

## Bank Announces Quarterly Earnings

April 23, 2003 10:30 AM Eastern Daylight Time

HINGHAM, Mass.--(BUSINESS WIRE)--April 23, 2003--HINGHAM INSTITUTION FOR SAVINGS (Nasdaq: HIFS), announced first quarter results highlighted by continued growth in pretax earnings although a one-time charge to current state income taxes caused net income to decrease compared to the comparable period of 2002. The Bank continued to achieve strong growth in its balance sheet with significant increases in both deposits and loans.

Pretax earnings for the first quarter ended March 31, 2003 were \$2,558,000 representing a 22% increase over pretax earnings of \$2,100,000 for the same period last year. The first quarter 2003 pretax earnings included \$439,000 in gains on sale of securities; however net income for the first quarter ended March 31, 2003 was \$197,000 or \$0.10 per share (basic) as compared to net income of \$1,391,000 or \$0.68 per share (basic) for the same period last year.

President Robert H. Gaughen, Jr. stated that "as previously announced, net income for the first quarter of 2003 was impacted by a charge against current earnings of \$1.4 million in state income taxes, net of federal tax deductions, arising from a retroactive change to Massachusetts tax law pertaining to dividends from real estate investment trusts. The Bank questions the constitutionality of the retroactive legislation and intends to vigorously challenge the retroactive nature of the law. Earnings from our underlying core business remain quite strong."

The Bank's total assets as of March 31, 2003 of \$433,227,000 represent a 9.1% increase over the total of \$397,084,000 on March 31, 2002. At March 31, 2003, loans were \$330,541,000, an increase of 11% over March 31, 2002. There were \$48,300,000 of loans originated during the first quarter of 2003.

Asset quality continued to remain strong. At the end of the first quarter of 2003, the Bank had no foreclosed properties, and nonperforming loans totaled 0.17% of total assets.

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 offices are 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, and Weymouth.

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

|   | March 31,<br>2003                             | March 31,<br>2002 |
|---|---|-------------------|
| (Unaudited)   |   |                   |
|   | (\$ in thousands except<br>per share amounts) |                   |
| <b>ASSETS</b>   |   |                   |
| Cash and due from banks   | \$ 4,433                                      | \$ 8,009          |
| Short term investments  | 18,983  | 28,564            |
| Cash and cash equivalents   | 23,416  | 36,573            |
| Certificates of deposit   | 2,922   | 1,940             |
| Securities available for sale, at fair value  | 56,036  | 47,063            |
| Federal Home Loan Bank stock, at cost   | 5,514   | 5,036             |
| Loans, net of allowance for loan losses of<br>\$2,855,000 in 2003 and \$2,585,000 in 2002 | 330,541                                       | 299,050           |
| Cash value of life insurance  | 7,501   | --                |
| Banking premises and equipment, net   | 3,738   | 3,874             |
| Accrued interest receivable   | 2,093   | 1,998             |
| Deferred income tax asset, net  | 758   | 946               |
| Other assets  | 708   | 604               |
| Total assets  | \$433,227                                     | \$397,084         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |   |                   |
| Deposits  | \$279,717                                     | \$256,923         |
| Federal Home Loan Bank advances   | 108,273                                       | 99,717            |
| Other borrowed funds  | 60  | 191               |
| Mortgagors' escrow accounts   | 1,347   | 1,278             |
| Accrued interest payable  | 409   | 413               |
| Other liabilities   | 5,731   | 4,114             |
| Total liabilities   | 395,537                                       | 362,636           |
| Commitments and contingencies   |   |                   |
| Stockholders' equity:   |   |                   |
| Preferred stock, \$1.00 par value,<br>2,500,000 shares authorized; none issued            | -   | -                 |

|  |           |           |
|--|-----------|-----------|
| Common stock, \$1.00 par value, 5,000,000 shares<br>authorized; 2,069,750 and 2,057,250 shares<br>issued and outstanding at March 31, 2003<br>and 2002, respectively | 2,070     | 2,057     |
| Additional paid-in capital   | 9,225     | 9,027     |
| Undivided profits  | 26,016    | 22,986    |
| Accumulated other comprehensive income   | 379       | 378       |
| Total stockholders' equity   | 37,690    | 34,448    |
| <br>   |           |           |
| Total liabilities and stockholders' equity   | \$433,227 | \$397,084 |
| <br>   |           |           |
| Book value per share   | \$ 18.21  | \$ 16.74  |

HINGHAM INSTITUTION FOR SAVINGS  
Consolidated Statements of Income

| (In Thousands, Except for Per Share Amounts)<br>(Unaudited) | Three Months Ended<br>March 31, |          |
|---|---------------------------------|----------|
|   | 2003                            | 2002     |
| Interest and dividend income:                               |                                 |          |
| Loans   | \$ 5,754                        | \$ 5,612 |
| Debt and trust preferred securities                         | 419                             | 548      |
| Other equity securities                                     | 74                              | 80       |
| Short term investments and certificates of<br>deposit       | 82                              | 113      |
| Total interest and dividend income                          | 6,329                           | 6,353    |
| Interest expense:   |                                 |          |
| Deposits  | 1,255                           | 1,548    |
| Borrowed funds  | 1,132                           | 1,097    |
| Total interest expense                                      | 2,387                           | 2,645    |
| Net interest income   | 3,942                           | 3,708    |
| Provision for loan losses                                   | 45                              | 75       |
| Net interest income after provision for<br>loan losses      | 3,897                           | 3,633    |
| Other income:   |                                 |          |
| Customer service fees on deposits                           | 183                             | 169      |
| Gain on sales of securities available for                   |                                 |          |

|  |         |           |
|--|---------|-----------|
| sale                                     | 439     | --        |
| Other                                    | 118     | 40        |
| Total other income                       | 740     | 209       |
| Operating expenses:                      |         |           |
| Salaries and employee benefits           | 1,167   | 1,004     |
| Data processing                          | 172     | 155       |
| Occupancy and equipment                  | 221     | 186       |
| Legal                                    | 25      | 5         |
| Other                                    | 494     | 392       |
| Total operating expenses                 | 2,079   | 1,742     |
| Income before income taxes               | 2,558   | 2,100     |
| Income tax provision                     | 2,361   | 709       |
| Net income                               | \$ 197  | \$ 1,391  |
| <br>                                     |         |           |
| Cash dividends declared per common share | \$ 0.17 | \$ 0.16   |
| <br>                                     |         |           |
| Weighted average shares outstanding:     |         |           |
| Basic                                    | 2,070   | 2,052     |
| Diluted                                  | 2,091   | 2,079     |
| Earnings per share:                      |         |           |
| Basic                                    | \$ 0.10 | \$ 0.68   |
| Diluted                                  | \$ 0.09 | \$ 0.67   |
| <br>                                     |         |           |
| Return on average equity                 | 2.05    | % 16.21 % |

## Contacts

Hingham Institution for Savings

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