

Hingham Institution for Savings: Bank Announces Quarterly Earnings

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HINGHAM, Mass.--(BUSINESS WIRE)--July 20, 2006--HINGHAM INSTITUTION FOR SAVINGS (Nasdaq:HIFS), Hingham, Massachusetts announced second quarter earnings for 2006. Net income for the quarter ended June 30, 2006 was \$1,109,000 or \$0.52 per share as compared to net income of \$1,568,000 or \$0.75 per share for the same period last year.

Assets at June 30, 2006 were \$663,053,000 and represented a 13% increase over June 30, 2005. Asset growth was most notable in the loan category which increased \$71.6 million, or 16%, over the same period. Deposits increased to \$391,782,000 at June 30, 2006, a 10% increase over the balance at June 30, 2005.

The annualized Return on Average Assets and Return on Average Equity for the quarter were .69% and 8.85% respectively.

Increases in capital were also noted and at June 30, 2006, the Bank reported book value per share of \$23.68, a 6% increase from June 30, 2005.

President Robert H. Gaughen, Jr. stated "I'm pleased to report solid earnings despite the compression of the net interest margin that continues to challenge the banking industry. We have been successful in mitigating these pressures by our continued ability to expand our loan portfolio. Equally important, our asset quality remained exceptional. At quarter end, the Bank had only two nonperforming loans, one of which was paid in full in July 2006 resulting in no loss of principal or interest. The remaining smaller nonperforming loan represents no risk of loss. Earnings for the second quarter of 2006 were impacted by expenses relating to the Bank's new Boston branch which is scheduled to open this Fall. Additionally, the Federal Home Loan Bank, pursuant to new capital guidelines, delayed the declaration of their regular second quarter dividend resulting in a pretax negative impact to us of approximately \$150,000. This dividend is expected to be declared during the third quarter of 2006."

Hingham Institution for Savings is a Massachusetts-chartered savings bank located in Hingham, Massachusetts. Incorporated in 1834, it is the oldest financial institution headquartered in Hingham and one of the oldest in the Commonwealth. The Bank's main offices are located on Main Street, Hingham, Massachusetts 02043, phone (781) 749-2200. The Bank also maintains branch offices in South Hingham and the neighboring towns of Cohasset, Hull, Scituate, and Weymouth.

The Bank's shares of common stock are listed and traded on The Nasdaq Stock Market under the symbol HIFS.

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Balance Sheets

	June 30, 2006	June 30, 2005
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(Unaudited)	(\$ in thousands except per share amounts)	
ASSETS		
Cash and due from banks	\$ 7,199	\$ 7,635
Short term investments	10,313	9,134
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Cash and cash equivalents	17,512	16,769
Certificates of deposit	5,367	5,196
Securities available for sale, at fair value	91,645	89,990
Federal Home Loan Bank stock, at cost	11,187	9,296
Loans, net of allowance for loan losses of \$3,463,000 in 2006 and \$3,203,000 in 2005	516,923	445,278
Cash value of life insurance	11,984	11,532
Banking premises and equipment, net	3,324	3,455
Accrued interest receivable	2,819	2,457
Deferred income tax asset, net	1,712	1,384
Other assets	580	456
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Total assets	\$663,053	\$585,813
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$391,782	\$356,196
Federal Home Loan Bank advances	217,687	179,939
Mortgagors' escrow accounts	1,419	1,338
Accrued interest payable	678	419
Other liabilities	1,383	1,287
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Total liabilities	612,949	539,179
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Commitments and contingencies

Stockholders' equity:

Preferred stock, \$1.00 par value, 2,500,000 shares authorized; none issued	--	--
Common stock, \$1.00 par value, 5,000,000 shares authorized; shares issued and outstanding: 2,116,250 at June 30, 2006 and 2,090,250 at June 30, 2005	2,116	2,090
Additional paid-in capital	10,230	9,679
Undivided profits	39,181	35,791
Accumulated other comprehensive loss	(1,423)	(926)
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Total stockholders' equity	50,104	46,634
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Total liabilities and stockholders' equity	\$663,053	\$585,813
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Book value per share	\$ 23.68	\$ 22.31
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HINGHAM INSTITUTION FOR SAVINGS

Consolidated Statements of Income

(In Thousands, Except for Per Share Amounts)	Three Months		Six Months	
	Ended		Ended	
	June 30,	June 30,	June 30,	June 30,
	2006	2005	2006	2005
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(Unaudited)				
Interest and dividend income:				
Loans	\$7,961	\$6,594	\$15,557	\$12,933
Debt securities	803	595	1,535	1,162
Equity securities	21	112	181	214
Short term investments and certificates of deposit	106	62	209	135
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Total interest and dividend income	8,891	7,363	17,482	14,444
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Interest expense:				
Deposits	2,426	1,336	4,487	2,568
Federal Home Loan Bank advances	2,578	1,472	4,899	2,805
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Total interest expense	5,004	2,808	9,386	5,373
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Net interest income	3,887	4,555	8,096	9,071
Provision for loan losses	78	82	147	131
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Net interest income after provision for loan losses	3,809	4,473	7,949	8,940
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Other income:				
Customer service fees on deposits	255	233	498	446
Increase in cash value of life insurance	120	112	228	216
Other	47	44	97	98
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Total other income	422	389	823	760
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Operating expenses:				
Salaries and employee benefits	1,505	1,442	3,030	2,886
Data processing	183	191	358	387
Occupancy and equipment	259	233	506	478
Other	581	491	1,129	1,012
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Total operating expenses	2,528	2,357	5,023	4,763
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Income before income taxes	1,703	2,505	3,749	4,937
Income tax provision	594	937	1,338	1,852
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Net income	\$1,109	\$1,568	\$ 2,411	\$ 3,085
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Cash dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.40	\$ 0.39
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Weighted average shares outstanding:

Basic	2,116	2,090	2,115	2,090
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Diluted	2,119	2,106	2,119	2,106
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Earnings per share:				
Basic	\$ 0.52	\$ 0.75	\$ 1.14	\$ 1.48
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Diluted	\$ 0.52	\$ 0.75	\$ 1.14	\$ 1.47
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Return on average equity	8.85%	13.59%	9.69%	13.51%
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Contacts

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