



PRESS RELEASE

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

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32% GROWTH IN QUARTERLY EARNINGS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ – HIFS), Hingham, Massachusetts announced third quarter earnings for 2014. Net income for the quarter ended September 30, 2014 was \$4,481,000 or \$2.10 per share (basic and diluted) as compared to \$3,403,000 or \$1.60 per share (basic and diluted) for the third quarter of 2013.

Net income for the nine months ended September 30, 2014 was \$17,729,000 or \$8.33 per share basic and \$8.32 per share diluted as compared to \$9,883,000 or \$4.65 per share basic and \$4.64 per share diluted for the same period last year. Earnings for the first nine months of 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 \$11,988,000 or \$5.63 per share basic and \$5.62 per share diluted for the first nine months of 2014, representing a 21% increase in net income over same period last year.

Strong growth trends of recent years continued, as deposits increased by \$114.8 million from December 31, 2013 and \$148.9 million from September 30, 2013, representing a 16% annualized growth year to date and 16% from September 30, 2013. Net loans increased by \$128.6 million from December 31, 2013 and \$193.7 million from September 30, 2013, representing 16% annualized growth year to date and 19% growth from September 30, 2013. Total assets increased by \$149.5 million from December 31, 2013 and \$201.8 million from September 30, 2013, representing a 15% annualized

growth year to date and 15% from September 30, 2013. Stockholders' equity increased to \$119.6 million as of September 30, 2014, representing a 21% annualized growth year to date and a 19% increase from September 30, 2013. Book value per share increased to \$56.20 per share at September 30, 2014 from \$48.49 per share at December 31, 2013 and \$47.42 per share at September 30, 2013.

President Robert H. Gaughen, Jr. stated, "We are pleased to report that our current quarterly earnings represent a 32% increase over the third quarter of 2013 – the product of conservative underwriting, disciplined cost control and measured growth. We continue to offer unique value to our customers, with whom we have deep, long-term relationships, and success is a product of this partnership."

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, 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>	September 30, 2014	December 31, 2013	September 30, 2013
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and due from banks	\$ 6,012	\$ 11,922	\$ 6,896
Short-term investments	142,414	90,925	115,230
Cash and cash equivalents	<u>148,426</u>	<u>102,847</u>	<u>122,126</u>
Certificates of deposit	14,460	13,011	14,397
Securities available for sale, at fair value	81,806	106,369	99,419
Federal Home Loan Bank stock, at cost	17,855	15,978	15,119
Loans, net of allowance for loan losses of \$8,953 at September 30, 2014, \$8,509 at December 31, 2013 and \$8,241 at September 30, 2013	1,207,481	1,078,879	1,013,798
Foreclosed assets	821	271	471
Bank-owned life insurance	11,345	15,375	15,268
Premises and equipment, net	15,381	15,854	15,769
Accrued interest receivable	2,989	2,792	2,768
Deferred income tax asset, net	2,940	2,934	2,664
Other assets	<u>2,418</u>	<u>2,131</u>	<u>2,310</u>
Total assets	<u>\$ 1,505,922</u>	<u>\$ 1,356,441</u>	<u>\$ 1,304,109</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	\$ 1,055,701	\$ 940,906	\$ 906,752
Federal Home Loan Bank advances	320,635	302,732	287,764
Mortgage payable	985	1,020	1,032
Mortgagors' escrow accounts	4,239	3,709	3,538
Accrued interest payable	346	490	463
Other liabilities	<u>4,375</u>	<u>4,367</u>	<u>3,609</u>
Total liabilities	<u>1,386,281</u>	<u>1,253,224</u>	<u>1,203,158</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 at September 30, 2013, December 31, 2013 and September 30, 2013.	2,129	2,129	2,129
Additional paid-in capital	10,919	10,659	10,659
Undivided profits	106,432	90,449	88,132
Accumulated other comprehensive income (loss)	<u>161</u>	<u>(20)</u>	<u>31</u>
Total stockholders' equity	<u>119,641</u>	<u>103,217</u>	<u>100,951</u>
Total liabilities and stockholders' equity	<u>\$ 1,505,922</u>	<u>\$ 1,356,441</u>	<u>\$ 1,304,109</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
(Unaudited)	(In thousands, except per share amounts)			
Interest and dividend income:				
Loans	\$ 14,109	\$ 12,221	\$ 40,598	\$ 36,000
Debt securities	80	102	263	315
Equity securities	116	40	346	116
Short-term investments and certificates of deposit	95	79	246	213
Total interest and dividend income	14,400	12,442	41,453	36,644
Interest expense:				
Deposits	1,598	1,396	4,554	4,230
Federal Home Loan Bank advances	846	1,185	2,802	3,602
Mortgage payable	15	16	45	47
Total interest expense	2,459	2,597	7,401	7,879
Net interest income	11,941	9,845	34,052	28,765
Provision for loan losses	150	90	475	290
Net interest income, after provision for loan losses	11,791	9,755	33,577	28,475
Other income:				
Customer service fees on deposits	257	264	756	758
Increase in bank-owned life insurance	73	108	238	323
Life insurance death benefit	—	—	6,302	—
Miscellaneous	84	56	277	163
Total other income	414	428	7,573	1,244
Operating expenses:				
Salaries and employee benefits	2,887	2,671	9,578	7,829
Data processing	308	275	893	754
Occupancy and equipment	486	447	1,522	1,387
Deposit insurance	205	174	592	509
Foreclosure	(62)	19	234	218
Marketing	99	182	354	390
Other general and administrative	663	659	2,240	1,915
Total operating expenses	4,586	4,427	15,413	13,002
Income before income taxes	7,619	5,756	25,737	16,717
Income tax provision	3,138	2,353	8,008	6,834
Net income	\$ 4,481	\$ 3,403	\$ 17,729	\$ 9,883
Weighted average common shares outstanding:				
Basic	2,129	2,129	2,129	2,128
Diluted	2,135	2,130	2,132	2,129
Earnings per common share:				
Basic	\$ 2.10	\$ 1.60	\$ 8.33	\$ 4.65
Diluted	\$ 2.10	\$ 1.60	\$ 8.32	\$ 4.64

