



PRESS RELEASE

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

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

GROWTH IN QUARTERLY EARNINGS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ – HIFS), Hingham, Massachusetts announced third quarter earnings for 2013. Net income for the quarter ended September 30, 2013 was \$3,403,000 or \$1.60 per share (basic and diluted) as compared to \$3,327,000 or \$1.57 per share basic and \$1.56 per share diluted for the third quarter of 2012. Net income for the nine months ended September 30, 2013 was \$9,883,000 or \$4.65 per share basic and \$4.64 per share diluted as compared to \$9,936,000 or \$4.67 per share (basic and diluted) for the same period last year. The Bank's annualized return on average equity for the first nine months of 2013 was 13.49% and the annualized return on average assets was 1.07%.

Strong growth trends of recent years continued, as deposits increased by \$36.9 million from December 31, 2012 and \$78.7 million from September 30, 2012, representing a 6% annualized growth year to date and 10% from September 30, 2012. Net loans increased by \$64.1 million from December 31, 2012 and \$96.3 million from September 30, 2012, representing 9% annualized growth year to date and 10% growth from September 30, 2012. Total assets increased by \$98.0 million from December 31, 2012 and \$110.5 million from September 30, 2012, representing an 11% annualized growth year to date and 9% from September 30, 2012. Stockholders' equity increased to \$101.0 million as of September 30, 2013, representing a 12% annualized growth year to date and an 11% increase from September 30, 2012. Book value per share increased to \$47.42 per share at

September 30, 2013 from \$43.65 per share at December 31, 2012 and \$42.63 per share at September 30, 2012.

At September 30, 2013, non-performing assets totaled 0.33% of total assets, as compared with 0.28% at December 31, 2012 and 0.58% at September 30, 2012. For the quarter ended September 30, 2013, a provision of \$90,000 was made to the allowance for loan losses compared to \$150,000 for the same period in 2012.

President Robert H. Gaughen, Jr. stated, “While the extended low interest rate environment puts pressure on net interest margin, we continue to see strong earnings performance with our third quarter 2013 results improving over those of the same period in 2012. Solid balance sheet 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. In August, the Bank opened its 11th branch located 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>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>September 30,</u> <u>2012</u>
ASSETS			
Cash and due from banks	\$ 6,896	\$ 7,961	\$ 6,624
Short-term investments	115,230	79,373	101,524
Cash and cash equivalents	<u>122,126</u>	<u>87,334</u>	<u>108,148</u>
Certificates of deposit	14,397	13,737	13,635
Securities available for sale, at fair value	99,419	102,866	102,167
Federal Home Loan Bank stock, at cost	15,119	14,105	14,105
Loans, net of allowance for loan losses of \$8,421 at September 30, 2013, \$7,999 at December 31, 2012 and \$7,880 at September 30, 2012	1,013,798	949,662	917,502
Foreclosed assets	471	471	3,465
Bank-owned life insurance	15,268	14,945	14,843
Premises and equipment, net	15,769	14,180	10,379
Accrued interest receivable	2,768	2,667	3,201
Deferred income tax asset, net	2,664	2,556	3,416
Other assets	<u>2,310</u>	<u>3,361</u>	<u>2,573</u>
Total assets	<u>\$ 1,304,109</u>	<u>\$ 1,205,884</u>	<u>\$ 1,193,434</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	\$ 906,752	\$ 869,886	\$ 828,080
Federal Home Loan Bank advances	287,764	234,355	266,385
Mortgage payable	1,032	1,065	1,076
Mortgagors' escrow accounts	3,538	3,231	2,967
Accrued interest payable	463	478	467
Other liabilities	3,609	4,070	3,845
Total liabilities	<u>1,203,158</u>	<u>1,113,085</u>	<u>1,102,820</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 and 2,125,750 issued and outstanding at December 31, 2012 and September 30, 2012.	2,129	2,126	2,126
Additional paid-in capital	10,659	10,519	10,519
Undivided profits	88,132	79,930	77,703
Accumulated other comprehensive income	31	224	266
Total stockholders' equity	<u>100,951</u>	<u>92,799</u>	<u>90,614</u>
Total liabilities and stockholders' equity	<u>\$ 1,304,109</u>	<u>\$ 1,205,884</u>	<u>\$ 1,193,434</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
(Unaudited)	(In thousands, except per share amounts)			
Interest and dividend income:				
Loans	\$ 12,221	\$ 11,858	\$ 36,000	\$ 35,627
Debt securities	102	127	315	415
Equity securities	40	42	116	128
Short-term investments and certificates of deposit	79	81	213	262
Total interest and dividend income	12,442	12,108	36,644	36,432
Interest expense:				
Deposits	1,396	1,449	4,230	4,391
Federal Home Loan Bank advances	1,185	1,257	3,602	3,732
Mortgage payable	16	16	47	49
Total interest expense	2,597	2,722	7,879	8,172
Net interest income	9,845	9,386	28,765	28,260
Provision for loan losses	90	150	290	575
Net interest income, after provision for loan losses	9,755	9,236	28,475	27,685
Other income:				
Customer service fees on deposits	264	249	758	755
Increase in bank-owned life insurance	108	109	323	319
Miscellaneous	56	49	163	164
Total other income	428	407	1,244	1,238
Operating expenses:				
Salaries and employee benefits	2,671	2,434	7,829	7,137
Data processing	275	206	754	650
Occupancy and equipment	447	424	1,387	1,271
Deposit insurance	174	158	509	447
Foreclosure	19	87	218	331
Marketing	182	148	390	497
Other general and administrative	659	577	1,915	1,847
Total operating expenses	4,427	4,034	13,002	12,180
Income before income taxes	5,756	5,609	16,717	16,743
Income tax provision	2,353	2,282	6,834	6,807
Net income	\$ 3,403	\$ 3,327	\$ 9,883	\$ 9,936
Weighted average common shares outstanding:				
Basic	2,129	2,126	2,128	2,126
Diluted	2,130	2,128	2,129	2,127
Earnings per common share:				
Basic	\$ 1.60	\$ 1.57	\$ 4.65	\$ 4.67
Diluted	\$ 1.60	\$ 1.56	\$ 4.64	\$ 4.67

