



PRESS RELEASE

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Hingham, MA (NASDAQ – HIFS)

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13% INCREASE IN NET OPERATING EARNINGS, EXCLUDING \$5.7 MILLION OF NET INCOME FROM ONE-TIME EVENT

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ – HIFS), Hingham, Massachusetts announced first quarter earnings for 2014. Net income for the quarter ended March 31, 2014 was \$9,375,000 or \$4.40 per share (basic and diluted) as compared to \$3,205,000 or \$1.51 per share (basic and diluted) for the same period last year. Earnings for 2014 included a one-time net gain of approximately \$5.7 million related to non-taxable life insurance death benefit income of \$6,302,000 less an accrual of \$949,000 for a contractual death benefit liability, and \$388,000 in related income tax benefit.

Excluding this event, the Bank earned \$3,636,000 or \$1.71 per share (basic and diluted), representing a 13% increase in net income over last year. The Bank's return on average equity for the first quarter of 2014 was 18.87%, and the return on average assets was 1.47%. Excluding the \$5.7 million event, the Bank's return on average equity for the first quarter of 2014 was 13.53%, and the return on average assets was 1.05% as compared to return on average equity of 13.42% and a return on average assets of 1.07% for the first quarter of 2013.

Strong growth trends of recent years continued, as deposits increased by \$133.5 million representing a 15% increase from March 31, 2013. Net loans increased by 18% and total assets increased by 17% as compared to March 31, 2013. Stockholders' equity increased \$16.7 million from March 31, 2013 to March 31, 2014, representing a 17% increase, with a related increase in book value per share from \$44.88 to \$52.70.

President Robert H. Gaughen Jr. stated, "We continue to create value for our owners through measured balance sheet growth, cost discipline, and careful capital allocation. Our earnings, among the strongest in our industry, are the product of these practices. We remain committed to the fundamentally conservative strategies that have produced long-term value without undue risk."

It was with great grief, however, that we learned of the death of Deborah Jackson, our former Senior Vice President and Treasurer, in March 2014. She was a remarkable person and a key element of our success. We took great pleasure in her success as President and Chief Operating Officer of East Boston Savings Bank, where she led that bank in a period of rapid growth. She will be remembered by all of us at Hingham and our deepest condolences go to her family."

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

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>March 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>	<u>March 31,</u> <u>2013</u>
ASSETS			
Cash and due from banks	\$ 17,409	\$ 11,922	\$ 6,262
Short-term investments	110,830	90,925	91,061
Cash and cash equivalents	<u>128,239</u>	<u>102,847</u>	<u>97,323</u>
Certificates of deposit	12,763	13,011	12,999
Securities available for sale, at fair value	105,443	106,369	102,561
Federal Home Loan Bank stock, at cost	16,007	15,978	13,824
Loans, net of allowance for loan losses of \$8,660 at March 31, 2014, \$8,509 at December 31, 2013 and \$8,216 at March 31, 2013	1,130,902	1,078,879	961,051
Foreclosed assets	983	271	471
Bank-owned life insurance	11,201	15,375	15,054
Premises and equipment, net	15,686	15,854	14,330
Accrued interest receivable	2,877	2,792	3,063
Deferred income tax asset, net	2,842	2,934	2,580
Other assets	<u>12,630</u>	<u>2,131</u>	<u>2,765</u>
Total assets	<u>\$ 1,439,573</u>	<u>\$ 1,356,441</u>	<u>\$ 1,226,021</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	\$ 1,010,347	\$ 940,906	\$ 876,876
Federal Home Loan Bank advances	303,715	302,732	244,325
Mortgage payable	1,008	1,020	1,054
Mortgagors' escrow accounts	3,993	3,709	3,136
Accrued interest payable	424	490	477
Other liabilities	7,905	4,367	4,676
Total liabilities	<u>1,327,392</u>	<u>1,253,224</u>	<u>1,130,544</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; 2,128,750 shares issued and outstanding as of March 31, 2014 and December 31, 2013 and 2,127,250 shares issued and outstanding as of March 31, 2013	2,129	2,129	2,127
Additional paid-in capital	10,659	10,659	10,587
Undivided profits	99,250	90,449	82,582
Accumulated other comprehensive income (loss)	143	(20)	181
Total stockholders' equity	<u>112,181</u>	<u>103,217</u>	<u>95,477</u>
Total liabilities and stockholders' equity	<u>\$ 1,439,573</u>	<u>\$ 1,356,441</u>	<u>\$ 1,226,021</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended	
	March 31,	
	2014	2013
<i>(Dollars in thousands, except per share amounts)</i>		
<i>(Unaudited)</i>		
Interest and dividend income:		
Loans	\$ 12,946	\$ 11,788
Debt securities	91	109
Equity securities	114	38
Short-term investments and certificates of deposit	69	68
Total interest and dividend income	13,220	12,003
Interest expense:		
Deposits	1,437	1,429
Federal Home Loan Bank advances	1,055	1,208
Mortgage payable	15	16
Total interest expense	2,507	2,653
Net interest income	10,713	9,350
Provision for loan losses	150	100
Net interest income, after provision for loan losses	10,563	9,250
Other income:		
Customer service fees on deposits	243	238
Increase in cash surrender value of life insurance	93	109
Life insurance death benefit	6,302	—
Miscellaneous	68	50
Total other income	6,706	397
Operating expenses:		
Salaries and employee benefits	3,786	2,554
Data processing	283	239
Occupancy and equipment	510	481
Deposit insurance	190	167
Foreclosure	190	80
Marketing	136	78
Other general and administrative	640	619
Total operating expenses	5,735	4,218
Income before income taxes	11,534	5,429
Income tax provision	2,159	2,224
Net income	\$ 9,375	\$ 3,205
Cash dividends declared per common share	\$ 0.27	\$ 0.26
Weighted average shares outstanding:		
Basic	2,129	2,127
Diluted	2,131	2,129
Earnings per share:		
Basic	\$ 4.40	\$ 1.51
Diluted	\$ 4.40	\$ 1.51

