17%, in the volume of average earning assets during the quarter ended September 30, 1996 compared to the quarter ended September 30, 1995. Interest income on loans increased by $612,000 over the same two periods primarily as a result of an increase of approximately $31.8 million in average loans outstanding partially offset by a 20 basis point decrease in the average yield. Over the same two periods, interest and dividends on investments decreased by $82,000 due to maturities, calls and principal paydowns on investment securities partially offset by an increase in the weighted average yield from 5.77% to 5.88%. Interest income on interest-earning balances increased $9,000 over the two periods due to a $1.1 million increase in average balances partially offset by a 64 basis point reduction in the average yield. The yield on total interest-earning assets was 7.82% for the quarter ended September 30, 1996 as compared to 7.77% for the quarter ended September 30, 1995.

Total interest expense increased $251,000 for the quarter ended September 30, 1996 compared to the quarter ended September 30, 1995. Interest on deposits increased by $203,000 as a result of a $19.9 million increase in average deposit balances. Interest expense paid on Federal Home Loan Bank advances for the third quarter of 1996 increased by $48,000 as compared to the same quarter in 1995 as a result of a $4.7 million increase in average borrowings partially offset by a 43 basis point reduction in the weighted average rate. Overall, the average rate on interest-bearing liabilities decreased to 4.39% for the third quarter of 1996 from 4.45% in the comparable quarter of 1995.

PROVISION FOR LOAN LOSSES

At September 30, 1996 and 1995, 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 third quarter of both 1996 and 1995. The balance of the allowance for loan losses at September 30, 1996 was $1.3 million.

OTHER INCOME

Total other income was $141,000 for the quarter ended September 30, 1996 as compared to $129,000 for the same quarter of 1995, an increase of $12,000, or 9%. Other income is comprised of customer service fees and other items. Contributing to the increase in other income was growth of $16,000 in customer service fees resulting primarily from an increase in the number of customer accounts.

OPERATING EXPENSES

Total operating expenses were $1.0 million, or an annualized 2.13% of average total assets, for the quarter ended September 30, 1996 as compared to $840,000, or 2.06%, for the same quarter of 1995. Both the salaries and employee benefits and occupancy and equipment categories of expenses increased when comparing the two quarters as a result of the addition of two new branches in the towns of Scituate and Cohasset during the fourth quarter of 1995. Foreclosed and other real estate, net, of $(7,000) is a result of a $31,000 gain on the sale of the Bank's remaining foreclosed asset, offset by legal expenses incurred in potential foreclosure actions.

<u>INCOME TAXES</u>

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

During the third quarter of 1996, the Bank recorded $382,000 in tax expense which resulted in an approximate effective rate of 42.0%. Comparably, in 1995, the Bank recorded $280,000 in tax expense which was net of a $50,000 deferred tax benefit related to federal tax net operating loss carryforwards, resulting in an approximate effective rate of 35.9%. The Bank utilized its remaining federal tax net operating loss carryforwards during 1995.

The Bank plans to employ strategies based on recent tax law changes which will have the effect of lowering the Bank's effective tax rate beginning in the fourth quarter of 1996.

RESULTS OF OPERATIONS FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 1996 AND 1995

GENERAL

The Bank reported net income of $1.444 million, or $1.11 per share for the nine months ended September 30, 1996 as compared with $1.420 million or $1.10 per share for the same period in 1995. Earnings for 1995 were positively impacted by tax benefits. Pre-tax income for the nine months ended September 30, 1996 and 1995 was $2.5 million and $2.2 million, respectively, an increase of $307,000, or 14%.

NET INTEREST INCOME

Net interest income increased to $5.1 million for the first nine months of 1996 from $4.6 million for the comparable period in 1995, a result of a 15% increase in average earnings assets. Partially offsetting the increase in earning assets was a decrease in the weighted average interest rate spread which was 3.36% for the first nine months of 1996 as compared to 3.50% for the first nine months of 1995. Net interest margin, which is calculated by dividing net interest income by average earning assets also decreased by 14 basis points to 3.88% for the first nine months of 1996 from 4.02% for the same period last year.

