

Hingham Institution for Savings Reports 43% Increase in Quarterly Earnings

July 21, 2009 10:29 AM Eastern Daylight Time

HINGHAM, Mass.--(BUSINESS WIRE)--HINGHAM INSTITUTION FOR SAVINGS (NASDAQ – HIFS), Hingham, Massachusetts announced second quarter earnings for 2009. Net income for the quarter ended June 30, 2009 was \$2,023,000 or \$0.95 per share (basic and diluted) as compared to \$1,416,000 or \$0.67 per share (basic and diluted) for the same period last year. The Bank's return on average equity for the second quarter of 2009 was 13.02%, compared to 9.99% for the same period in 2008. Net income for the first half of 2009 was \$3,595,000 or \$1.69 per share (basic and diluted) as compared to \$2,703,000 or \$1.27 per share (basic and diluted) for the same period last year. The Bank's return on average equity for the first half of 2009 was 11.70% compared to 9.63% for the same period in 2008.

Strong growth trends of recent years continued, as deposits increased to \$585,914,000 representing a recent record 25.3% increase from June 30, 2008. Loans increased to \$692,274,000 representing a 10.6% increase from June 30, 2008 and total assets increased to \$861,963,000 representing a 10.7% increase from June 30, 2008. Stockholders' equity increased to \$62,461,000 as of June 30, 2009 representing a 10.0% increase from June 30, 2008 with a related increase in book value per share to \$29.40 from \$26.77.

President Robert H. Gaughen, Jr. stated, "We're pleased to report continued growth and consistent strength as our quarterly earnings represent a 43% increase over the same period last year and our earnings for the first half of 2009 represent a 33% increase over the first half of 2008. These results include a significant provision for loan losses of \$450,000 during the second quarter for a total of \$1.0 million for the first half of 2009. This provision was made proactively in light of general economic conditions as the Bank experienced no net loan losses year to date. In addition as of June 30, 2009, the Bank had no foreclosed property. Non-performing assets totaled 1.51% of total assets up from .91% at December 31, 2008 and 1.14% at June 30, 2008. We believe these loans are well collateralized and present minimal risk of loss. We are actively pursuing resolution on these credits and believe that our conservative underwriting standards will continue to provide sufficient protection.

President Gaughen added, "As with all federally insured banking institutions, the Bank was required to record a one-time FDIC insurance assessment representing approximately \$400,000 (pre-tax) in the second quarter of 2009. The growth in our balance sheet combined with favorable interest margins has allowed us to absorb both this assessment and significantly increase our provision for loan losses. The Bank has also been proactive in managing its balance sheet. During the quarter, the Bank sold \$10.9 million in fixed rate loans and recorded a pre-tax gain of \$318,000. This transaction allowed us to reduce our long-term interest rate risk while providing a positive economic benefit to current earnings. Our goal remains to vigorously manage asset quality, effectively control costs and protect our earnings."

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 office is 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, Weymouth, Norwell, as well as the South End of Boston. 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, 2009	June 30, 2008
<i>(Unaudited)</i>	<i>(\$ in thousands except per share amounts)</i>	
ASSETS		
Cash and due from banks	\$ 15,023	\$ 10,100
Short-term investments	10,370	40,300
Cash and cash equivalents	25,393	50,400
Certificates of deposit	13,399	8,400
Securities available for sale, at fair value	92,710	56,900
Federal Home Loan Bank stock, at cost	13,373	12,500
Loans, net of allowance for loan losses of \$5,550,000 in 2009 and \$4,019,000 in 2008	692,274	625,800
Bank-owned life insurance	13,389	12,900
Premises and equipment, net	5,456	5,700
Accrued interest receivable	3,375	2,800
Deferred income tax asset, net	1,431	1,300
Other real estate owned	0	700
Other assets	1,163	1,000
Total assets	\$ 861,963	\$ 778,300

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits	\$ 585,914	\$ 467,500
Federal Home Loan Bank advances	207,068	248,200
Mortgage payable	1,202	1,200
Mortgagors' escrow accounts	1,761	1,600
Accrued interest payable	638	800
Other liabilities	2,919	2,000
Total liabilities	799,502	721,600

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; 2,124,250 and 2,121,750 shares issued and outstanding at June 30, 2009 and June 30, 2008, respectively	2,124	2,1
Additional paid-in capital	10,412	10,3
Undivided profits	49,272	44,3
Accumulated other comprehensive income (loss)	653	
Total stockholders' equity	<u>62,461</u>	<u>56,7</u>
Total liabilities and stockholders' equity	<u>\$ 861,963</u>	<u>\$ 778,3</u>
Book value per share	<u>\$ 29.40</u>	<u>\$ 26</u>

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Statements of Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<i>(In Thousands, Except for Per Share Amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$10,431	\$ 9,526	\$20,582	\$19,200
Debt securities	503	449	1,065	1,110
Equity securities	30	156	60	300
Short-term investments and certificates of deposit	125	303	248	600
Total interest and dividend income	<u>11,089</u>	<u>10,434</u>	<u>21,955</u>	<u>21,310</u>
Interest expense:				
Deposits	2,649	2,944	5,527	6,500
Federal Home Loan Bank advances	1,724	2,497	3,585	5,200
Mortgage payable	18	18	36	0
Total interest expense	<u>4,391</u>	<u>5,459</u>	<u>9,148</u>	<u>11,700</u>
Net interest income	<u>6,698</u>	<u>4,975</u>	<u>12,807</u>	<u>9,510</u>
Provision for loan losses	450	200	1,000	200
Net interest income after provision for loan losses	<u>6,248</u>	<u>4,775</u>	<u>11,807</u>	<u>9,210</u>
Other income:				
Customer service fees on deposits	215	245	430	400
Increase in bank-owned life insurance	121	121	232	200
Gain on Sale of Loans	318	0	318	0
Other	52	44	104	0
Total other income	<u>706</u>	<u>410</u>	<u>1,084</u>	<u>800</u>
Operating expenses:				
Salaries and employee benefits	1,873	1,762	3,817	3,500
Data processing	216	209	438	400
Occupancy and equipment	324	301	687	600
Miscellaneous	1,278	690	2,150	1,300
Total operating expenses	<u>3,691</u>	<u>2,962</u>	<u>7,092</u>	<u>5,800</u>
Income before income taxes	<u>3,263</u>	<u>2,223</u>	<u>5,799</u>	<u>4,210</u>
Income tax provision	1,240	807	2,204	1,500
Net income	<u>\$ 2,023</u>	<u>\$ 1,416</u>	<u>\$ 3,595</u>	<u>\$ 2,710</u>

Cash dividends declared per common share	\$ <u>0.21</u>	\$ <u>0.20</u>	\$ <u>0.42</u>	\$ <u>0.4</u>
Weighted average shares outstanding:				
Basic	<u>2,124</u>	<u>2,122</u>	<u>2,123</u>	<u>2,11</u>
Diluted	<u>2,124</u>	<u>2,122</u>	<u>2,124</u>	<u>2,11</u>
Earnings per share:				
Basic	\$ <u>0.95</u>	\$ <u>0.67</u>	\$ <u>1.69</u>	\$ <u>1.1</u>
Diluted	\$ <u>0.95</u>	\$ <u>0.67</u>	\$ <u>1.69</u>	\$ <u>1.1</u>
Return on average equity	<u>13.02%</u>	<u>9.99%</u>	<u>11.70%</u>	<u>9.6</u>

Contacts

Hingham Institution for Savings

Robert H. Gaughen, Jr.

781-749-2200

President

or

William M. Donovan, Jr.

Vice President

781-749-2200