



PRESS RELEASE

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Hingham Institution for Savings
Hingham, MA (NASDAQ – HIFS)

DATE: January 22, 2013

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10% INCREASE IN ANNUAL EARNINGS

HINGHAM INSTITUTION FOR SAVINGS (Nasdaq – HIFS), Hingham, Massachusetts announced its earnings for 2012. Net income for the year ended December 31, 2012 was \$13,290,000 or \$6.25 per share (basic and diluted) as compared to \$12,062,000 or \$5.68 per share basic and \$5.67 diluted for 2011. Net income for the fourth quarter 2012 was \$3,354,000 or \$1.58 per share (basic and diluted) as compared to \$3,107,000 or \$1.46 per share (basic and diluted) for the fourth quarter 2011. The Bank's return on average equity for the year ending December 31, 2012 was 15.05%, and the return on average assets was 1.15%.

Deposits increased by \$82 million, or 10%, net loans increased by 12% and total assets by 7% from December 31, 2011 to December 31, 2012. Total assets were \$1,205,884,000 at December 31, 2012 as compared to \$1,127,276,000 at December 31, 2011. Book value per share increased to \$43.65 per share at December 31, 2012 from \$38.70 per share at December 31, 2011. At December 31, 2012 non-performing assets totaled 0.28% of total assets compared to 0.92% of total assets at December 31, 2011.

President Robert H. Gaughen, Jr. stated, "We are pleased to report another year of record earnings, representing a 10% increase over those of 2011. Over the past several years, despite the challenging business environment, we have developed a track record for delivering consistently strong performance. Although the current interest rate environment is challenging, our focus on measured organic growth, effective cost control and aggressive management of asset quality have produced real bottom line results. We remain focused on increasing shareholder value through the careful construction of an outstanding community banking organization."

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, Norwell, Weymouth as well as branches in the South End of Boston and on Beacon Hill.

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

	December 31, 2012	December 31, 2011
<i>(Dollars in thousands except per share data)</i>		
<i>(Unaudited)</i>		
ASSETS		
Cash and due from banks	\$ 7,961	\$ 8,918
Short-term investments	79,373	107,422
Cash and cash equivalents	87,334	116,340
Certificates of deposit	13,737	13,405
Securities available for sale, at fair value	102,866	96,689
Federal Home Loan Bank stock, at cost	14,105	13,373
Loans, net of allowance for loan losses of \$7,999 at December 31, 2012 and \$7,516 at December 31, 2011	949,662	849,776
Foreclosed assets	471	3,629
Bank-owned life insurance	14,945	14,524
Premises and equipment, net	14,180	10,597
Accrued interest receivable	2,667	2,858
Prepaid FDIC assessment	1,364	1,871
Deferred income tax asset, net	2,621	3,425
Other assets	1,932	789
Total assets	\$ 1,205,884	\$ 1,127,276
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$ 869,886	\$ 787,573
Federal Home Loan Bank advances	234,355	247,471
Mortgage payable	1,065	1,107
Mortgagors' escrow accounts	3,231	2,517
Accrued interest payable	478	475
Other liabilities	4,070	5,868
Total liabilities	1,113,085	1,045,011
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	2,126	2,126
Additional paid-in capital	10,519	10,500
Undivided profits	79,930	69,404
Accumulated other comprehensive income	224	235
Total stockholders' equity	92,799	82,265
Total liabilities and stockholders' equity	\$ 1,205,884	\$ 1,127,276

