

## Hingham Savings Announces 2003 Earnings

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HINGHAM, Mass.--(BUSINESS WIRE)--Jan. 22, 2004--HINGHAM INSTITUTION FOR SAVINGS (Nasdaq - HIFS), Hingham, Massachusetts, announced its earnings for 2003. Net income for the year ended December 31, 2003 was \$5,354,000 or \$2.58 per share (\$2.56 diluted) as compared to \$5,980,000 or \$2.91 per share (\$2.87 diluted) in 2002. As previously announced during 2003, the Bank recognized a \$700,000 net charge for income taxes relating to the settlement of a tax dispute with the Massachusetts Department of Revenue. Legislation signed by the Governor of Massachusetts during 2003 changed tax laws retroactive to 1999. These changes increased the Bank's ongoing effective tax rate from approximately 34% in 2002 to approximately 38% in 2003. Pre-tax earnings for the year ended December 31, 2003 were \$9,769,000 as compared to \$9,070,000 in 2002. This represents an 8% increase in pre-tax earnings.

These results were produced by continued growth in the Bank's balance sheet, increase in net interest income, maintenance of a strong net interest margin, and effective expense control.

Growth trends of recent years continued in 2003 with a 13% increase in total assets, a 6% increase in total deposits, and a 12% increase in total loans over those of December 31, 2002. Loan originations increased from \$159,000,000 in 2002 to \$204,000,000 in 2003. Asset quality continued to remain strong. As of December 31, 2003, the Bank had no foreclosed property, and nonperforming loans included only one loan representing a minimal 0.04% of total assets.

President Robert H. Gaughen, Jr. stated "We had a great year in total loan originations and deposit growth. Despite numerous nonrecurring factors of both income and expense, such as the termination of the Bank's Pension Plan in 2002 and the gains on sales of securities and settlement of a tax dispute with the State in 2003, we continue to achieve healthy increases in our core business."

Total assets as of December 31, 2003 were \$483,954,000 as compared to \$426,430,000 at December 31, 2002. Stockholders' equity increased from \$38,202,000 on December 31, 2002 to \$40,913,000 on December 31, 2003 with a concomitant increase in book value per share from \$18.48 on December 31, 2002 to \$19.68 on December 31, 2003.

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

(Unaudited)	December 31, 2003	December 31, 2002
	(\$ in thousands except per share amounts)	
<b>ASSETS</b>		
Cash and due from banks	\$ 6,345	\$ 5,224
Short-term investments	14,504	29,347
Cash and cash equivalents	20,849	34,571
Certificates of deposit	4,986	1,940
Securities available for sale, at fair value	74,007	49,333
Federal Home Loan Bank stock, at cost	7,435	5,469
Loans, net of allowance for loan losses of \$2,992,000 in 2003 and \$2,810,000 in 2002	358,778	320,692
Cash value of life insurance	10,859	7,429
Banking premises and equipment, net	3,669	3,785
Accrued interest receivable	1,961	1,991
Deferred income tax asset, net	1,036	564
Other assets	374	656
Total assets	\$ 483,954	\$ 426,430
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits	\$ 291,313	\$ 275,573
Federal Home Loan Bank advances	148,701	106,386
Other borrowed funds	--	394
Mortgagors' escrow accounts	1,248	1,197
Accrued interest payable	448	426
Other liabilities	1,331	4,252
Total liabilities	443,041	388,228
Commitments and contingencies		
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; 2,079,250 and 2,067,250 shares issued and outstanding at December 31, 2003 and 2002, respectively	2,079	2,067
Additional paid-in capital	9,442	9,188
Undivided profits	29,657	26,173
Accumulated other comprehensive income (loss)	-265	774
Total stockholders' equity	40,913	38,202
 Total liabilities and stockholders' equity	 \$ 483,954	 \$ 426,430
 Book value per share	 \$ 19.68	 \$ 18.48

HINGHAM INSTITUTION FOR SAVINGS  
Consolidated Statements of Income

(In Thousands, Except for Per Share Amounts) (Unaudited)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2003	2002	2003	2002
Interest and dividend income:				
Loans	\$5,700	\$5,862	\$23,065	\$22,991
Debt and trust preferred securities	546	464	2,017	1,977
Other equity securities	52	82	227	329
Short-term investments and certificates of deposit	60	103	249	504
Total interest and dividend income	6,358	6,511	25,558	25,801
Interest expense:				
Deposits	1,014	1,358	4,349	5,771
Borrowed funds	1,194	1,183	4,686	4,651
Total interest expense	2,208	2,541	9,035	10,422
Net interest income	4,150	3,970	16,523	15,379

Provision for loan losses	47	-25	182	200
Net interest income after provision for loan losses	4,103	3,995	16,341	15,179
Other income:				
Customer service fees on deposits	191	189	751	698
Gain on sales of loans and securities available for sale	1	-	465	-
Gain on termination of pension plan	-	475	-	605
Other	186	151	537	303
Total other income	378	815	1,753	1,606
Operating expenses:				
Salaries and employee benefits	1,249	1,152	4,813	4,358
Data processing	182	162	701	626
Occupancy and equipment	213	211	846	787
Legal	28	54	102	117
Other	424	515	1,863	1,827
Total operating expenses	2,096	2,094	8,325	7,715
Income before income taxes	2,385	2,716	9,769	9,070
Income tax provision	891	946	4,415	3,090
Net income	\$1,494	\$1,770	\$ 5,354	\$ 5,980
Cash dividends declared per common share	\$ 0.37	\$ 0.35	\$ 0.90	\$ 0.84
Weighted average shares outstanding				
Basic	2,078	2,062	2,072	2,058
Diluted	2,099	2,088	2,095	2,085
Earnings per share				
Basic	\$ 0.72	\$ 0.86	\$ 2.58	\$ 2.91
Diluted	\$ 0.71	\$ 0.85	\$ 2.56	\$ 2.87
Return on average equity	14.66%	18.75%	13.53%	16.58%

## Contacts

Hingham Institution for Savings

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or

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