

Hingham Institution for Savings Reports 23% Increase in Quarterly Earnings

July 21, 2011 12:24 PM Eastern Daylight Time

HINGHAM, Mass.--(BUSINESS WIRE)--Hingham Institution for Savings (NASDAQ – HIFS), Hingham, Massachusetts announced second quarter earnings for 2011. Net income for the quarter ended June 30, 2011 was \$2,967,000 or \$1.40 per share (basic and diluted) as compared to \$2,421,000 or \$1.14 per share (basic and diluted) for the same period last year. The Bank's return on average equity for the second quarter of 2011 was 15.32%, and the return on average assets was 1.13%. Net income for the six months ended June 30, 2011 was \$5,847,000 or \$2.75 per share (basic and diluted) as compared to \$4,736,000 or \$2.23 per share (basic and diluted) for the same period last year. The Bank's annualized return on average equity for the first six months of 2011 was 15.34% and the return on average assets was 1.13%.

Strong growth trends of recent years continued, as deposits increased by \$26 million from December 31, 2010 and \$73 million from June 30, 2010, representing a 7% annualized growth year to date and 11% from June 30, 2010. Net loans increased by \$34 million from December 31, 2010 and \$82 million from June 30, 2010 representing 9% annualized growth year to date and 11% growth from the second quarter 2010. Total assets increased by \$49 million from December 31, 2010 and \$95 million from June 30, 2010, representing a 10% annualized growth year to date and 10% from the second quarter 2010. Stockholders' equity increased to \$77.6 million as of June 30, 2011, representing a 13% annualized growth year to date and a 13% increase from June 30, 2010. Book value per share increased to \$36.54 per share at June 30, 2011 from \$34.24 per share at December 31, 2010 and \$32.47 per share at June 30, 2010.

At June 30, 2011 non-performing assets totaled 1.10% of total assets, an increase from the 0.91% at December 31, 2010 and down from the 1.57% at June 30, 2010. For the quarter ended June 30, 2011, a provision of \$300,000 was made to the allowance for loan losses compared to \$300,000 for the same period in 2010. Foreclosure related expenses totaled \$185,000 for the quarter ended June 30, 2011 compared to \$161,000 for the quarter ended June 30, 2010.

President Robert H. Gaughen, Jr. stated, "We are pleased to report that our current quarterly and year to date earnings represent a 23% increase over the second quarter and first half of 2010. We continue to see strong performance year over year, reflecting our continued commitment to shareholder value through quality growth and effective cost control."

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 anticipates opening its 10th branch in the Beacon Hill/Back Bay area of Boston in late summer.

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

(Dollars in thousands except per share data)

	June 30, 2011	December 31, 2010	June 30, 2010
<i>(Unaudited)</i>			
ASSETS			
Cash and due from banks	\$ 5,315	\$ 6,298	\$ 6,565
Short-term investments	82,873	61,566	61,919
Cash and cash equivalents	88,188	67,864	68,484
Certificates of deposit	14,228	13,929	13,564
Securities available for sale, at fair value	87,556	95,071	95,053
Federal Home Loan Bank stock, at cost	13,373	13,373	13,373
Loans, net of allowance for loan losses of \$7,222 at June 30, 2011, \$6,905 at December 31, 2010 and \$6,426 at June 30, 2010	826,877	792,910	744,410
Foreclosed assets	3,277	3,559	7,393
Bank-owned life insurance	14,304	14,074	13,843
Premises and equipment, net	9,977	7,985	5,698
Accrued interest receivable	2,990	2,992	3,214
Prepaid FDIC assessment	1,929	2,474	2,927
Deferred income tax asset, net	2,784	2,803	2,039
Other assets	1,115	811	1,781
Total assets	\$1,066,598	\$ 1,017,845	\$971,779

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits	\$ 755,621	\$ 729,960	\$682,612
Federal Home Loan Bank advances	227,019	207,580	214,132
Mortgage payable	1,127	1,147	1,166
Mortgagors' escrow accounts	2,319	2,344	2,056
Accrued interest payable	535	591	645
Other liabilities	2,356	3,487	2,199
Total liabilities	988,977	945,109	902,810

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; 2,124,250 shares issued and outstanding	2,124	2,124	2,124
Additional paid-in capital	10,447	10,417	10,417
Undivided profits	64,805	59,999	56,058
Accumulated other comprehensive income	245	196	370
Total stockholders' equity	<u>77,621</u>	<u>72,736</u>	<u>68,969</u>
Total liabilities and stockholders' equity	<u><u>\$1,066,598</u></u>	<u><u>\$ 1,017,845</u></u>	<u><u>\$971,779</u></u>

