



PRESS RELEASE

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

DATE: October 18, 2012

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

7% INCREASE IN QUARTERLY EARNINGS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ – HIFS), Hingham, Massachusetts announced third quarter earnings for 2012. Net income for the quarter ended September 30, 2012 was \$3,327,000 or \$1.57 per share basic and \$1.56 per share diluted as compared to \$3,108,000 or \$1.46 per share (basic and diluted) for the same period last year. The Bank's annualized return on average equity for the third quarter of 2012 was 14.70%, and the annualized return on average assets was 1.15%. Net income for the nine months ended September 30, 2012 was \$9,936,000 or \$4.67 per share (basic and diluted) as compared to \$8,955,000 or \$4.22 per share basic and \$4.21 per share diluted for the same period last year. The Bank's annualized return on average equity for the first nine months of 2012 was 15.12% and the annualized return on average assets was 1.16%.

Strong growth trends of recent years continued, as net loans increased by \$67.7 million from December 31, 2011 and \$80.7 million from September 30, 2011, representing a 11% annualized growth year to date and 10% from September 30, 2011. Deposits increased by \$40.5 million from December 31, 2011 and \$67.1 million from September 30, 2011, representing 7% annualized growth year to date and 9% growth from September 30, 2011. Total assets increased by \$66.2 million from December 31, 2011

and \$107.8 million from September 30, 2011, representing a 8% annualized growth year to date and 10% from September 30, 2011. Stockholders' equity increased to \$90.6 million as of September 30, 2012, representing a 14% annualized growth year to date and a 13% increase from September 30, 2011. Book value per share increased to \$42.63 per share at September 30, 2012 from \$38.70 per share at December 31, 2011 and \$37.77 per share at September 30, 2011.

At September 30, 2012, non-performing assets totaled 0.58% of total assets, a decrease from 0.92% at December 31, 2011 and 1.12% at September 30, 2011. For the quarter ended September 30, 2012, a provision of \$150,000 was made to the allowance for loan losses compared to \$275,000 for the same period in 2011. Foreclosure related expenses totaled \$87,000 for the quarter ended September 30, 2012 compared to \$256,000 for the quarter ended September 30, 2011.

President Robert H. Gaughen, Jr. stated, "We are pleased to report that our current quarterly earnings represent a 7% increase over the third quarter in 2011 and our year to date earnings were 11% over the same period in 2011. We continue to see ongoing improvement in our non-performing assets as the Bank makes considerable progress in resolving our already modest level of problem credits. As we go through an extended period of low interest rates, we are seeing increased pressure on net interest margins. However, we continue to focus on our 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>	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>	<u>September 30,</u> <u>2011</u>
ASSETS			
Cash and due from banks	\$ 6,624	\$ 8,918	\$ 6,674
Short-term investments	101,524	107,422	98,908
Cash and cash equivalents	108,148	116,340	105,582
Certificates of deposit	13,635	13,405	14,325
Securities available for sale, at fair value	102,167	96,689	78,370
Federal Home Loan Bank stock, at cost	14,105	13,373	13,373
Loans, net of allowance for loan losses of \$7,880 at September 30, 2012, \$7,516 at December 31, 2011 and \$7,414 at September 30, 2011	917,502	849,776	836,762
Foreclosed assets	3,465	3,629	3,401
Bank-owned life insurance	14,843	14,524	14,416
Premises and equipment, net	10,379	10,597	10,470
Accrued interest receivable	3,201	2,858	1,985
Prepaid FDIC assessment	1,476	1,871	2,977
Deferred income tax asset, net	3,416	3,425	2,764
Other assets	1,097	789	1,256
Total assets	<u>\$ 1,193,434</u>	<u>\$ 1,127,276</u>	<u>\$ 1,085,681</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	\$ 828,080	\$ 787,573	\$ 761,030
Federal Home Loan Bank advances	266,385	247,471	237,499
Mortgage payable	1,076	1,107	1,117
Mortgagors' escrow accounts	2,967	2,517	2,484
Accrued interest payable	467	475	483
Other liabilities	3,845	5,868	2,779
Total liabilities	<u>1,102,820</u>	<u>1,045,011</u>	<u>1,005,392</u>
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 September 30, 2012, December 31, 2011 and September 30, 2011.	2,126	2,126	2,126
Additional paid-in capital	10,519	10,500	10,500
Undivided profits	77,703	69,404	67,382
Accumulated other comprehensive income	266	235	281
Total stockholders' equity	<u>90,614</u>	<u>82,265</u>	<u>80,289</u>
Total liabilities and stockholders' equity	<u>\$ 1,193,434</u>	<u>\$ 1,127,276</u>	<u>\$ 1,085,681</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
(Unaudited)	(In thousands, except per share amounts)			
Interest and dividend income:				
Loans	\$ 11,858	\$ 11,937	\$ 35,627	\$ 35,248
Debt securities	127	149	415	603
Equity securities	42	32	128	101
Short-term investments and certificates of deposit	81	83	262	261
Total interest and dividend income	12,108	12,201	36,432	36,213
Interest expense:				
Deposits	1,449	1,682	4,391	5,204
Federal Home Loan Bank advances	1,257	1,472	3,732	4,451
Mortgage payable	16	17	49	51
Total interest expense	2,722	3,171	8,172	9,706
Net interest income	9,386	9,030	28,260	26,507
Provision for loan losses	150	275	575	875
Net interest income, after provision for loan losses	9,236	8,755	27,685	25,632
Other income:				
Customer service fees on deposits	249	246	755	728
Increase in bank-owned life insurance	109	112	319	342
Miscellaneous	49	64	164	184
Total other income	407	422	1,238	1,254
Operating expenses:				
Salaries and employee benefits	2,434	2,276	7,137	6,631
Data processing	206	221	650	659
Occupancy and equipment	424	411	1,271	1,115
Deposit insurance	158	(40)	447	542
Foreclosure	87	256	331	609
Marketing	148	226	497	479
Other general and administrative	577	586	1,847	1,771
Total operating expenses	4,034	3,936	12,180	11,806
Income before income taxes	5,609	5,241	16,743	15,080
Income tax provision	2,282	2,133	6,807	6,125
Net income	\$ 3,327	\$ 3,108	\$ 9,936	\$ 8,955
Weighted average common shares outstanding:				
Basic	2,126	2,125	2,126	2,124
Diluted	2,128	2,126	2,127	2,126
Earnings per common share:				
Basic	\$ 1.57	\$ 1.46	\$ 4.67	\$ 4.22
Diluted	\$ 1.56	\$ 1.46	\$ 4.67	\$ 4.21

