

PRESS RELEASE

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

HINGHAM INSTITUTION FOR SAVINGS (Nasdaq – HIFS), Hingham, Massachusetts announced its earnings for 2013. Net income for the year ended December 31, 2013 was \$13,371,000 or \$6.28 per share (basic and diluted) as compared to \$13,290,000 or \$6.25 per share (basic and diluted) for 2012. Net income for the fourth quarter 2013 was \$3,488,000 or \$1.64 per share (basic and diluted) as compared to \$3,354,000 or \$1.58 per share (basic and diluted) for the fourth quarter 2012. The Bank's return on average equity for the year ended December 31, 2013 was 13.52%, and the return on average assets was 1.07%.

Deposits increased by \$71.0 million, or 8%, net loans increased by \$129.2 million, or 14%, and total assets increased by 12% from December 31, 2012 to December 31, 2013. Total assets were \$1,356,441,000 at December 31, 2013 as compared to \$1,205,884,000 at December 31, 2012. Book value per share increased to \$48.49 per share at December 31, 2013 from \$43.65 per share at December 31, 2012. At December 31, 2013, non-performing assets totaled 0.46% of total assets compared to 0.28% of total assets at December 31, 2012.

President Robert H. Gaughen, Jr. stated, "We are pleased to report our sixth consecutive year of record earnings. Although the current interest rate environment has continued to put pressure on our net interest margin, the strong growth of our balance sheet, effective cost control and aggressive management of asset quality have again produced some of the industry's strongest returns. We remain focused on increasing

shareholder value through the continued development of a truly 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, Beacon Hill and 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
Selected Financial Ratios

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.06 %	1.11 %	1.07 %	1.15 %
Return on average equity (1)	13.62	14.58	13.52	15.05
Interest rate spread (1) (2)	3.03	3.15	3.07	3.25
Net interest margin (1) (3)	3.14	3.28	3.19	3.38
Non-interest expense to average assets (1)	1.37	1.41	1.40	1.42
Efficiency ratio (4)	43.06	42.28	43.26	41.54
Average equity to average assets	7.75	7.61	7.89	7.62
Average interest-bearing assets to average interest bearing liabilities	113.93	113.33	113.92	112.75

	December 31,	December 31,
	2013	2012
<i>(Unaudited)</i>		
Asset Quality Ratios		
Allowance for loan losses/total loans	0.78 %	0.84 %
Allowance for loan losses/non-performing loans	143.37	273.66
Non-performing loans/total loans	0.55	0.31
Non-performing loans/total assets	0.44	0.24
Non-performing assets/total assets	0.46	0.28
Share Related		
Book value per share	\$ 48.49	\$ 43.65
Market value per share	\$ 78.49	\$ 62.60
Shares outstanding at end of period	2,128,750	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.

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Balance Sheets

	December 31, 2013	December 31, 2012
<i>(Dollars in thousands except per share data)</i>		
<i>(Unaudited)</i>		
ASSETS		
Cash and due from banks	\$ 11,922	\$ 7,961
Short-term investments	90,925	79,373
Cash and cash equivalents	102,847	87,334
Certificates of deposit	13,011	13,737
Securities available for sale, at fair value	106,369	102,866
Federal Home Loan Bank stock, at cost	15,978	14,105
Loans, net of allowance for loan losses of \$8,509 at December 31, 2013 and \$7,999 at December 31, 2012	1,078,879	949,662
Foreclosed assets	271	471
Bank-owned life insurance	15,375	14,945
Premises and equipment, net	15,854	14,180
Accrued interest receivable	2,792	2,667
Deferred income tax asset, net	2,934	2,556
Other assets	2,131	3,361
Total assets	\$ 1,356,441	\$ 1,205,884
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$ 940,906	\$ 869,886
Federal Home Loan Bank advances	302,732	234,355
Mortgage payable	1,020	1,065
Mortgagors' escrow accounts	3,709	3,231
Accrued interest payable	490	478
Other liabilities	4,367	4,070
Total liabilities	1,253,224	1,113,085
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 December 31, 2013 and 2,125,750 shares issued and outstanding at December 31, 2012	2,129	2,126
Additional paid-in capital	10,659	10,519
Undivided profits	90,449	79,930
Accumulated other comprehensive income	(20)	224
Total stockholders' equity	103,217	92,799
Total liabilities and stockholders' equity	\$ 1,356,441	\$ 1,205,884

