



PRESS RELEASE

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

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GROWTH IN QUARTERLY EARNINGS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ – HIFS), Hingham, Massachusetts announced second quarter earnings for 2013. Net income for the quarter ended June 30, 2013 was \$3,275,000 or \$1.54 per share (basic and diluted) as compared to \$3,205,000 or \$1.51 per share (basic and diluted) in earnings for the first quarter of 2013. This also compares to \$3,368,000 or \$1.58 per share (basic and diluted) for second quarter 2012. The Bank's annualized return on average equity for the second quarter of 2013 was 13.39%, and the annualized return on average assets was 1.07%. Net income for the six months ended June 30, 2013 was \$6,480,000 or \$3.05 per share basic and \$3.04 per share diluted as compared to \$6,609,000 or \$3.11 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 2013 was 13.42% and the annualized return on average assets was 1.07%.

Strong growth trends of recent years continued, as deposits increased by \$21.9 million from December 31, 2012 and \$64.9 million from June 30, 2012, representing a 5% annualized growth year to date and 8% from June 30, 2012. Net loans increased by \$41.2 million from December 31, 2012 and \$107.6 million from June 30, 2012, representing 9% annualized growth year to date and 12% growth from June 30, 2012. Total assets increased by \$49.8 million from December 31, 2012 and \$96.6 million from June 30, 2012, representing an 8% annualized growth year to date and 8% from June 30, 2012. Stockholders' equity increased to \$98 million as of June 30, 2013, representing an 11% annualized growth year to date and a 12% increase from June 30, 2012. Book value per share increased to \$46.08 per share at June 30, 2013 from \$43.65 per share at December 31, 2012 and \$41.29 per share at June 30, 2012.

At June 30, 2013, non-performing assets totaled 0.38% of total assets, consistent with 0.28% at December 31, 2012 and a significant decrease from 0.74% at June 30, 2012. For the quarter ended June 30, 2013, a provision of \$100,000 was made to the allowance for loan losses compared to \$200,000 for the same period in 2012.

President Robert H. Gaughen, Jr. stated, “Despite the extended period of low interest rates that have had a negative impact on industry earnings, we continue to see strong earnings performance with our second quarter 2013 results improving over those of the first quarter. We also continue to see solid growth in our balance sheet. This growth, combined with our diligent cost control, continues to produce some of the strongest earnings in the industry.”

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. It anticipates opening its newest branch on Nantucket in August.