Nine months ended September 30,	1996			1995		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
(In Thousands)						
Loans (1) (2)	$ 131,944	$ 8,318	8.41 %	$ 106,982	$ 6,844	8.53 %
Investment securities (3) (4)	38,084	1,675	5.86	42,706	1,835	5.73
Interest-earning balances	5,869	235	5.34	3,296	148	5.99
Total earning assets	175,897	10,228	7.75	152,984	8,827	7.69
Other assets	6,585			5,980		
Total assets	$ 182,482			$ 158,964		
Interest-bearing deposits (5)	$ 133,942	4,166	4.15	$ 115,244	3,345	3.87
FHLB advances	21,326	946	5.91	19,139	873	6.08
Total interest-bearing liabilities	155,268	5,112	4.39	134,383	4,218	4.19
Demand deposits	7,624			6,150		
Other liabilities	1,312			1,502		
Total liabilities	164,204			142,035		
Stockholders' equity	18,278			16,929		
Total liabilities and stockholders' equity	$ 182,482			$ 158,964		
Net interest income		$ 5,116			$ 4,609	
Weighted average rate spread			3.36 %			3.50 %
Net interest margin (6)			3.88 %			4.02 %

(1) Gross of allowance for loan losses.

(2) Includes average non-accrual loans.

(3) Excludes the impact of the average net unrealized loss on securities available for sale.

(4) Includes Federal Home Loan Bank stock.

(5) Includes mortgagors' escrow accounts.

(6) Net interest income divided by average total earning assets.

Interest and dividend income increased by $1.4 million for the first nine months of 1996 as compared to the same period in 1995. This increase is primarily attributable to an increase of approximately $22.9 million in the volume of average earning assets during the period ended September 30, 1996 compared to the period ended September 30, 1995 combined with a 6 basis point rise in the average yield over the same two periods. Interest income on loans increased by $1.5 million over the same two periods primarily as a result of an increase of approximately $25.0 million in average loans outstanding partially offset by a decrease in the average yield from 8.53% to 8.41%. Over the same two periods, interest and dividends on investments decreased by $160,000 due to sales, maturities and principal paydowns on investment securities partially offset by an increase in the weighted average yield from 5.73% to 5.86%. Interest income on short-term investments increased $87,000 due to a $2.6 million increase in average balances partially offset by a 65 basis point decline in the average yield.

Total interest expense increased $894,000 for the nine month period ended September 30, 1996 compared to the same period in 1995. Interest on deposits increased by $821,000 as a result of higher weighted average rates paid on deposits accompanied by higher balances and changes in the deposit mix. The average deposit rate increased from 3.87% to 4.15% and average balances increased from $115.2 million to $133.9 million. Interest expense on Federal Home Loan Bank advances for the first nine months of 1996 increased by $73,000 as compared to the same period in 1995 primarily as a result of a $2.2 million increase in average borrowings offset by a lower weighted average rate. Overall, the average rate on interest-bearing liabilities increased to 4.39% for the first nine months of 1996 from 4.19% for the comparable period in 1995.

PROVISION FOR LOAN LOSSES

At September 30, 1996 and 1995, 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. During the first nine months of 1996, the Bank recovered approximately $26,000 in loans previously charged off and a $69,000 provision for loan losses was charged to operations. A $90,000 provision was charged for 1995. The balance of the allowance for loan losses at September 30, 1996 was $1.3 million.

OTHER INCOME

Total other income was $434,000 for the nine months ended September 30, 1996 as compared to $347,000 for the same period in 1995, an increase of $87,000 which is primarily attributable to a $49,000 loss on sale of investments which occurred in 1995. Customer service fees on deposits increased by $39,000 as a result of an increase in the number of customer accounts.