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ending March 31,					
	2014			2013		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE*	AVERAGE BALANCE	INTEREST	YIELD/ RATE*
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,114,240	\$ 12,946	4.65 %	\$ 957,700	\$ 11,788	4.92 %
Securities (3) (4)	119,187	205	0.69	115,709	147	0.51
Short-term investments and certificates of deposit	107,004	69	0.26	93,708	68	0.29
Total earning assets	1,340,431	13,220	3.94	1,167,117	12,003	4.11
Other assets	38,219			35,930		
Total assets	\$ 1,378,650			\$ 1,203,047		
Interest-bearing deposits (5)	\$ 869,209	1,437	0.66	\$ 793,936	1,429	0.72
Borrowed funds	307,325	1,070	1.39	234,782	1,224	2.09
Total interest-bearing liabilities	1,176,534	2,507	0.85	1,028,718	2,653	1.03
Demand deposits	92,206			76,176		
Other liabilities	2,438			2,629		
Total liabilities	1,271,178			1,107,523		
Stockholders' equity	107,472			95,524		
Total liabilities and stockholders' equity	\$ 1,378,650			\$ 1,203,047		
Net interest income		\$ 10,713			\$ 9,350	
Weighted average spread			3.09 %			3.08 %
Net interest margin (6)			3.20 %			3.20 %
Average interest-earning assets to average interest-bearing liabilities (7)			113.93 %			113.45 %

* Annualized

- (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 March 31,	
	2014	2013
<i>(Unaudited)</i>		
Key Performance Ratios		
Return on average assets (1)	1.47 %	1.07 %
Return on average equity (1)	18.87	13.42
Interest rate spread (2)	3.09	3.08
Net interest margin (3)	3.20	3.20
Non-interest expense to average assets (1)	1.46	1.40
Efficiency ratio (4)	43.05	43.27
Average equity to average assets	7.80	7.94
Average interest-bearing assets to average interest bearing liabilities	113.93	113.45

	March 31, 2014	December 31, 2013	March 31, 2013
<i>(Unaudited)</i>			
Asset Quality Ratios			
Allowance for loan losses/total loans	0.76 %	0.78 %	0.85 %
Allowance for loan losses/non-performing loans	135.12	143.37	209.38
Non-performing loans/total loans	0.56	0.55	0.41
Non-performing loans/total assets	0.45	0.44	0.32
Non-performing assets/total assets	0.51	0.46	0.36
Share Related			
Book value per share	\$ 52.70	\$ 48.49	\$ 44.88
Market value per share	\$ 78.50	\$ 78.49	\$ 69.70
Shares outstanding at end of period	2,128,750	2,128,750	2,127,250

- (1) Annualized, except for the applicable elements of the one-time \$5.7 million insurance event in 2014 which were included but not annualized.
- (2) Annualized. Interest rate spread represents the difference between the yield on earning assets and cost of interest-bearing liabilities.
- (3) Annualized. Net interest margin represents net interest income divided by average earning assets.
- (4) The efficiency ratio represents operating expenses divided by the sum of net interest income and other income. The ratio for 2014 excludes the \$6.3 million life insurance death benefit from other income and \$949,000 in salaries and benefits expense for the related one-time accrual of a contractual death benefit liability.