

Hingham Institution for Savings: 27% Increase in Annual Earnings

Over \$1 Billion in Total Assets

January 21, 2011 01:28 PM Eastern Standard Time

HINGHAM, Mass.--(BUSINESS WIRE)--HINGHAM INSTITUTION FOR SAVINGS (Nasdaq – HIFS), Hingham, Massachusetts announced its earnings for 2010. Net income for the year ended December 31, 2010 was a record \$10,228,000 or \$4.81 per share (basic and diluted) as compared to \$8,045,000 or \$3.79 per share (basic and diluted) in 2009. Net income for the fourth quarter ended December 31, 2010 was \$2,698,000 or \$1.27 per share (basic and diluted) as compared to \$2,267,000 or \$1.07 per share (basic and diluted) for the fourth quarter ended December 31, 2009. The Bank's return on average equity for 2010 was 14.67%, and the return on average assets was 1.05%.

Strong growth trends of recent years continued in 2010. Deposits increased by \$98.9 million or 16%, net loans increased by 10%, and total assets increased by 10%. Total assets as of December 31, 2010 were \$1,017,845,000 as compared to \$925,560,000 at December 31, 2009. Stockholders' equity increased from \$65,293,000 at December 31, 2009 to \$72,736,000 at December 31, 2010. Book value per share increased over the same period from \$30.74 to \$34.24. At December 31, 2010, non-performing assets totaled 0.91% of total assets and were relatively flat from 0.92% at September 30, 2010, and down from 1.36% at December 31, 2009.

President Robert H. Gaughen, Jr. stated, "We're excited to report another year of record earnings representing a 27% increase over the prior year. We reached a major milestone by exceeding one billion dollars in total assets. This is a tribute to our stability and trusted status within the communities we serve. The challenging financial conditions of the past few years have brought us tremendous opportunity. Our continued strength in balance sheet growth, conservative underwriting standards, and diligent cost controls have allowed us to report these remarkable results."

President Gaughen added, "We remain committed to the conservative strategies and practices that have made the 2010 performance possible. Our goal remains to promote organic growth, vigorously manage asset quality, effectively control costs and protect and increase 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 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.

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Balance Sheets

	December 31,	
	2010	2009
<i>(Dollars in thousands except per share data)</i>		
<i>(Unaudited)</i>		
ASSETS		
Cash and due from banks	\$ 6,298	\$ 7,372
Short-term investments	61,566	45,265
Cash and cash equivalents	67,864	52,637
Certificates of deposit	13,929	13,150
Securities available for sale, at fair value	95,071	96,374
Federal Home Loan Bank stock, at cost	13,373	13,373
Loans, net of allowance for loan losses of \$6,905 in 2010 and \$5,737 in 2009	792,910	718,242
Foreclosed assets	3,559	3,185
Bank-owned life insurance	14,074	13,615
Premises and equipment, net	7,985	5,434
Accrued interest receivable	2,992	3,392
Prepaid FDIC assessment	2,474	3,409
Deferred income tax asset, net	2,803	1,990
Other assets	811	759
	\$1,017,845	\$925,560
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$ 729,960	\$631,087
Federal Home Loan Bank advances	207,580	222,636
Mortgage payable	1,147	1,184
Mortgagors' escrow accounts	2,344	1,968
Accrued interest payable	591	714
Other liabilities	3,487	2,678
Total liabilities	945,109	860,267
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 shares issued and outstanding at both December 31, 2010 and 2009	2,124	2,124
Additional paid in capital	10,417	10,412
Undivided profits	59,999	52,299

Accumulated other comprehensive income	<u>196</u>	<u>458</u>
Total stockholders' equity	<u>72,736</u>	<u>65,293</u>
	<u>\$1,017,845</u>	<u>\$925,560</u>
Book value per share	<u>\$ 34.24</u>	<u>\$ 30.74</u>

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Statements of Income

	Three Months Ended December 31,		Twelve Months Ended December 31,	
<i>(Dollars in thousands, except per share amounts)</i>	2010	2009	2010	2009
<i>(Unaudited)</i>				
Income and dividend income:				
Loans	\$11,584	\$10,780	\$44,879	\$42,199
Debt securities	264	458	1,418	2,003
Equity securities	25	28	106	117
Short-term investments and certificates of deposit	92	116	422	479
Total interest and dividend income	11,965	11,382	46,825	44,798
Interest expense:				
Deposits	1,907	2,294	8,125	10,334
Federal Home Loan Bank advances	1,643	1,827	6,903	7,193
Mortgage payable	17	18	70	72
Total interest expense	3,567	4,139	15,098	17,599
Net interest income	8,398	7,243	31,727	27,199
Provision for loan losses	300	300	1,300	1,700
Net interest income after provision for loan losses	8,098	6,943	30,427	25,499
Other income:				
Customer service fees on deposits	257	213	893	857
Increase in bank-owned life insurance	117	112	459	458
Gain on sale of loans	—	136	—	454
Miscellaneous	89	82	275	239
Total other income	463	543	1,627	2,008
Operating expenses:				
Salaries and employee benefits	2,132	2,012	8,371	7,715
Data processing	226	213	853	859
Occupancy and equipment	324	324	1,280	1,333
Deposit insurance	257	251	1,074	1,335
Foreclosure	246	372	726	678
Marketing	142	107	501	461
Other general and administrative	519	420	2,173	1,990
Total operating expenses	3,846	3,699	14,978	14,371

