



## **PRESS RELEASE**

**FROM:** Robert H. Gaughen, Jr., President  
Hingham Institution for Savings  
Hingham, MA (NASDAQ – HIFS)

**DATE:** July 19, 2012

**CONTACT:** William M. Donovan, Jr., Vice President-Administration (781) 749-2200

### **14% INCREASE IN QUARTERLY EARNINGS**

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ – HIFS), Hingham, Massachusetts announced second quarter earnings for 2012. Net income for the quarter ended June 30, 2012 was \$3,368,000 or \$1.58 per share (basic and diluted) as compared to \$2,967,000 or \$1.40 per share (basic and diluted) for the same period last year. The Bank's annualized return on average equity for the second quarter of 2012 was 15.40%, and the annualized return on average assets was 1.18%. Net income for the six months ended June 30, 2012 was \$6,609,000 or \$3.11 per share (basic and diluted) as compared to \$5,847,000 or \$2.75 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 2012 was 15.35% and the annualized return on average assets was 1.16%.

Strong growth trends of recent years continued, as deposits increased by \$39.3 million from December 31, 2011 and \$71.2 million from June 30, 2011, representing a 10% annualized growth year to date and 9% from June 30, 2011. Net loans increased by \$33.4 million from December 31, 2011 and \$56.3 million from June 30, 2011, representing 8% annualized growth year to date and 7% growth from June 30, 2011. Total assets increased by \$31.7 million from December 31, 2011 and \$92.4 million from June 30, 2011, representing a 6% annualized growth year to date and 9% from June 30, 2011. Stockholders' equity increased to \$87.8 million as of June 30, 2012, representing a 13% annualized growth year to date and a 13% increase from June 30, 2011. Book value per

share increased to \$41.29 per share at June 30, 2012 from \$38.70 per share at December 31, 2011 and \$36.54 per share at June 30, 2011.

At June 30, 2012, non-performing assets totaled 0.74% of total assets, a decrease from 0.92% at December 31, 2011 and 1.10% at June 30, 2011. For the quarter ended June 30, 2012, a provision of \$200,000 was made to the allowance for loan losses compared to \$300,000 for the same period in 2011. Foreclosure related expenses totaled \$44,000 for the quarter ended June 30, 2012 compared to \$185,000 for the quarter ended June 30, 2011.

President Robert H. Gaughen, Jr. stated, “We are pleased to report that our current quarterly earnings represent a 14% increase over the second quarter and our year to date earnings were 13% over the first half of 2011. We are also pleased to report the ongoing improvement in non-performing assets as the Bank makes considerable progress in resolving our already modest level of problem credits. 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 two branches in 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>	<b>June 30, 2012</b>	<b>December 31, 2011</b>	<b>June 30, 2011</b>
<b>ASSETS</b>			
Cash and due from banks	\$ 7,833	\$ 8,918	\$ 5,315
Short-term investments	100,261	107,422	82,873
Cash and cash equivalents	108,094	116,340	88,188
Certificates of deposit	13,804	13,405	14,228
Securities available for sale, at fair value	103,068	96,689	87,556
Federal Home Loan Bank stock, at cost	13,406	13,373	13,373
Loans, net of allowance for loan losses of \$7,821 at June 30, 2012, \$7,516 at December 31, 2011 and \$7,222 at June 30, 2011	883,221	849,776	826,877
Foreclosed assets	3,161	3,629	3,277
Bank-owned life insurance	14,734	14,524	14,304
Premises and equipment, net	10,456	10,597	9,977
Accrued interest receivable	2,860	2,858	2,990
Prepaid FDIC assessment	1,616	1,871	1,929
Deferred income tax asset, net	3,458	3,425	2,784
Other assets	1,127	789	1,115
Total assets	\$ 1,159,005	\$ 1,127,276	\$ 1,066,598
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Deposits	\$ 826,845	\$ 787,573	\$ 755,621
Federal Home Loan Bank advances	236,414	247,471	227,019
Mortgage payable	1,086	1,107	1,127
Mortgagors' escrow accounts	2,700	2,517	2,319
Accrued interest payable	454	475	535
Other liabilities	3,742	5,868	2,356
Total liabilities	1,071,241	1,045,011	988,977
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; 2,125,750 shares issued and outstanding at June 30, 2012 and December 31, 2011; 2,124,250 issued and outstanding at June 30, 2011.	2,126	2,126	2,124
Additional paid-in capital	10,519	10,500	10,447
Undivided profits	74,929	69,404	64,805
Accumulated other comprehensive income	190	235	245
Total stockholders' equity	87,764	82,265	77,621
Total liabilities and stockholders' equity	\$ 1,159,005	\$ 1,127,276	\$ 1,066,598