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended September 30,					
	2014			2013		
	<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)	\$ 1,207,348	\$ 14,109	4.67 %	\$ 1,004,649	\$ 12,221	4.87 %
Securities (3) (4)	106,538	196	0.74	116,002	142	0.49
Short-term investments and certificates of deposit	151,308	95	0.25	108,461	79	0.29
Total earning assets	<u>1,465,194</u>	<u>14,400</u>	<u>3.93</u>	<u>1,229,112</u>	<u>12,442</u>	<u>4.05</u>
Other assets	33,823			37,471		
Total assets	<u>\$ 1,499,017</u>			<u>\$ 1,266,583</u>		
Interest-bearing deposits (5)	\$ 940,681	1,598	0.68	\$ 805,761	1,396	0.69
Borrowed funds	331,458	861	1.04	270,913	1,201	1.77
Total interest-bearing liabilities	<u>1,272,139</u>	<u>2,459</u>	<u>0.77</u>	<u>1,076,674</u>	<u>2,597</u>	<u>0.96</u>
Demand deposits	104,433			86,086		
Other liabilities	3,894			3,633		
Total liabilities	<u>1,380,466</u>			<u>1,166,393</u>		
Stockholders' equity	118,551			100,190		
Total liabilities and stockholders' equity	<u>\$ 1,499,017</u>			<u>\$ 1,266,583</u>		
Net interest income		<u>\$ 11,941</u>			<u>\$ 9,845</u>	
Weighted average spread			<u>3.16 %</u>			<u>3.09 %</u>
Net interest margin (6)			<u>3.26 %</u>			<u>3.20 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>115.18 %</u>			<u>114.16 %</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,					
	2014			2013		
	<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)	\$ 1,163,600	\$ 40,598	4.65 %	\$ 982,436	\$ 36,000	4.89 %
Securities (3) (4)	114,459	609	0.71	115,213	431	0.50
Short-term investments and certificates of deposit	125,237	246	0.26	95,853	213	0.30
Total earning assets	<u>1,403,296</u>	<u>41,453</u>	<u>3.94</u>	<u>1,193,502</u>	<u>36,644</u>	<u>4.09</u>
Other assets	36,638			36,651		
Total assets	<u>\$ 1,439,934</u>			<u>\$ 1,230,153</u>		
Interest-bearing deposits (5)	\$ 909,248	4,554	0.67	\$ 797,832	4,230	0.71
Borrowed funds	315,078	2,847	1.20	249,822	3,649	1.95
Total interest-bearing liabilities	<u>1,224,326</u>	<u>7,401</u>	<u>0.81</u>	<u>1,047,654</u>	<u>7,879</u>	<u>1.00</u>
Demand deposits	98,656			81,512		
Other liabilities	3,398			3,295		
Total liabilities	<u>1,326,380</u>			<u>1,132,461</u>		
Stockholders' equity	113,554			97,692		
Total liabilities and stockholders' equity	<u>\$ 1,439,934</u>			<u>\$ 1,230,153</u>		
Net interest income		<u>\$ 34,052</u>			<u>\$ 28,765</u>	
Weighted average spread			<u>3.13 %</u>			<u>3.09 %</u>
Net interest margin (6)			<u>3.24 %</u>			<u>3.21 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>114.62 %</u>			<u>113.92 %</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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.20 %	1.07 %	1.64 %	1.07 %
Return on average equity (1)	15.12	13.59	20.82	13.49
Interest rate spread (1) (2)	3.16	3.09	3.13	3.09
Net interest margin (1) (3)	3.26	3.20	3.24	3.21
Non-interest expense to average assets (1)	1.22	1.40	1.43	1.41
Efficiency ratio (4)	37.12	43.09	37.03	43.33
Average equity to average assets	7.91	7.91	7.89	7.94
Average interest-bearing assets to average interest bearing liabilities	115.18	114.16	114.62	113.92
	September 30, 2014	December 31, 2013	September 30, 2013	
<i>(Unaudited)</i>				
Asset Quality Ratios				
Allowance for loan losses/total loans	0.74 %	0.78 %	0.82 %	
Allowance for loan losses/non-performing loans	159.19	143.37	195.88	
Non-performing loans/total loans	0.46	0.55	0.42	
Non-performing loans/total assets	0.37	0.44	0.33	
Non-performing assets/total assets	0.43	0.46	0.37	
Share Related				
Book value per share	\$ 56.20	\$ 48.49	\$ 47.42	
Market value per share	\$ 81.55	\$ 78.49	\$ 69.91	
Shares outstanding at end of period	2,128,750	2,128,750	2,128,750	

(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.