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Statements of Income

(Unaudited)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
	(In thousands, except per share amounts)			
Interest and dividend income:				
Loans	\$11,743	\$10,961	\$23,311	\$21,834
Debt securities	215	400	454	849
Equity securities	35	27	69	55
Short-term investments and certificates of deposit	96	114	178	224
Total interest and dividend income	12,089	11,502	24,012	22,962
Interest expense:				
Deposits	1,764	2,053	3,522	4,221
Federal Home Loan Bank advances	1,487	1,742	2,979	3,551
Mortgage payable	17	17	34	35
Total interest expense	3,268	3,812	6,535	7,807
Net interest income	8,821	7,690	17,477	15,155
Provision for loan losses	300	300	600	700
Net interest income, after provision for loan losses	8,521	7,390	16,877	14,455
Other income:				
Customer service fees on deposits	247	204	482	404
Increase in bank-owned life insurance	114	114	230	228
Miscellaneous	60	62	120	125
Total other income	421	380	832	757
Operating expenses:				
Salaries and employee benefits	2,205	2,097	4,355	4,141
Data processing	217	210	438	425
Occupancy and equipment	349	316	704	660
Deposit insurance	263	275	582	555
Foreclosure	185	161	353	287
Marketing	142	138	253	246
Other general and administrative	598	595	1,185	1,125
Total operating expenses	3,959	3,792	7,870	7,439
Income before income taxes	4,983	3,978	9,839	7,773
Income tax provision	2,016	1,557	3,992	3,037
Net income	\$ 2,967	\$ 2,421	\$ 5,847	\$ 4,736

Weighted average common shares outstanding:

Basic	<u>2,124</u>	<u>2,124</u>	<u>2,124</u>	<u>2,124</u>
Diluted	<u>2,126</u>	<u>2,124</u>	<u>2,125</u>	<u>2,124</u>

Earnings per common share:

Basic	<u>\$ 1.40</u>	<u>\$ 1.14</u>	<u>\$ 2.75</u>	<u>\$ 2.23</u>
Diluted	<u>\$ 1.40</u>	<u>\$ 1.14</u>	<u>\$ 2.75</u>	<u>\$ 2.23</u>

HINGHAM INSTITUTION FOR SAVINGS

Net Interest Income Analysis

Three Months Ended June 30,

	2011			AVERAGE BALANCE
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	
<i>(Dollars in thousands)</i>				
<i>(Unaudited)</i>				
Loans (1) (2)	\$ 819,037	\$ 11,743	5.74%	\$742,030
Securities (3) (4)	104,597	250	0.96	105,176
Short-term investments and certificates of deposit	92,929	96	0.41	85,782
Total earning assets	<u>1,016,563</u>	<u>12,089</u>	<u>4.76</u>	<u>932,988</u>
Other assets	34,913			32,894
Total assets	<u>\$1,051,476</u>			<u>\$965,882</u>
Interest-bearing deposits (5)	\$ 705,540	1,764	1.00	\$630,787
Borrowed funds	208,568	1,504	2.88	213,523
Total interest-bearing liabilities	<u>914,108</u>	<u>3,268</u>	<u>1.43</u>	<u>844,310</u>
Demand deposits	56,883			50,293
Other liabilities	3,028			2,820
Total liabilities	<u>974,019</u>			<u>897,423</u>
Stockholders' equity	77,457			68,459
Total liabilities and stockholders' equity	<u>\$1,051,476</u>			<u>\$965,882</u>
Net interest income		<u>\$ 8,821</u>		
Weighted average spread			<u>3.33%</u>	
Net interest margin (6)			<u>3.47%</u>	
Average interest-earning assets to average interest-bearing liabilities (7)			<u>111.21%</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

	Six Months Ended June 30,				
	2011			2010	
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTER
<i>(Dollars in thousands)</i>					
<i>(Unaudited)</i>					
Loans (1) (2)	\$ 812,909	\$ 23,311	5.74%	\$ 735,829	\$ 21
Securities (3) (4)	106,262	523	0.98	104,764	
Short-term investments and certificates of deposit	82,704	178	0.43	83,501	
Total earning assets	1,001,875	24,012	4.79	924,094	22
Other assets	34,560			32,993	
Total assets	\$1,036,435			\$957,087	
Interest-bearing deposits (5)	\$ 693,958	3,522	1.02	\$ 620,710	4
Borrowed funds	207,553	3,013	2.90	217,034	3
Total interest-bearing liabilities	901,511	6,535	1.45	837,744	7
Demand deposits	55,560			48,689	
Other liabilities	3,146			3,062	
Total liabilities	960,217			889,495	
Stockholders' equity	76,218			67,592	
Total liabilities and stockholders' equity	\$1,036,435			\$957,087	
Net interest income		\$ 17,477			\$ 15
Weighted average spread			3.34%		
Net interest margin (6)			3.49%		
Average interest-earning assets to average interest-bearing liabilities (7)			111.13%		

(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		Six Months	
	June 30,		June 30,	
	2011	2010	2011	2010
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.13 %	1.00 %	1.13%	
Return on average equity (1)	15.32	14.15	15.34	
Interest rate spread (1) (2)	3.33	3.12	3.34	
Net interest margin (1) (3)	3.47	3.30	3.49	
Non-interest expense to average assets (1)	1.51	1.57	1.52	
Efficiency ratio (4)	42.84	46.99	42.98	
Average equity to average assets	7.37	7.09	7.35	
Average interest-bearing assets to average interest bearing liabilities	111.21	110.50	111.13	

	June 30,		December 31,	
	2011		2010	
<i>(Unaudited)</i>				

Asset Quality Ratios

Allowance for loan losses/total loans	0.87 %	0.86%
Allowance for loan losses/non-performing loans	85.77	120.25
Non-performing loans/total loans	1.01	0.72
Non-performing loans/total assets	0.79	0.56
Non-performing assets/total assets	1.10	0.91

Share Related

Book value per share	\$ 36.54	\$ 34.24
Market value per share	\$ 52.93	\$ 44.50
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 income 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.

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