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>June 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>June 30,</u> <u>2012</u>
ASSETS			
Cash and due from banks	\$ 8,570	\$ 7,961	\$ 7,833
Short-term investments	87,195	79,373	100,261
Cash and cash equivalents	<u>95,765</u>	<u>87,334</u>	<u>108,094</u>
Certificates of deposit	13,055	13,737	13,804
Securities available for sale, at fair value	103,580	102,866	103,068
Federal Home Loan Bank stock, at cost	14,043	14,105	13,406
Loans, net of allowance for loan losses of \$8,330 at June 30, 2013, \$7,999 at December 31, 2012 and \$7,821 at June 30, 2012	990,831	949,662	883,221
Foreclosed assets	471	471	3,161
Bank-owned life insurance	15,160	14,945	14,734
Premises and equipment, net	15,101	14,180	10,456
Accrued interest receivable	3,119	2,667	2,860
Deferred income tax asset, net	2,676	2,556	3,458
Other assets	<u>1,848</u>	<u>3,361</u>	<u>2,743</u>
Total assets	<u>\$ 1,255,649</u>	<u>\$ 1,205,884</u>	<u>\$ 1,159,005</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	\$ 891,772	\$ 869,886	\$ 826,845
Federal Home Loan Bank advances	257,795	234,355	236,414
Mortgage payable	1,043	1,065	1,086
Mortgagors' escrow accounts	3,092	3,231	2,700
Accrued interest payable	448	478	454
Other liabilities	<u>3,473</u>	<u>4,070</u>	<u>3,742</u>
Total liabilities	<u>1,157,623</u>	<u>1,113,085</u>	<u>1,071,241</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; 2,127,250 shares issued and outstanding at June 30, 2013 and 2,125,750 issued and outstanding at December 31, 2012 and June 30, 2012.	2,127	2,126	2,126
Additional paid-in capital	10,587	10,519	10,519
Undivided profits	85,303	79,930	74,929
Accumulated other comprehensive income	<u>9</u>	<u>224</u>	<u>190</u>
Total stockholders' equity	<u>98,026</u>	<u>92,799</u>	<u>87,764</u>
Total liabilities and stockholders' equity	<u>\$ 1,255,649</u>	<u>\$ 1,205,884</u>	<u>\$ 1,159,005</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	(In thousands, except per share amounts)			
(Unaudited)				
Interest and dividend income:				
Loans	\$ 11,991	\$ 11,926	\$ 23,779	\$ 23,769
Debt securities	104	139	213	288
Equity securities	38	44	76	86
Short-term investments and certificates of deposit	66	92	134	181
Total interest and dividend income	<u>12,199</u>	<u>12,201</u>	<u>24,202</u>	<u>24,324</u>
Interest expense:				
Deposits	1,405	1,436	2,834	2,942
Federal Home Loan Bank advances	1,209	1,235	2,417	2,475
Mortgage payable	15	17	31	33
Total interest expense	<u>2,629</u>	<u>2,688</u>	<u>5,282</u>	<u>5,450</u>
Net interest income	<u>9,570</u>	<u>9,513</u>	<u>18,920</u>	<u>18,874</u>
Provision for loan losses	100	200	200	425
Net interest income, after provision for loan losses	<u>9,470</u>	<u>9,313</u>	<u>18,720</u>	<u>18,449</u>
Other income:				
Customer service fees on deposits	256	253	494	506
Increase in bank-owned life insurance	106	113	215	210
Miscellaneous	57	58	107	115
Total other income	<u>419</u>	<u>424</u>	<u>816</u>	<u>831</u>
Operating expenses:				
Salaries and employee benefits	2,604	2,368	5,158	4,703
Data processing	240	213	479	444
Occupancy and equipment	459	428	940	847
Deposit insurance	168	156	335	289
Foreclosure	119	44	199	244
Marketing	130	215	208	349
Other general and administrative	637	645	1,256	1,270
Total operating expenses	<u>4,357</u>	<u>4,069</u>	<u>8,575</u>	<u>8,146</u>
Income before income taxes	5,532	5,668	10,961	11,134
Income tax provision	2,257	2,300	4,481	4,525
Net income	<u>\$ 3,275</u>	<u>\$ 3,368</u>	<u>\$ 6,480</u>	<u>\$ 6,609</u>
Weighted average common shares outstanding:				
Basic	<u>2,127</u>	<u>2,126</u>	<u>2,127</u>	<u>2,126</u>
Diluted	<u>2,129</u>	<u>2,127</u>	<u>2,129</u>	<u>2,127</u>
Earnings per common share:				
Basic	<u>\$ 1.54</u>	<u>\$ 1.58</u>	<u>\$ 3.05</u>	<u>\$ 3.11</u>