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended September 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)	\$ 899,727	\$ 11,858	5.27 %	\$ 837,930	\$ 11,937	5.70 %
Securities (3) (4)	114,244	169	0.59	96,576	181	0.75
Short-term investments and certificates of deposit	<u>106,132</u>	<u>81</u>	<u>0.31</u>	<u>89,618</u>	<u>83</u>	<u>0.37</u>
Total earning assets	1,120,103	<u>12,108</u>	<u>4.32</u>	1,024,124	<u>12,201</u>	<u>4.77</u>
Other assets	36,013			35,639		
Total assets	<u>\$ 1,156,116</u>			<u>\$ 1,059,763</u>		
Interest-bearing deposits (5)	\$ 754,020	1,449	0.77	\$ 700,601	1,682	0.96
Borrowed funds	<u>234,214</u>	<u>1,273</u>	<u>2.17</u>	<u>216,010</u>	<u>1,489</u>	<u>2.76</u>
Total interest-bearing liabilities	988,234	<u>2,722</u>	<u>1.10</u>	916,611	<u>3,171</u>	<u>1.38</u>
Demand deposits	73,605			60,512		
Other liabilities	<u>3,726</u>			<u>2,558</u>		
Total liabilities	1,065,565			979,681		
Stockholders' equity	90,551			80,082		
Total liabilities and stockholders' equity	<u>\$ 1,156,116</u>			<u>\$ 1,059,763</u>		
Net interest income		<u>\$ 9,386</u>			<u>\$ 9,030</u>	
Weighted average spread			<u>3.22 %</u>			<u>3.39 %</u>
Net interest margin (6)			<u>3.35 %</u>			<u>3.53 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>113.34 %</u>			<u>111.73 %</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

	Nine Months Ended September 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)	\$ 882,245	\$ 35,627	5.38 %	\$ 821,341	\$ 35,248	5.72 %
Securities (3) (4)	110,020	543	0.66	102,998	704	0.91
Short-term investments and certificates of deposit	113,133	262	0.31	85,034	261	0.41
Total earning assets	<u>1,105,398</u>	<u>36,432</u>	<u>4.39</u>	<u>1,009,373</u>	<u>36,213</u>	<u>4.78</u>
Other assets	36,769			34,924		
Total assets	<u>\$ 1,142,167</u>			<u>\$ 1,044,297</u>		
Interest-bearing deposits (5)	\$ 744,209	4,391	0.79	\$ 696,196	5,204	1.0
Borrowed funds	237,964	3,781	2.12	210,403	4,502	2.85
Total interest-bearing liabilities	<u>982,173</u>	<u>8,172</u>	<u>1.11</u>	<u>906,599</u>	<u>9,706</u>	<u>1.43</u>
Demand deposits	68,587			57,228		
Other liabilities	3,791			2,950		
Total liabilities	<u>1,054,551</u>			<u>966,777</u>		
Stockholders' equity	87,616			77,520		
Total liabilities and stockholders' equity	<u>\$ 1,142,167</u>			<u>\$ 1,044,297</u>		
Net interest income		<u>\$ 28,260</u>			<u>\$ 26,507</u>	
Weighted average spread			<u>3.28 %</u>			<u>3.35 %</u>
Net interest margin (6)			<u>3.41 %</u>			<u>3.50 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>112.55 %</u>			<u>111.34 %</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		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.15 %	1.17 %	1.16 %	1.14 %
Return on average equity (1)	14.70	15.52	15.12	15.40
Interest rate spread (1) (2)	3.22	3.39	3.28	3.35
Net interest margin (1) (3)	3.35	3.53	3.41	3.50
Non-interest expense to average assets (1)	1.40	1.49	1.42	1.51
Efficiency ratio (4)	41.19	41.64	41.29	42.53
Average equity to average assets	7.83	7.56	7.67	7.42
Average interest-bearing assets to average interest bearing liabilities	113.34	111.73	112.55	111.34

	September 30,	December 31,	September 30,
	2012	2011	2011
	<i>(Unaudited)</i>		
Asset Quality Ratios			
Allowance for loan losses/total loans	0.85 %	0.88 %	0.88 %
Allowance for loan losses/non-performing loans	231.22	111.30	84.94
Non-performing loans/total loans	0.37	0.79	1.04
Non-performing loans/total assets	0.29	0.60	0.80
Non-performing assets/total assets	0.58	0.92	1.12
Share Related			
Book value per share	\$ 42.63	\$ 38.70	\$ 37.77
Market value per share	\$ 64.43	\$ 47.80	47.68
Shares outstanding at end of period	2,125,750	2,125,750	2,125,750

(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.