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended September 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)	\$ 1,004,649	\$ 12,221	4.87 %	\$ 899,727	\$ 11,858	5.27 %
Securities (3) (4)	116,002	142	0.49	114,244	169	0.59
Short-term investments and certificates of deposit	108,461	79	0.29	106,132	81	0.31
Total earning assets	<u>1,229,112</u>	<u>12,442</u>	<u>4.05</u>	<u>1,120,103</u>	<u>12,108</u>	<u>4.32</u>
Other assets	37,471			36,013		
Total assets	<u>\$ 1,266,583</u>			<u>\$ 1,156,116</u>		
Interest-bearing deposits (5)	\$ 805,761	1,396	0.69	\$ 754,020	1,449	0.77
Borrowed funds	270,913	1,201	1.77	234,214	1,273	2.17
Total interest-bearing liabilities	<u>1,076,674</u>	<u>2,597</u>	<u>0.96</u>	<u>988,234</u>	<u>2,722</u>	<u>1.10</u>
Demand deposits	86,086			73,605		
Other liabilities	3,633			4,420		
Total liabilities	<u>1,166,393</u>			<u>1,066,259</u>		
Stockholders' equity	100,190			89,857		
Total liabilities and stockholders' equity	<u>\$ 1,266,583</u>			<u>\$ 1,153,116</u>		
Net interest income		<u>\$ 9,845</u>			<u>\$ 9,386</u>	
Weighted average spread			<u>3.09 %</u>			<u>3.22 %</u>
Net interest margin (6)			<u>3.20 %</u>			<u>3.35 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>114.16 %</u>			<u>113.34 %</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
Net Interest Income Analysis

	Nine Months Ended September 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)	\$ 982,436	\$ 36,000	4.89 %	\$ 882,245	\$ 35,627	5.38 %
Securities (3) (4)	115,213	431	0.50	110,020	543	0.66
Short-term investments and certificates of deposit	95,853	213	0.30	113,133	262	0.31
Total earning assets	<u>1,193,502</u>	<u>36,644</u>	<u>4.09</u>	<u>1,105,398</u>	<u>36,432</u>	<u>4.39</u>
Other assets	36,651			36,769		
Total assets	<u>\$ 1,230,153</u>			<u>\$ 1,142,167</u>		
Interest-bearing deposits (5)	\$ 797,832	4,230	0.71	\$ 744,209	4,391	0.79
Borrowed funds	249,822	3,649	1.95	237,964	3,781	2.12
Total interest-bearing liabilities	<u>1,047,654</u>	<u>7,879</u>	<u>1.00</u>	<u>982,173</u>	<u>8,172</u>	<u>1.11</u>
Demand deposits	81,512			68,587		
Other liabilities	3,295			4,367		
Total liabilities	<u>1,132,461</u>			<u>1,055,127</u>		
Stockholders' equity	97,692			87,040		
Total liabilities and stockholders' equity	<u>\$ 1,230,153</u>			<u>\$ 1,142,167</u>		
Net interest income		<u>\$ 28,765</u>			<u>\$ 28,260</u>	
Weighted average spread			<u>3.09 %</u>			<u>3.28 %</u>
Net interest margin (6)			<u>3.21 %</u>			<u>3.41 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>113.92 %</u>			<u>112.55 %</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,	
	2013	2012	2013	2012
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.07 %	1.15 %	1.07 %	1.16 %
Return on average equity (1)	13.59	14.81	13.49	15.22
Interest rate spread (1) (2)	3.09	3.22	3.09	3.28
Net interest margin (1) (3)	3.20	3.35	3.21	3.41
Non-interest expense to average assets (1)	1.40	1.40	1.41	1.42
Efficiency ratio (4)	43.09	41.19	43.33	41.29
Average equity to average assets	7.91	7.77	7.94	7.62
Average interest-bearing assets to average interest bearing liabilities	114.16	113.34	113.92	112.55

	September 30, 2013	December 31, 2012	September 30, 2012
	<i>(Unaudited)</i>		
Asset Quality Ratios			
Allowance for loan losses/total loans	0.82 %	0.84 %	0.85 %
Allowance for loan losses/non-performing loans	195.88	273.66	231.22
Non-performing loans/total loans	0.42	0.31	0.37
Non-performing loans/total assets	0.33	0.24	0.29
Non-performing assets/total assets	0.37	0.28	0.58
Share Related			
Book value per share	\$ 47.42	\$ 43.65	\$ 42.63
Market value per share	\$ 69.91	\$ 62.60	\$ 64.43
Shares outstanding at end of period	2,128,750	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.