OPERATING EXPENSES

Total operating expenses were $3.0 million, or an annualized 2.19% of average total assets, for the nine months ended September 30, 1996 as compared to $2.7 million, or 2.26%, for the same period in 1995. This $308,000 increase in expenses was due primarily to salaries and employee benefits and occupancy and equipment expenses which increased due to two new branches which opened in the fourth quarter of 1995. Deposit insurance expense declined by $143,000 over the two periods due to lower FDIC insurance premiums.

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 nine months of 1996, the Bank recorded $1.0 million in tax expense which resulted in an approximate effective rate of 41.7%. Comparably, in 1995, the Bank recorded $751,000 in tax expenses which was net of a $150,000 deferred tax benefit related to federal tax net operating loss carryforwards, resulting in an approximate effective rate of 34.6%. The Bank utilized its remaining federal tax net net operating loss carryforwards during 1995.

BALANCE SHEET ANALYSIS - COMPARISON AT SEPTEMBER 30, 1996 TO DECEMBER 31, 1995

Assets totaled $193.2 million at September 30, 1996, as compared to $175.4 million at December 31, 1995, an increase of 10%.

INVESTMENT SECURITIES

Investment securities were $33.2 million, or 17% of total assets, at September 30, 1996, a decrease of $6.0 million from $39.2 million at December 31, 1995. During the first nine months of 1996 there were $4.3 million in calls and maturities and $5.0 million in principal paydowns offset by the purchase of $4.0 million in agency securities.

The investment portfolio is comprised of U.S. Government and federal agency obligations and mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). Mortgage-backed issues comprised 73% of the portfolio at September 30, 1996 and 78% at December 31, 1995.

At September 30, 1996 and December 31, 1995, the Bank's entire investment portfolio was classified as available for sale and reflected on the balance sheet at fair value with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity, net of tax effect. The net unrealized loss on securities available for sale, net of tax was $362,000 at September 30, 1996, a change of $207,000 from December 31, 1995, a result of deterioration in the bond market. The fair value of securities fluctuates with the movement of interest rates. Generally, during periods of rising interest rates, the fair values decline whereas the opposite may hold true during a decreasing interest rate environment.

LOANS

During the first nine months of 1996, total loans outstanding increased by $26.1 million to $145.6 million on September 30, 1996, from $119.5 million at December 31, 1995 attributable primarily to $45.5 million in originated loans offset by amortization and payoffs. On September 30, 1996 and December 31, 1995, loans outstanding represented 75% and 68% of total assets, respectively.

Loan Balances by Type

(In Thousands)	September 30, 1996	December 31, 1995
Mortgage loans:		
Residential	$ 70,238	$ 63,895
Commercial	59,446	43,734
Construction	10,710	7,030
Equity lines-of-credit	7,677	5,698
Second mortgages	205	279
	148,276	120,636
Less unadvanced loan funds	(3,377)	(1,593)
Total mortgage loans, net	144,899	119,043
Commercial loans:		
Secured	1,163	933
Unsecured	39	45
Total commercial loans	1,202	978
Consumer loans:		
Personal installment	941	934
Education	15	22
Revolving credit	69	65
Total consumer loans	1,025	1,021
Total loans	147,126	121,042
Less: Allowance for loan losses	(1,324)	(1,277)
Net deferred interest and loan fees	(224)	(293)
Loans, net	$ 145,578	$ 119,472

Included in the above table are loans which have been classified as impaired pursuant to the adoption of SFAS No. 114 in the amounts of $1.5 million at September 30, 1996 and $638,000 at December 31, 1995.

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 September 30, 1996 and December 31, 1995, the allowance had a balance of $1.3 million, which included $76,000 and $58,000, respectively, allocated to loans classified as impaired pursuant to the adoption of SFAS No. 114.

Non-accrual loans increased by $835,000 to $1.5 million at September 30, 1996 from $638,000 at December 31, 1995. At September 30, 1996, the Bank held no foreclosed assets and at December 31, 1995, the Bank held only one foreclosed asset at a net balance of $34,000. At September 30, 1996, non-performing assets were 0.76% of total assets.

