

Hingham Institution for Savings Reports 18% Increase in Annual Earnings

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HINGHAM, Mass.--(BUSINESS WIRE)--Hingham Institution for Savings (Nasdaq – HIFS), Hingham, Massachusetts announced its earnings for 2011. Net income for the year ended December 31, 2011 was \$12,062,000 or \$5.68 per share basic and \$5.67 per share diluted as compared to \$10,228,000 or \$4.81 per share (basic and diluted) for 2010. Net income for the fourth quarter 2011 was \$3,107,000 or \$1.46 per share (basic and diluted) as compared to \$2,698,000 or \$1.27 per share (basic and diluted) for the fourth quarter 2010. The Bank's return on average equity for the year ending December 31, 2011 was 15.32%, and the return on average assets was 1.14%.

Deposits increased by \$58 million, or 8%, net loans increased by 7% and total assets by 11% from December 31, 2010 to December 31, 2011. Total assets were \$1,127,276,000 at December 31, 2011 as compared to \$1,017,845,000 at December 31, 2010. Book value per share increased to \$38.70 per share at December 31, 2011 from \$34.24 per share at December 31, 2010. At December 31, 2011 non-performing assets totaled 0.92% of total assets compared to 0.91% of total assets at December 31, 2010.

President Robert H. Gaughen, Jr. stated, "We are pleased to report another year of record earnings, representing an 18% increase over those of 2010. Over the past several years, despite the challenging business environment, we have developed a track record for delivering consistently strong performance. The continued improvement in our net interest margin, combined with effective cost control and prudent lending standards, have produced real bottom line results. We remain focused on increasing both shareholder value and ongoing dividends through quality growth and diligent 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. In October 2011, the Bank opened its 10th branch in the Beacon Hill/Back Bay area 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

<i>(Dollars in thousands except per share data)</i> <i>(Unaudited)</i>	December 31, 2011	December 31, 2010
	<u> </u>	<u> </u>
ASSETS		
Cash and due from banks	\$ 8,918	\$ 6,298
Short-term investments	107,422	61,566
Cash and cash equivalents	<u>116,340</u>	<u>67,864</u>
Certificates of deposit	13,405	13,929
Securities available for sale, at fair value	96,689	95,071
Federal Home Loan Bank stock, at cost	13,373	13,373
Loans, net of allowance for loan losses of \$7,516 at December 31, 2011 and \$6,905 at December 31, 2010	849,776	792,910
Foreclosed assets	3,629	3,559
Bank-owned life insurance	14,524	14,074
Premises and equipment, net	10,597	7,985
Accrued interest receivable	2,858	2,992
Prepaid FDIC assessment	1,871	2,474
Deferred income tax asset, net	3,425	2,803
Other assets	789	811
Total assets	<u>\$ 1,127,276</u>	<u>\$ 1,017,845</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits	\$ 787,573	\$ 729,960
Federal Home Loan Bank advances	247,471	207,580
Mortgage payable	1,107	1,147
Mortgagors' escrow accounts	2,517	2,344
Accrued interest payable	475	591
Other liabilities	5,868	3,487
Total liabilities	<u>1,045,011</u>	<u>945,109</u>

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; 2,125,750 shares issued and outstanding at December 31, 2011 and 2,124,250 shares issued and outstanding at December 31, 2010	2,126	2,124
Additional paid-in capital	10,500	10,417
Undivided profits	69,404	59,999
Accumulated other comprehensive income	235	196
Total stockholders' equity	<u>82,265</u>	<u>72,736</u>
Total liabilities and stockholders' equity	<u>\$ 1,127,276</u>	<u>\$ 1,017,845</u>

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Statements of Income

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2011	2010	2011	2010
(Unaudited)	(In thousands, except per share amounts)			
Interest and dividend income:				
Loans	\$ 11,943	\$ 11,584	\$47,191	\$44,879
Debt securities	146	264	749	1,418
Equity securities	52	25	153	106
Short-term investments and certificates of deposit	90	92	351	422
Total interest and dividend income	12,231	11,965	48,444	46,825
Interest expense:				
Deposits	1,547	1,907	6,751	8,125
Federal Home Loan Bank advances	1,348	1,643	5,799	6,903
Mortgage payable	17	17	68	70
Total interest expense	2,912	3,567	12,618	15,098
Net interest income	9,319	8,398	35,826	31,727
Provision for loan losses	225	300	1,100	1,300
Net interest income, after provision for loan losses	9,094	8,098	34,726	30,427
Other income:				
Customer service fees on deposits	259	257	987	893
Increase in bank-owned life insurance	108	117	450	459
Miscellaneous	79	89	263	275
Total other income	446	463	1,700	1,627
Operating expenses:				
Salaries and employee benefits	2,263	2,132	8,894	8,371
Data processing	224	226	883	853
Occupancy and equipment	413	324	1,528	1,280
Deposit insurance	159	257	701	1,074
Foreclosure	429	246	1,038	726
Marketing	171	142	650	501
Other general and administrative	626	519	2,397	2,173
Total operating expenses	4,285	3,846	16,091	14,978
Income before income taxes	5,255	4,715	20,335	17,076
Income tax provision	2,148	2,017	8,273	6,848
Net income	\$ 3,107	\$ 2,698	\$12,062	\$10,228