**HINGHAM INSTITUTION FOR SAVINGS**  
**Consolidated Statements of Income**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
	(In thousands, except per share amounts)			
(Unaudited)				
Interest and dividend income:				
Loans	\$ 11,926	\$ 11,743	\$ 23,769	\$ 23,311
Debt securities	139	215	288	454
Equity securities	44	35	86	69
Short-term investments and certificates of deposit	92	96	181	178
Total interest and dividend income	<u>12,201</u>	<u>12,089</u>	<u>24,324</u>	<u>24,012</u>
Interest expense:				
Deposits	1,436	1,764	2,942	3,522
Federal Home Loan Bank advances	1,235	1,487	2,475	2,979
Mortgage payable	17	17	33	34
Total interest expense	<u>2,688</u>	<u>3,268</u>	<u>5,450</u>	<u>6,535</u>
Net interest income	<u>9,513</u>	<u>8,821</u>	<u>18,874</u>	<u>17,477</u>
Provision for loan losses	200	300	425	600
Net interest income, after provision for loan losses	<u>9,313</u>	<u>8,521</u>	<u>18,449</u>	<u>16,877</u>
Other income:				
Customer service fees on deposits	253	247	506	482
Increase in bank-owned life insurance	113	114	210	230
Miscellaneous	58	60	115	120
Total other income	<u>424</u>	<u>421</u>	<u>831</u>	<u>832</u>
Operating expenses:				
Salaries and employee benefits	2,368	2,205	4,703	4,355
Data processing	213	217	444	438
Occupancy and equipment	428	349	847	704
Deposit insurance	156	263	289	582
Foreclosure	44	185	244	353
Marketing	215	142	349	253
Other general and administrative	645	598	1,270	1,185
Total operating expenses	<u>4,069</u>	<u>3,959</u>	<u>8,146</u>	<u>7,870</u>
Income before income taxes	5,668	4,983	11,134	9,839
Income tax provision	2,300	2,016	4,525	3,992
Net income	<u>\$ 3,368</u>	<u>\$ 2,967</u>	<u>\$ 6,609</u>	<u>\$ 5,847</u>
Weighted average common shares outstanding:				
Basic	<u>2,126</u>	<u>2,124</u>	<u>2,126</u>	<u>2,124</u>
Diluted	<u>2,127</u>	<u>2,126</u>	<u>2,127</u>	<u>2,125</u>
Earnings per common share:				
Basic	<u>\$ 1.58</u>	<u>\$ 1.40</u>	<u>\$ 3.11</u>	<u>\$ 2.75</u>
Diluted	<u>\$ 1.58</u>	<u>\$ 1.40</u>	<u>\$ 3.11</u>	<u>\$ 2.75</u>