Non-Performing Assets

(In Thousands)	September 30, 1996	December 31, 1995
Non-accrual loans:		
Mortgage loans (1)	$1,473	$630
Commercial loans	—	6
Installment loans	—	2
Total non-accrual loans	$1,473	$638
Foreclosed real estate, net	—	34
Total non-performing assets	$1,473	$672
Percentage of non-accrual loans to:		
Loans, net	1.01%	0.53%
Total assets	0.76%	0.36%
Percentage of non-performing assets, net to:		
Loans, net and foreclosed real estate, net	1.01%	0.56%
Total assets	0.76%	0.38%

(1) Includes home equity loans.

DEPOSITS

Deposits increased by $14.5 million to $147.5 million at September 30, 1996 from $133.0 million at December 31, 1995. Core deposits, which include regular, money market, NOW and demand deposits, were $72.9 million, or 49.4% of total deposits, at September 30, 1996. Core deposits were 52.0% of total deposits at December 31, 1995. Certificate accounts were $74.7 million at September 30, 1996, an increase of $10.8 million over the $63.9 million at December 31, 1995.

Deposit Balances by Type

(Dollars in Thousands)	September 30, 1996	% of Total	December 31, 1995	% of Total
Non-certificate accounts:				
Regular	$ 31,221	21.2%	$ 31,119	23.4%
Money market deposits	20,510	13.9	19,421	14.6
NOW	12,732	8.6	12,026	9.0
Demand	8,405	5.7	6,613	5.0
Total non-certificate accounts	72,868	49.4	69,179	52.0
Term certificates less than $100,000	56,275	38.1	50,422	37.9
Term certificates $100,000 or more	18,398	12.5	13,441	10.1
Total certificate accounts	74,673	50.6	63,863	48.0
Total deposits	$147,541	100.0%	$133,042	100.0%

BORROWINGS

Federal Home Loan Bank of Boston (FHLB) advances were $24.5 million at September 30, 1996 as compared to $22.0 million at December 31, 1995. These advances are fixed rate in nature and have remaining maturities of less than two years. During the first nine months of 1996, there were $18.0 million in borrowings and $15.5 million in maturities.

CAPITAL

During the nine month period ended September 30, 1996, stockholders' equity increased by $921,000 to $18.7 million, due to net income for the period of $1.4 million and the exercise of stock options, offset by the decrease in the value of securities available for sale and the declarations of $0.26 per share in cash dividends.

LIQUIDITY AND CAPITAL RESOURCES

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

At September 30, 1996, the Bank held $33.2 million in available-for-sale securities and during the first nine months of 1996 the Bank received $5.0 million in principal payments on its investment portfolio. Deposits increased by $14.5 million during the same nine month period.

The Bank is a member of the Federal Home Loan Bank of Boston and is eligible to obtain both short and long term credit advances. Borrowing capacity is limited to the Bank's available qualified collateral which consists primarily of certain 1-4 family residential mortgages and certain investment securities. At December 31, 1995, the Bank's qualified collateral totalled $89.7 million. At September 30, 1996, the Bank had $24.5 million in credit advances outstanding with remaining maturities of less than two years.

The Bank can also enter into repurchase agreement transactions should the need for additional liquidity arise. At September 30, 1996, the Bank had no repurchase agreements outstanding.

At September 30, 1996, the Bank had capital of $18.7 million, or 9.7% of total assets, as compared to $17.8 million, or 10.2%, at December 31, 1995. 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)

	September 30, 1996	December 31, 1995	Minimum Regulatory Ratios
Tier 1 Capital as a Percentage of Risk-Weighted Assets	15.43%	17.05%	4.00%
Total Capital as a Percentage of Risk-Weighted Assets	16.50%	18.26%	8.00%
Leverage Ratio	10.03%	10.33%	3.00-5.00%
Total Risk-Weighted Assets	$123,783	$105,414	

At September 30, 1996 and December 31, 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: November 12, 1996

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

Date: November 12, 1996

/s/ Deborah J. Jackson
Vice President & Treasurer