Weighted average common shares outstanding:

Basic	<u>2,126</u>	<u>2,124</u>	<u>2,125</u>	<u>2,124</u>
Diluted	<u>2,127</u>	<u>2,125</u>	<u>2,126</u>	<u>2,125</u>

Earnings per common share:

Basic	<u>\$ 1.46</u>	<u>\$ 1.27</u>	<u>\$ 5.68</u>	<u>\$ 4.81</u>
Diluted	<u>\$ 1.46</u>	<u>\$ 1.27</u>	<u>\$ 5.67</u>	<u>\$ 4.81</u>

HINGHAM INSTITUTION FOR SAVINGS

Net Interest Income Analysis

Three Months Ended December 31,

	2011			2010	
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST
<i>(Dollars in thousands)</i>					
<i>(Unaudited)</i>					
Loans (1) (2)	\$ 849,581	\$ 11,943	5.62%	\$ 791,475	\$ 11,58
Securities (3) (4)	90,661	198	0.87	106,723	28
Short-term investments and certificates of deposit	120,079	90	0.30	75,293	9
Total earning assets	1,060,321	12,231	4.61	973,491	11,96
Other assets	37,655			35,589	
Total assets	<u>\$ 1,097,976</u>			<u>\$ 1,009,080</u>	
Interest-bearing deposits (5)	\$ 710,878	1,547	0.87	\$ 670,648	1,90
Borrowed funds	237,863	1,365	2.30	207,511	1,66
Total interest-bearing liabilities	948,741	2,912	1.23	878,159	3,56
Demand deposits	63,801			54,497	
Other liabilities	3,156			3,739	
Total liabilities	1,015,698			936,395	
Stockholders' equity	82,278			72,685	
Total liabilities and stockholders' equity	<u>\$ 1,097,976</u>			<u>\$ 1,009,080</u>	

Net interest income	\$ <u>9,319</u>	\$ <u>8,39</u>
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Weighted average spread	<u>3.38%</u>
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Net interest margin (6)	<u>3.52%</u>
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Average interest-earning assets to average interest-bearing liabilities (7)	<u>111.76%</u>
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(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 Ended December 31,

	2011			2010	
	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE</u>	<u>AVERAGE BALANCE</u>	<u>INTE</u>
<i>(Dollars in thousands)</i>					
<i>(Unaudited)</i>					
Loans (1) (2)	\$ 828,460	\$ 47,191	5.70%	\$ 757,147	\$
Securities (3) (4)	99,888	902	0.90	104,920	
Short-term investments and certificates of deposit	93,867	351	0.37	79,615	
Total earning assets	1,022,215	48,444	4.74	941,682	
Other assets	35,612			34,344	
Total assets	<u>\$ 1,057,827</u>			<u>\$ 976,026</u>	
Interest-bearing deposits (5)	\$ 699,897	6,751	0.96	\$ 639,072	
Borrowed funds	217,324	5,867	2.70	213,138	
Total interest-bearing liabilities	917,221	12,618	1.38	852,210	
Demand deposits	58,885			51,034	
Other liabilities	3,002			3,074	
Total liabilities	979,108			906,318	
Stockholders' equity	78,719			69,708	
Total liabilities and stockholders' equity	<u>\$ 1,057,827</u>			<u>\$ 976,026</u>	

Net interest
income \$ 35,826 \$

Weighted
average spread 3.36%

Net interest
margin (6) 3.50%

Average interest-
earning assets to
average
interest-bearing
liabilities (7) 111.45%

(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		Twelve Months Ended	
	December 31,		December 31,	
	2011	2010	2011	2010
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.13%	1.07%	1.14%	1.05%
Return on average equity (1)	15.10	14.85	15.32	14.67
Interest rate spread (1) (2)	3.38	3.30	3.36	3.20
Net interest margin (1) (3)	3.52	3.45	3.50	3.37
Non-interest expense to average assets (1)	1.56	1.52	1.52	1.53
Efficiency ratio (4)	43.88	43.40	42.88	44.91
Average equity to average assets	7.49	7.20	7.44	7.14
Average interest-bearing assets to average interest bearing liabilities	111.76	110.86	111.45	110.50

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

Asset Quality Ratios

Allowance for loan losses/total loans	0.88%	0.86%
Allowance for loan losses/non-performing loans	111.30	120.25
Non-performing loans/total loans	0.79	0.72
Non-performing loans/total assets	0.60	0.56
Non-performing assets/total assets	0.92	0.91

Share Related

Book value per share	\$ 38.70	\$ 34.24
Market value per share	\$ 47.80	\$ 44.50
Shares outstanding at end of period	2,125,750	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.

Contacts

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