**HINGHAM INSTITUTION FOR SAVINGS**  
**Net Interest Income Analysis**

	Three Months Ended June 30,					
	2012			2011		
	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE</u>	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE</u>
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 882,684	\$ 11,926	5.40 %	\$ 819,037	\$ 11,743	5.74 %
Securities (3) (4)	108,318	183	0.68	104,597	250	0.96
Short-term investments and certificates of deposit	117,639	92	0.31	92,929	96	0.41
Total earning assets	<u>1,108,641</u>	<u>12,201</u>	<u>4.40</u>	<u>1,016,563</u>	<u>12,089</u>	<u>4.76</u>
Other assets	37,467			34,913		
Total assets	<u>\$ 1,146,108</u>			<u>\$ 1,051,476</u>		
Interest-bearing deposits (5)	\$ 742,847	1,436	0.77	\$ 705,540	1,764	1.00
Borrowed funds	242,903	1,252	2.06	208,568	1,504	2.88
Total interest-bearing liabilities	<u>985,750</u>	<u>2,688</u>	<u>1.09</u>	<u>914,108</u>	<u>3,268</u>	<u>1.43</u>
Demand deposits	68,750			56,883		
Other liabilities	4,100			3,028		
Total liabilities	<u>1,058,600</u>			<u>974,019</u>		
Stockholders' equity	87,508			77,457		
Total liabilities and stockholders' equity	<u>\$ 1,146,108</u>			<u>\$ 1,051,476</u>		
Net interest income		<u>\$ 9,513</u>			<u>\$ 8,821</u>	
Weighted average spread			<u>3.31 %</u>			<u>3.33 %</u>
Net interest margin (6)			<u>3.43 %</u>			<u>3.47 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>112.47 %</u>			<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,					
	2012			2011		
	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE</u>	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE</u>
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 873,408	\$ 23,769	5.44 %	\$ 812,909	\$ 23,311	5.74 %
Securities (3) (4)	107,884	374	0.69	106,262	523	0.98
Short-term investments and certificates of deposit	116,672	181	0.31	82,704	178	0.43
Total earning assets	<u>1,097,964</u>	<u>24,324</u>	<u>4.43</u>	<u>1,001,875</u>	<u>24,012</u>	<u>4.79</u>
Other assets	37,152			34,560		
Total assets	<u>\$ 1,135,116</u>			<u>\$ 1,036,435</u>		
Interest-bearing deposits (5)	\$ 739,249	2,942	0.80	\$ 693,958	3,522	1.02
Borrowed funds	239,860	2,508	2.09	207,553	3,013	2.90
Total interest-bearing liabilities	<u>979,109</u>	<u>5,450</u>	<u>1.11</u>	<u>901,511</u>	<u>6,535</u>	<u>1.45</u>
Demand deposits	66,051			55,560		
Other liabilities	3,824			3,146		
Total liabilities	<u>1,048,984</u>			<u>960,217</u>		
Stockholders' equity	86,132			76,218		
Total liabilities and stockholders' equity	<u>\$ 1,135,116</u>			<u>\$ 1,036,435</u>		
Net interest income		<u>\$ 18,874</u>			<u>\$ 17,477</u>	
Weighted average spread			<u>3.32 %</u>			<u>3.34 %</u>
Net interest margin (6)			<u>3.44 %</u>			<u>3.49 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>112.14 %</u>			<u>111.13 %</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**  
**Selected Financial Ratios**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
<i>(Unaudited)</i>				
<b>Key Performance Ratios</b>				
Return on average assets (1)	1.18 %	1.13 %	1.16 %	1.13 %
Return on average equity (1)	15.40	15.32	15.35	15.34
Interest rate spread (1) (2)	3.31	3.33	3.32	3.34
Net interest margin (1) (3)	3.43	3.47	3.44	3.49
Non-interest expense to average assets (1)	1.42	1.51	1.44	1.52
Efficiency ratio (4)	40.95	42.84	41.34	42.98
Average equity to average assets	7.64	7.37	7.59	7.35
Average interest-bearing assets to average interest bearing liabilities	112.47	111.21	112.14	111.13
	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2011</b>	
<i>(Unaudited)</i>				
<b>Asset Quality Ratios</b>				
Allowance for loan losses/total loans	0.88 %	0.88 %	0.87 %	
Allowance for loan losses/non-performing loans	144.94	111.30	85.77	
Non-performing loans/total loans	0.61	0.79	1.01	
Non-performing loans/total assets	0.47	0.60	0.79	
Non-performing assets/total assets	0.74	0.92	1.10	
<b>Share Related</b>				
Book value per share	\$ 41.29	\$ 38.70	\$ 36.54	
Market value per share	\$ 60.47	\$ 47.80	52.93	
Shares outstanding at end of period	2,125,750	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.