

## Hingham Institution for Savings: 6% Increase in Earnings

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HINGHAM, Mass.--(BUSINESS WIRE)--Jan. 24, 2006--HINGHAM INSTITUTION FOR SAVINGS (Nasdaq:HIFS), Hingham, Massachusetts announced its earnings for 2005. Net income for the year ended December 31, 2005 was \$6,171,000 or \$2.95 per share (\$2.92 diluted) as compared to \$5,824,000 or \$2.80 per share (\$2.77 diluted) in 2004. This represents a 6% increase in net income. While earnings for the year increased by 6%, fourth quarter earnings were increased only slightly with \$1,545,000 net income for the quarter ended December 31, 2005 (\$0.73 per share diluted) compared to \$1,530,000 for the quarter ended December 31, 2004 (\$0.73 per share diluted). The Bank's return on average equity for 2005 was a strong 13.20%, and the return on average assets was 1.07%.

Growth trends of recent years continued in 2005 with a 15% increase in total assets, a 9% increase in total deposits, and a 17% increase in total loans over those of December 31, 2004. Asset quality continued to remain strong. As of December 31, 2005, the Bank had no foreclosed property, and nonperforming loans included only one loan representing a minimal 0.03% of total assets.

President Robert H. Gaughen, Jr. stated, "Our earnings remain strong. Nonetheless, the financial industry continues to experience the pressures associated with margin compression and a flattened yield curve. We have been successful in mitigating these pressures by our continued ability to increase our loan portfolio. We continue our focus on the effective execution of a relatively simple strategy. Our challenge in 2006 will be to maintain our quality growth and effective cost control in an especially challenging interest rate environment."

Total assets as of December 31, 2005 were \$628,251,000 as compared to \$547,051,000 at December 31, 2004. Stockholders' equity increased from \$44,323,000 on December 31, 2004 to \$48,458,000 on December 31, 2005 with a concomitant increase in book value per share from \$21.29 on December 31, 2004 to \$23.01 on December 31, 2005.

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

	Dec. 31, 2005	Dec. 31, 2004
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(Unaudited)	(\$ in thousands except per share amounts)	
ASSETS		
Cash and due from banks	\$ 8,454	\$ 6,716
Short-term investments	4,327	6,619
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Cash and cash equivalents	12,781	13,335
Certificates of deposit	5,282	5,091
Securities available for sale, at fair value	91,513	85,815
Federal Home Loan Bank stock, at cost	10,715	8,484
Loans, net of allowance for loan losses of \$3,316,000 in 2005 and \$3,070,000 in 2004	488,126	415,538
Cash value of life insurance	11,756	11,316
Premises and equipment, net	3,319	3,551
Accrued interest receivable	2,658	2,125
Deferred income tax asset, net	1,635	1,346
Other assets	466	450
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Total assets	\$628,251	\$547,051
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$364,295	\$334,569
Federal Home Loan Bank advances	211,816	164,668
Mortgagors' escrow accounts	1,471	1,353
Accrued interest payable	598	492
Other liabilities	1,613	1,646
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Total liabilities	579,793	502,728

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; 2,105,500 and 2,082,250 shares issued and outstanding at December 31, 2005 and 2004, respectively	2,106	2,082
Additional paid-in capital	10,013	9,506
Undivided profits	37,617	33,524
Accumulated other comprehensive loss	(1,278)	(789)
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Total stockholders' equity	48,458	44,323
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Total liabilities and stockholders' equity	\$628,251	\$547,051
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Book value per share	\$ 23.01	\$ 21.29

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Statements of Income

(In Thousands, Except for Per Share Amounts)	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2005	2004	2005	2004
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(Unaudited)				
Interest and dividend income:				
Loans	\$ 7,338	\$ 6,238	\$ 27,202	\$ 23,617
Debt and trust preferred securities	683	506	2,463	2,044
Equity securities	144	88	477	263

Short-term investments and certificates of deposit	66	74	276	227
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Total interest and dividend income	8,231	6,906	30,418	26,151
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Interest expense:				
Deposits	1,732	1,185	5,841	4,319
Borrowed funds	2,072	1,270	6,548	4,835
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Total interest expense	3,804	2,455	12,389	9,154
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Net interest income	4,427	4,451	18,029	16,997
Provision for loan losses	71	41	244	80
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Net interest income after provision for loan losses	4,356	4,410	17,785	16,917
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Other income:				
Customer service fees on deposits	262	223	938	820
Gain on sales of securities available for sale	--	--	--	80
Increase in cash value of life insurance	109	107	440	457
Other	78	70	220	208
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Total other income	449	400	1,598	1,565
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Operating expenses:				
Salaries and employee benefits	1,425	1,385	5,756	5,472

Data processing	193	191	774	779
Occupancy and equipment	235	232	948	892
Other	489	546	2,042	2,042
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Total operating expenses	2,342	2,354	9,520	9,185
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Income before income taxes	2,463	2,456	9,863	9,297
Income tax provision	918	926	3,692	3,473
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Net income	\$ 1,545	\$ 1,530	\$ 6,171	\$ 5,824
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Cash dividends declared per common share	\$ 0.40	\$ 0.39	\$ 0.99	\$ 0.94
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Weighted average shares outstanding				
Basic	2,098	2,082	2,093	2,081
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Diluted	2,117	2,102	2,117	2,101
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Earnings per share				
Basic	\$ 0.74	\$ 0.73	\$ 2.95	\$ 2.80
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Diluted	\$ 0.73	\$ 0.73	\$ 2.92	\$ 2.77
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Return on average equity	12.85%	13.85%	13.20%	13.56%
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## Contacts

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