Diluted	<u>\$ 1.54</u>	<u>\$ 1.58</u>	<u>\$ 3.04</u>	<u>\$ 3.11</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended June 30,					
	2013			2012		
	<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)	\$ 984,444	\$ 11,991	4.87 %	\$ 882,684	\$ 11,926	5.40 %
Securities (3) (4)	113,924	142	0.50	108,318	183	0.68
Short-term investments and certificates of deposit	<u>85,227</u>	<u>66</u>	<u>0.31</u>	<u>117,639</u>	<u>92</u>	<u>0.31</u>
Total earning assets	1,183,595	<u>12,199</u>	<u>4.12</u>	1,108,641	<u>12,201</u>	<u>4.40</u>
Other assets	36,535			37,467		
Total assets	<u>\$ 1,220,130</u>			<u>\$ 1,146,108</u>		
Interest-bearing deposits (5)	\$ 793,668	1,405	0.71	\$ 742,847	1,436	0.77
Borrowed funds	<u>243,374</u>	<u>1,224</u>	<u>2.01</u>	<u>242,903</u>	<u>1,252</u>	<u>2.06</u>
Total interest-bearing liabilities	1,037,042	<u>2,629</u>	<u>1.01</u>	985,750	<u>2,688</u>	<u>1.09</u>
Demand deposits	82,166			68,750		
Other liabilities	<u>3,559</u>			<u>4,581</u>		
Total liabilities	1,122,767			1,059,081		
Stockholders' equity	<u>97,363</u>			<u>87,027</u>		
Total liabilities and stockholders' equity	<u>\$ 1,220,130</u>			<u>\$ 1,146,108</u>		
Net interest income		<u>\$ 9,570</u>			<u>\$ 9,513</u>	
Weighted average spread			<u>3.11 %</u>			<u>3.31 %</u>
Net interest margin (6)			<u>3.23 %</u>			<u>3.43 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>114.13 %</u>			<u>112.47 %</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,					
	2013			2012		
	<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)	\$ 971,146	\$ 23,779	4.90 %	\$ 873,408	\$ 23,769	5.44 %
Securities (3) (4)	114,812	289	0.50	107,884	374	0.69
Short-term investments and certificates of deposit	89,444	134	0.30	116,672	181	0.31
Total earning assets	<u>1,175,402</u>	<u>24,202</u>	<u>4.12</u>	<u>1,097,964</u>	<u>24,324</u>	<u>4.43</u>
Other assets	36,234			37,152		
Total assets	<u>\$ 1,211,636</u>			<u>\$ 1,135,116</u>		
Interest-bearing deposits (5)	\$ 793,801	2,834	0.71	\$ 739,249	2,942	0.80
Borrowed funds	239,102	2,448	2.05	239,860	2,508	2.09
Total interest-bearing liabilities	<u>1,032,903</u>	<u>5,282</u>	<u>1.02</u>	<u>979,109</u>	<u>5,450</u>	<u>1.11</u>
Demand deposits	79,188			66,051		
Other liabilities	3,102			4,330		
Total liabilities	<u>1,115,193</u>			<u>1,049,490</u>		
Stockholders' equity	96,443			85,626		
Total liabilities and stockholders' equity	<u>\$ 1,211,636</u>			<u>\$ 1,135,116</u>		
Net interest income		<u>\$ 18,920</u>			<u>\$ 18,874</u>	
Weighted average spread			<u>3.10 %</u>			<u>3.32 %</u>
Net interest margin (6)			<u>3.22 %</u>			<u>3.44 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>113.80 %</u>			<u>112.14 %</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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.07 %	1.18 %	1.07 %	1.16 %
Return on average equity (1)	13.45	15.48	13.44	15.44
Interest rate spread (1) (2)	3.11	3.31	3.10	3.32
Net interest margin (1) (3)	3.23	3.43	3.22	3.44
Non-interest expense to average assets (1)	1.43	1.42	1.42	1.44
Efficiency ratio (4)	43.62	40.95	43.45	41.34
Average equity to average assets	7.98	7.59	7.96	7.54
Average interest-bearing assets to average interest bearing liabilities	114.13	112.47	113.80	112.14
	June 30, 2013	December 31, 2012	June 30, 2012	
<i>(Unaudited)</i>				
Asset Quality Ratios				
Allowance for loan losses/total loans	0.83 %	0.84 %	0.88 %	
Allowance for loan losses/non-performing loans	191.32	273.66	144.94	
Non-performing loans/total loans	0.44	0.31	0.61	
Non-performing loans/total assets	0.35	0.24	0.47	
Non-performing assets/total assets	0.38	0.28	0.74	
Share Related				
Book value per share	\$ 46.08	\$ 43.65	\$ 41.29	
Market value per share	\$ 67.88	\$ 62.60	60.47	
Shares outstanding at end of period	2,127,250	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.