Income before income taxes	4,715	3,787	17,076	13,136
Income tax provision	<u>2,017</u>	<u>1,520</u>	<u>6,848</u>	<u>5,091</u>
Net income	<u>\$ 2,698</u>	<u>\$ 2,267</u>	<u>\$ 10,228</u>	<u>\$ 8,045</u>
Cash dividends declared per common share	<u>\$ 0.49</u>	<u>\$ 0.45</u>	<u>\$ 1.19</u>	<u>\$ 1.09</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>\$ 1.27</u>	<u>\$ 1.07</u>	<u>\$ 4.81</u>	<u>\$ 3.79</u>
Diluted	<u>\$ 1.27</u>	<u>\$ 1.07</u>	<u>\$ 4.81</u>	<u>\$ 3.79</u>
Return on average equity	<u>14.85%</u>	<u>13.93%</u>	<u>14.67%</u>	<u>12.78%</u>

HINGHAM INSTITUTION FOR SAVINGS

Net Interest Income Analysis

Three Months Ending December 31,

	2010			2009		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 791,475	\$ 11,584	5.85%	\$ 712,947	\$ 10,780	6.05%
Securities (3) (4)	106,723	289	1.08	102,022	486	1.91
Short-term investments and certificates of deposit	<u>75,293</u>	<u>92</u>	<u>0.49</u>	<u>66,613</u>	<u>116</u>	<u>0.70</u>
Total earning assets	973,491	<u>11,965</u>	<u>4.92</u>	881,582	<u>11,382</u>	<u>5.16</u>
Other assets	<u>35,589</u>			<u>32,726</u>		
Total assets	<u><u>\$1,009,080</u></u>			<u><u>\$ 914,308</u></u>		
Interest-bearing deposits (5)	\$ 670,648	1,907	1.14	\$ 583,800	2,294	1.57
Borrowed funds	<u>207,511</u>	<u>1,660</u>	<u>3.20</u>	<u>213,245</u>	<u>1,845</u>	<u>3.46</u>
Total interest-bearing liabilities	878,159	<u>3,567</u>	<u>1.62</u>	797,045	<u>4,139</u>	<u>2.08</u>
Demand deposits	54,497			48,683		
Other liabilities	<u>3,739</u>			<u>3,470</u>		
Total liabilities	936,395			849,198		
Stockholders' equity	<u>72,685</u>			<u>65,110</u>		
Total liabilities and stockholders' equity	<u><u>\$1,009,080</u></u>			<u><u>\$ 914,308</u></u>		
Net interest income		<u><u>\$ 8,398</u></u>			<u><u>\$ 7,243</u></u>	

Weighted average spread	<u>3.30%</u>	<u>3.08%</u>
Net interest margin (6)	<u>3.45%</u>	<u>3.29%</u>
Average interest-earning assets to average interest-bearing liabilities (7)	<u>110.86%</u>	<u>110.61%</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

Twelve Months Ending December 31,

	2010			2009		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 757,147	\$ 44,879	5.93%	\$ 692,227	\$ 42,199	6.10%
Securities (3) (4)	104,920	1,524	1.45	85,427	2,120	2.48
Short-term investments and certificates of deposit	79,615	422	0.53	46,251	479	1.04
Total earning assets	941,682	46,825	4.97	823,905	44,798	5.44
Other assets	34,344			42,928		
Total assets	<u>\$ 976,026</u>			<u>\$ 866,833</u>		
Interest-bearing deposits (5)	\$ 639,072	8,125	1.27	\$ 542,810	10,334	1.90
Borrowed funds	213,138	6,973	3.27	212,841	7,265	3.41
Total interest-bearing liabilities	852,210	15,098	1.77	755,651	17,599	2.33
Demand deposits	51,034			42,873		
Other liabilities	3,074			5,338		
Total liabilities	906,318			803,862		
Stockholders' equity	69,708			62,971		
Total liabilities and stockholders' equity	<u>\$ 976,026</u>			<u>\$ 866,833</u>		
Net interest income		<u>\$ 31,727</u>			<u>\$ 27,199</u>	

Weighted average spread	<u>3.20%</u>	<u>3.11%</u>
Net interest margin (6)	<u>3.37%</u>	<u>3.30%</u>
Average interest-earning assets to average interest-bearing liabilities (7)	<u>110.50%</u>	<u>109.03%</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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.07%	0.99%	1.05%	0.93%
Return on average equity (1)	14.85	13.93	14.67	12.78
Interest rate spread (1) (2)	3.30	3.08	3.20	3.11
Net interest margin (1) (3)	3.45	3.29	3.37	3.30
Non-interest expense to average assets (1)	1.52	1.62	1.53	1.66
Efficiency ratio (4)	43.40	47.51	44.91	49.20
Average equity to average assets	7.20	7.12	7.14	7.26
Average interest-bearing assets to average interest bearing liabilities	110.86	110.61	110.50	109.03

December 31,

2010

2009

(Unaudited)

Asset Quality Ratios

Allowance for loan losses/total loans	0.86 %	0.79 %
Allowance for loan losses/non-performing loans	120.25	61.03
Non-performing loans/total loans	0.72	1.30
Non-performing loans/total assets	0.56	1.02
Non-performing assets/total assets	0.91	1.36

Share Related

Book value per share	\$ 34.24	\$ 30.74
Market value per share	\$ 44.50	\$ 30.69
Shares outstanding at end of period	2,124,250	2,124,250

(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

Hingham Institution for Savings
Robert H. Gaughen, Jr., 781-749-2200
President

or

William M. Donovan, Jr., 781-749-2200
Vice President-Administration