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2012	2011	2012	2011
(Unaudited)	(In thousands, except per share amounts)			
Interest and dividend income:				
Loans	\$ 12,126	\$ 11,943	\$ 47,753	\$ 47,191
Debt securities	111	146	526	749
Equity securities	70	52	198	153
Short-term investments and certificates of deposit	92	90	354	351
Total interest and dividend income	<u>12,399</u>	<u>12,231</u>	<u>48,831</u>	<u>48,444</u>
Interest expense:				
Deposits	1,467	1,547	5,858	6,751
Federal Home Loan Bank advances	1,282	1,348	5,014	5,799
Mortgage payable	16	17	65	68
Total interest expense	<u>2,765</u>	<u>2,912</u>	<u>10,937</u>	<u>12,618</u>
Net interest income	9,634	9,319	37,894	35,826
Provision for loan losses	150	225	725	1,100
Net interest income, after provision for loan losses	<u>9,484</u>	<u>9,094</u>	<u>37,169</u>	<u>34,726</u>
Other income:				
Customer service fees on deposits	253	259	1,008	987
Increase in bank-owned life insurance	102	108	421	450
Miscellaneous	73	79	237	263
Total other income	<u>428</u>	<u>446</u>	<u>1,666</u>	<u>1,700</u>
Operating expenses:				
Salaries and employee benefits	2,506	2,263	9,643	8,894
Data processing	234	224	884	883
Occupancy and equipment	438	413	1,709	1,528
Deposit insurance	164	159	611	701
Foreclosure	5	429	336	1,038
Marketing	157	171	654	650
Other general and administrative	750	626	2,597	2,397
Total operating expenses	<u>4,254</u>	<u>4,285</u>	<u>16,434</u>	<u>16,091</u>
Income before income taxes	5,658	5,255	22,401	20,335
Income tax provision	2,304	2,148	9,111	8,273
Net income	<u>\$ 3,354</u>	<u>\$ 3,107</u>	<u>\$ 13,290</u>	<u>\$ 12,062</u>
Weighted average common shares outstanding:				
Basic	<u>2,126</u>	<u>2,126</u>	<u>2,126</u>	<u>2,125</u>
Diluted	<u>2,128</u>	<u>2,127</u>	<u>2,127</u>	<u>2,126</u>
Earnings per common share:				
Basic	<u>\$ 1.58</u>	<u>\$ 1.46</u>	<u>\$ 6.25</u>	<u>\$ 5.68</u>
Diluted	<u>\$ 1.58</u>	<u>\$ 1.46</u>	<u>\$ 6.25</u>	<u>\$ 5.67</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended December 31,					
	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)	\$ 938,446	\$ 12,126	5.17 %	\$ 849,581	\$ 11,943	5.62 %
Securities (3) (4)	115,630	181	0.63	91,098	198	0.87
Short-term investments and certificates of deposit	<u>119,942</u>	<u>92</u>	<u>0.31</u>	<u>120,079</u>	<u>90</u>	<u>0.30</u>
Total earning assets	1,174,018	<u>12,399</u>	<u>4.22</u>	1,060,758	<u>12,231</u>	<u>4.61</u>
Other assets	<u>36,189</u>			<u>37,218</u>		
Total assets	<u>\$ 1,210,207</u>			<u>\$ 1,097,976</u>		
Interest-bearing deposits (5)	\$ 777,259	1,467	0.75	\$ 710,878	1,547	0.87
Borrowed funds	<u>258,641</u>	<u>1,298</u>	<u>2.01</u>	<u>237,863</u>	<u>1,365</u>	<u>2.30</u>
Total interest-bearing liabilities	1,035,900	<u>2,765</u>	<u>1.07</u>	948,741	<u>2,912</u>	<u>1.23</u>
Demand deposits	77,972			63,801		
Other liabilities	<u>4,298</u>			<u>3,828</u>		
Total liabilities	1,118,170			1,016,370		
Stockholders' equity	<u>92,037</u>			<u>81,606</u>		
Total liabilities and stockholders' equity	<u>\$ 1,210,207</u>			<u>\$ 1,097,976</u>		
Net interest income		<u>\$ 9,634</u>			<u>\$ 9,319</u>	
Weighted average spread			<u>3.15 %</u>			<u>3.38 %</u>
Net interest margin (6)			<u>3.28 %</u>			<u>3.51 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>113.33 %</u>			<u>111.81 %</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

	Twelve Months Ended December 31,					
	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)	\$ 896,372	\$ 47,753	5.33 %	\$ 828,460	\$ 47,191	5.70 %
Securities (3) (4)	111,430	724	0.65	99,998	902	0.90
Short-term investments and certificates of deposit	114,845	354	0.31	93,867	351	0.37
Total earning assets	<u>1,122,647</u>	<u>48,831</u>	<u>4.35</u>	<u>1,022,325</u>	<u>48,444</u>	<u>4.74</u>
Other assets	36,623			35,502		
Total assets	<u>\$ 1,159,270</u>			<u>\$ 1,057,827</u>		
Interest-bearing deposits (5)	\$ 752,516	5,858	0.78	\$ 699,897	6,751	0.96
Borrowed funds	243,162	5,079	2.09	217,324	5,867	2.70
Total interest-bearing liabilities	<u>995,678</u>	<u>10,937</u>	<u>1.10</u>	<u>917,221</u>	<u>12,618</u>	<u>1.38</u>
Demand deposits	70,946			58,885		
Other liabilities	4,357			3,068		
Total liabilities	<u>1,070,981</u>			<u>979,174</u>		
Stockholders' equity	88,289			78,653		
Total liabilities and stockholders' equity	<u>\$ 1,159,270</u>			<u>\$ 1,057,827</u>		
Net interest income		<u>\$ 37,894</u>			<u>\$ 35,826</u>	
Weighted average spread			<u>3.25 %</u>			<u>3.36 %</u>
Net interest margin (6)			<u>3.38 %</u>			<u>3.50 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>112.75 %</u>			<u>111.46 %</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		Twelve Months Ended	
	December 31,		December 31,	
	2012	2011	2012	2011
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.11 %	1.13 %	1.15 %	1.14 %
Return on average equity (1)	14.58	15.23	15.05	15.34
Interest rate spread (1) (2)	3.15	3.38	3.25	3.36
Net interest margin (1) (3)	3.28	3.51	3.38	3.50
Non-interest expense to average assets (1)	1.41	1.56	1.42	1.52
Efficiency ratio (4)	42.28	43.88	41.54	42.88
Average equity to average assets	7.61	7.43	7.62	7.44
Average interest-bearing assets to average interest bearing liabilities	113.33	111.81	112.75	111.45

	December 31,	December 31,
	2012	2011
<i>(Unaudited)</i>		
Asset Quality Ratios		
Allowance for loan losses/total loans	0.84 %	0.88 %
Allowance for loan losses/non-performing loans	273.66	111.30
Non-performing loans/total loans	0.31	0.79
Non-performing loans/total assets	0.24	0.60
Non-performing assets/total assets	0.28	0.92
Share Related		
Book value per share	\$ 43.65	\$ 38.70
Market value per share	\$ 62.60	\$ 47.80
Shares outstanding at end of period	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.