

Hingham Institution for Savings: 28% Increase in Quarterly Earnings

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HINGHAM, Mass.--(BUSINESS WIRE)--HINGHAM INSTITUTION FOR SAVINGS (Nasdaq – HIFS), Hingham, Massachusetts announced third quarter earnings for 2010. Net income for the quarter ended September 30, 2010 was \$2,794,000 or \$1.32 per share (basic and diluted) as compared to \$2,183,000 or \$1.03 per share (basic and diluted) for the same period last year. The Bank's annualized return on average equity for the third quarter of 2010 was 15.82%, and the return on average assets was 1.14%. Net income for the nine months ended September 30, 2010 was \$7,530,000 or \$3.54 per share (basic and diluted) as compared to \$5,778,000 or \$2.72 per share (basic and diluted) for the same period last year. The Bank's annualized return on average equity for the first nine months of 2010 was 14.61% and the return on average assets was 1.04%.

Strong growth trends of recent years continued, as deposits increased by \$75 million from December 31, 2009 and \$77 million from September 30, 2009, representing 12% growth both year to date and from September 30, 2009. Net loans increased by \$57 million from December 31, 2009 and \$75 million from September 30, 2009 representing 8% growth year to date and 11% growth from the third quarter 2009. Total assets increased by \$66 million from December 31, 2009 and \$77 million from September 30, 2009, representing a 7% and 8% growth, respectively. Stockholders' equity increased to \$71.3 million as of September 30, 2010 representing a 9% growth year to date and an 11% increase from September 30, 2009. Book value per share increased to \$33.54 per share at September 30, 2010 from \$30.74 per share at December 31, 2009 and \$30.25 per share at September 30, 2009.

At September 30, 2010 non-performing assets totaled 0.92% of total assets, down from 1.36% at December 31, 2009 and 1.35% at September 30, 2009. For the quarter ended September 30, 2010, a provision of \$300,000 was made to the allowance for loan loss allowance compared to \$400,000 for the same period in 2009. Foreclosure related expenses totaled \$193,000 for the quarter ended September 30, 2010 compared to \$166,000 for the quarter ended September 30, 2009.

President Robert H. Gaughen, Jr. stated, "We're pleased to report continued growth and consistent strength as our quarterly earnings represent a 28% increase over the same period last year and our earnings for the first nine months of 2010 represent a 30% increase over the first nine months of 2009. Additionally, during the quarter we have made significant progress in resolving several non-performing assets. At September 30, 2010 non-performing assets decreased to 0.92% of total assets from 1.57% at June 30, 2010 and 1.36% at December 31, 2009. We continue to aggressively pursue resolution of problem credits and believe that our conservative underwriting standards have served the Bank well in these difficult times."

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. The Bank also maintains branch offices in South Hingham and the neighboring towns of Cohasset, Hull, Scituate, Weymouth and 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.

Stockholders' equity:

Preferred stock, \$1.00 par value,
2,500,000 shares authorized;

none issued

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Common stock, \$1.00 par value,
5,000,000 shares

