

Hingham Institution for Savings Announces Quarterly Earnings

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HINGHAM, Mass.--(BUSINESS WIRE)--HINGHAM INSTITUTION FOR SAVINGS (Nasdaq – HIFS), announced third quarter earnings for 2006. Net income for the quarter ended September 30, 2006 was \$1,239,000 or \$0.59 (basic) per share as compared to net income of \$1,541,000 or \$0.74 (basic) per share for the same period last year.

Assets at September 30, 2006 were \$678,369,000 and represented a 12% increase over September 30, 2005. Asset growth was most notable in the loan category which increased \$62,261,000, or 13%, over the same period. Deposits increased to \$386,906,000 at September 30, 2006, a 5% increase over the balance at September 30, 2005.

The annualized Return on Average Assets and Return on Average Equity for the 2006 quarter were .75% and 9.72% respectively.

Increases in capital were also noted and at September 30, 2006, the Bank reported book value per share of \$24.34, a 7% increase from September 30, 2005.

President Robert H. Gaughen, Jr. stated “Our earnings remain solid despite the compression of the net interest margin that continues to challenge the banking industry. We have been successful to some degree in mitigating these pressures by our continued ability to expand our loan portfolio. Equally important, our asset quality remains exceptional. At quarter end, the Bank had no foreclosed property and only two nonperforming loans representing a minimal .03% of total loans.”

As announced last quarter the Federal Home Loan bank, pursuant to new capital guidelines, delayed the declaration of their regular second quarter dividend. That dividend was declared during the third quarter (along with the regular third quarter dividend) resulting in additional pretax income of approximately \$150,000. Earnings for the third quarter of 2006 were also impacted by approximately \$60,000 of expenses incurred relating to the Bank’s new Boston branch which opened October 2, 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. It opened its newest Branch Office in Boston’s South End on October 2, 2006.

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

	September 30, 2006	September 30, 2005
<i>(Unaudited)</i>	<i>(\$ in thousands except per share amounts)</i>	
ASSETS		
Cash and due from banks	\$ 8,105	\$ 7,024
Short-term investments	9,370	3,777
Cash and cash equivalents	17,475	10,801
Certificates of deposit	5,058	5,196
Securities available for sale, at fair value	92,416	90,765
Federal Home Loan Bank stock, at cost	12,041	9,571
Loans, net of allowance for loan losses of \$3,534,000 in 2006 and \$3,245,000 in 2005	530,550	468,289
Cash value of life insurance	12,099	11,647
Banking premises and equipment, net	3,722	3,384
Accrued interest receivable	3,067	2,465
Deferred income tax asset, net	1,402	1,529
Other assets	539	556
Total assets	\$ 678,369	\$ 604,203
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$ 386,906	\$ 367,353
Federal Home Loan Bank advances	236,130	185,864
Mortgagors' escrow accounts	1,540	1,519
Accrued interest payable	713	475
Other liabilities	1,581	1,420
Total liabilities	626,870	556,631
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; 2,116,250 and 2,094,250 shares issued and
outstanding at September 30, 2006 and 2005,

respectively

Additional paid-in capital

2,116

2,094

10,230

9,762

Undivided profits

39,998

36,914

Accumulated other comprehensive loss

(845)

(1,198)

Total stockholders' equity

51,499

47,572

Total liabilities and stockholders' equity

\$ 678,369

\$ 604,203

Book value per share

\$ 24.34

\$ 22.72

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Statements of Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
<i>(In Thousands, Except for Per Share Amounts)</i>	2006	2005	2006	2005
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 8,468	\$ 6,931	\$ 24,025	\$ 19,864
Debt securities	875	618	2,410	1,780
Equity securities	320	119	501	333
Short term investments and certificates of deposit	99	75	308	210
Total interest and dividend income	9,762	7,743	27,244	22,187
Interest expense:				
Deposits	2,740	1,541	7,227	4,109
Federal Home Loan Bank advances	2,938	1,671	7,837	4,476
Total interest expense	5,678	3,212	15,064	8,585
Net interest income	4,084	4,531	12,180	13,602
Provision for loan losses	71	42	218	173
Net interest income after provision for loan losses	4,013	4,489	11,962	13,429
Other income:				
Customer service fees on deposits	252	230	750	676
Increase in cash value of life insurance	115	115	343	331
Other	38	44	135	142
Total other income	405	389	1,228	1,149
Operating expenses:				
Salaries and employee benefits	1,528	1,445	4,558	4,331
Data processing	186	194	544	581
Occupancy and equipment	257	235	763	713
Other	521	541	1,650	1,553
Total operating expenses	2,492	2,415	7,515	7,178
Income before income taxes	1,926	2,463	5,675	7,400
Income tax provision	687	922	2,025	2,774
Net income	\$ 1,239	\$ 1,541	\$ 3,650	\$ 4,626

Cash dividends declared per common share	\$ <u>0.20</u>	\$ <u>0.20</u>	\$ <u>0.60</u>	\$ <u>0.59</u>
Weighted average shares outstanding				
Basic	<u>2,116</u>	<u>2,092</u>	<u>2,116</u>	<u>2,091</u>
Diluted	<u>2,119</u>	<u>2,107</u>	<u>2,119</u>	<u>2,107</u>
Earnings per share				
Basic	\$ <u>0.59</u>	\$ <u>0.74</u>	\$ <u>1.73</u>	\$ <u>2.21</u>
Diluted	\$ <u>0.58</u>	\$ <u>0.73</u>	\$ <u>1.72</u>	\$ <u>2.20</u>
Return on average equity	<u>9.72 %</u>	<u>12.97 %</u>	<u>9.70 %</u>	<u>13.32 %</u>

Contacts

Hingham Institution for Savings

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or

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