authorized; shares issued

and outstanding: 2,124,250

2,124

2,124

2,124

Additional paid-in capital

10,417

10,412

10,412

Undivided profits

58,342

52,299

50,987

Accumulated other comprehensive
income

373

458

738

Total stockholders' equity

71,256

65,293

64,261

Total liabilities and stockholders'
equity

\$ 991,320

925,560

\$ 913,866

Book value per share

\$ 33.54

30.74

\$ 30.25

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
<i>(In Thousands, Except for Per Share Amounts)</i>				
Interest and dividend income:				
Loans	\$11,461	\$10,837	\$33,295	\$31,420
Debt securities	305	480	1,154	1,544
Equity securities	26	29	81	88
Short-term investments and certificates of deposit	106	115	330	364
Total interest and dividend income	<u>11,898</u>	<u>11,461</u>	<u>34,860</u>	<u>33,416</u>
Interest expense:				
Deposits	1,997	2,513	6,218	8,040
Federal Home Loan Bank advances	1,709	1,781	5,260	5,366
Mortgage payable	18	18	53	54
Total interest expense	<u>3,724</u>	<u>4,312</u>	<u>11,531</u>	<u>13,460</u>
Net interest income	<u>8,174</u>	<u>7,149</u>	<u>23,329</u>	<u>19,956</u>
Provision for loan losses	<u>300</u>	<u>400</u>	<u>1,000</u>	<u>1,400</u>
Net interest income after provision for loan losses	<u>7,874</u>	<u>6,749</u>	<u>22,329</u>	<u>18,556</u>
Other income:				
Customer service fees on deposits	232	214	636	644
Increase in bank-owned life insurance	114	114	342	346
Gain on sale of loans	--	--	--	318
Miscellaneous	61	54	186	158
Total other income	<u>407</u>	<u>382</u>	<u>1,164</u>	<u>1,466</u>
Operating expenses:				
Salaries and employee benefits	2,098	1,886	6,239	5,703
Data processing	202	208	627	645
Occupancy and equipment	296	323	956	1,010
Deposit insurance	262	293	817	1,084
Foreclosure	193	166	480	306
Marketing	113	134	359	354
Other general and administrative	529	571	1,654	1,571
Total operating expenses	<u>3,693</u>	<u>3,581</u>	<u>11,132</u>	<u>10,673</u>

Income before income taxes	4,588	3,550	12,361	9,349
Income tax provision	<u>1,794</u>	<u>1,367</u>	<u>4,831</u>	<u>3,571</u>
Net income	<u>\$ 2,794</u>	<u>\$ 2,183</u>	<u>\$ 7,530</u>	<u>\$ 5,778</u>
Cash dividends declared per common share	<u>\$ 0.24</u>	<u>\$ 0.22</u>	<u>\$ 0.70</u>	<u>\$ 0.64</u>
Weighted average shares outstanding:				
Basic	<u>2,124</u>	<u>2,124</u>	<u>2,124</u>	<u>2,124</u>
Diluted	<u>2,125</u>	<u>2,124</u>	<u>2,125</u>	<u>2,124</u>
Earnings per share:				
Basic	<u>\$ 1.32</u>	<u>\$ 1.03</u>	<u>\$ 3.54</u>	<u>\$ 2.72</u>
Diluted	<u>\$ 1.32</u>	<u>\$ 1.03</u>	<u>\$ 3.54</u>	<u>\$ 2.72</u>
Return on average equity	<u>15.82%</u>	<u>13.67%</u>	<u>14.61%</u>	<u>12.37%</u>

HINGHAM INSTITUTION FOR SAVINGS

Net Interest Income Analysis

(Unaudited)

Three Months Ended September 30,

	2010			2009		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
(Dollars in thousands)						
Loans (1) (2)	\$ 764,759	\$ 11,461	5.99%	\$ 715,144	\$ 10,837	6.06%
Securities (3) (4)	103,424	331	1.28	102,663	509	1.98
Short-term investments and certificates of deposit	75,970	106	0.56	42,016	115	1.09
Total earning assets	944,153	11,898	5.04	859,823	11,461	5.33
Other assets	36,079			30,259		
Total assets	<u>\$ 980,232</u>			<u>\$ 890,082</u>		
Interest-bearing deposits (5)	\$ 643,618	1,997	1.24	\$ 558,862	2,513	1.80
Borrowed funds	211,098	1,727	3.27	217,766	1,799	3.30
Total interest-bearing liabilities	854,716	3,724	1.74	776,628	4,312	2.22
Demand deposits	52,183			46,124		
Other liabilities	2,706			3,469		
Total liabilities	909,605			826,221		
Stockholders' equity	70,627			63,861		
Total liabilities and stockholders' equity	<u>\$ 980,232</u>			<u>\$ 890,082</u>		

Net interest income	\$ <u>8,174</u>	\$ <u>7,149</u>
Weighted average rate spread	<u>3.30%</u>	<u>3.11%</u>
Net interest margin (6)	<u>3.46%</u>	<u>3.33%</u>
Average interest earning assets to average interest- bearing liabilities (7)	<u>110.46%</u>	<u>110.71%</u>

(1) Before allowance for loan losses.

(2) Includes non-accrual loans.

(3) Excludes the impact of the average net unrealized gain or 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.

(7) Total earning assets divided by total interest-bearing liabilities.

HINGHAM INSTITUTION FOR SAVINGS

Net Interest Income Analysis

(Unaudited)

Nine Months Ended September 30,

	2010			2009		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
(Dollars in thousands)						
Loans (1) (2)	\$ 745,578	\$ 33,295	5.95%	\$ 685,242	\$ 31,420	6.11%
Securities (3)						
(4)	104,312	1,235	1.58	97,715	1,632	2.23
Short-term investments and certificates of deposit	80,964	330	0.54	39,311	364	1.23
Total earning assets	930,854	34,860	4.99	822,268	33,416	5.42
Other assets	34,033			28,566		
Total assets	\$ 964,887			\$ 850,834		
Interest-bearing deposits (5)	\$ 628,430	6,218	1.32	\$ 528,890	8,040	2.03
Borrowed funds	215,034	5,313	3.29	212,705	5,420	3.40
Total interest-bearing liabilities	843,464	11,531	1.82	741,595	13,460	2.42
Demand deposits	49,867			43,690		
Other liabilities	2,841			3,291		
Total liabilities	896,172			788,576		
Stockholders' equity	68,715			62,258		

Total liabilities and stockholders' equity	\$ <u>964,887</u>	\$ <u>850,834</u>
Net interest income	\$ <u>23,329</u>	\$ <u>19,956</u>
Weighted average rate spread	<u>3.17%</u>	<u>3.00%</u>
Net interest margin (6)	<u>3.34%</u>	<u>3.24%</u>
Average interest earning assets to average interest-bearing liabilities (7)	<u>110.36%</u>	<u>110.88%</u>

(1) Before allowance for loan losses.

(2) Includes non-accrual loans.

(3) Excludes the impact of the average net unrealized gain or 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.

(7) Total earning assets divided by total interest-bearing liabilities.

HINGHAM INSTITUTION FOR SAVINGS

Selected Financial Ratios

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Key Performance Ratios				
Return on average assets (1)	1.14%	0.98%	1.04%	0.91%
Return on average equity (1)	15.82	13.67	14.61	12.37
Interest rate spread (1) (2)	3.30	3.11	3.17	3.00
Net interest margin (1) (3)	3.46	3.33	3.34	3.24
Non-interest expense to average assets (1)	1.51	1.61	1.54	1.67
Efficiency ratio (4)	43.04	47.55	45.45	49.82
Average equity to average assets	7.21	7.17	7.12	7.32
Average interest-bearing assets to average interest-bearing liabilities (5)	110.46	110.71	110.36	110.88
	September 30, 2010	December 31, 2009	September 30, 2009	
Asset Quality Ratios				
Allowance for loan losses/total loans	0.85%	0.79%	0.77%	
Allowance for loan losses/non-performing loans	155.62	61.03	66.55	
Non-performing loans/total loans	0.55	1.30	1.16	
Non-performing loans/total assets	0.43	1.02	0.90	
Non-performing assets/total assets	0.92	1.36	1.35	
Share Related				
Book value per share	\$ 33.54	\$ 30.74	\$ 30.25	
Market value per share	37.62	30.69	31.23	

Shares outstanding at end of period	2,124,250	2,124,250	2,124,250
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(1) Annualized

(2) Interest rate spread represents the difference between the yield on earning assets and cost of interest-bearing liabilities.

(3) Net interest margin represents net interest divided by average earning assets.

(4) The efficiency ratio represents non-interest expense, divided by the sum of net interest income and non-interest income.

(5) Total earning assets divided by total interest-bearing liabilities.

Contacts

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or

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