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Net Income

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2013	2012	2013	2012
(Unaudited)	(In thousands, except per share amounts)			
Interest and dividend income:				
Loans	\$ 12,455	\$ 12,126	\$ 48,455	\$ 47,753
Debt securities	92	111	407	526
Equity securities	65	70	181	198
Short-term investments and certificates of deposit	86	92	299	354
Total interest and dividend income	<u>12,698</u>	<u>12,399</u>	<u>49,342</u>	<u>48,831</u>
Interest expense:				
Deposits	1,430	1,467	5,660	5,858
Federal Home Loan Bank advances	1,177	1,282	4,779	5,014
Mortgage payable	16	16	63	65
Total interest expense	<u>2,623</u>	<u>2,765</u>	<u>10,502</u>	<u>10,937</u>
Net interest income	10,075	9,634	38,840	37,894
Provision for loan losses	90	150	380	725
Net interest income, after provision for loan losses	<u>9,985</u>	<u>9,484</u>	<u>38,460</u>	<u>37,169</u>
Other income:				
Customer service fees on deposits	261	253	1,019	1,008
Increase in bank-owned life insurance	107	102	430	421
Miscellaneous	66	73	229	237
Total other income	<u>434</u>	<u>428</u>	<u>1,678</u>	<u>1,666</u>
Operating expenses:				
Salaries and employee benefits	2,773	2,506	10,602	9,643
Data processing	261	234	1,015	884
Occupancy and equipment	481	438	1,868	1,709
Deposit insurance	172	164	684	611
Foreclosure	(32)	5	186	336
Marketing	167	157	557	654
Other general and administrative	700	750	2,615	2,597
Total operating expenses	<u>4,525</u>	<u>4,254</u>	<u>17,527</u>	<u>16,434</u>
Income before income taxes	5,894	5,658	22,611	22,401
Income tax provision	2,406	2,304	9,240	9,111
Net income	<u>\$ 3,488</u>	<u>\$ 3,354</u>	<u>\$ 13,371</u>	<u>\$ 13,290</u>
Weighted average common shares outstanding:				
Basic	<u>2,129</u>	<u>2,126</u>	<u>2,128</u>	<u>2,126</u>
Diluted	<u>2,131</u>	<u>2,128</u>	<u>2,130</u>	<u>2,127</u>
Earnings per common share:				
Basic	<u>\$ 1.64</u>	<u>\$ 1.58</u>	<u>\$ 6.28</u>	<u>\$ 6.25</u>
Diluted	<u>\$ 1.64</u>	<u>\$ 1.58</u>	<u>\$ 6.28</u>	<u>\$ 6.25</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended December 31,					
	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)	\$ 1,053,754	\$ 12,455	4.73 %	\$ 938,446	\$ 12,126	5.17 %
Securities (3) (4)	115,344	157	0.54	115,630	181	0.63
Short-term investments and certificates of deposit	114,398	86	0.30	119,942	92	0.31
Total earning assets	<u>1,283,496</u>	<u>12,698</u>	<u>3.96</u>	<u>1,174,018</u>	<u>12,399</u>	<u>4.22</u>
Other assets	38,414			36,189		
Total assets	<u>\$ 1,321,910</u>			<u>\$ 1,210,207</u>		
Interest-bearing deposits (5)	\$ 833,128	1,430	0.69	\$ 777,259	1,467	0.75
Borrowed funds	293,442	1,193	1.63	258,641	1,298	2.01
Total interest-bearing liabilities	<u>1,126,570</u>	<u>2,623</u>	<u>0.93</u>	<u>1,035,900</u>	<u>2,765</u>	<u>1.07</u>
Demand deposits	88,294			77,972		
Other liabilities	4,571			4,298		
Total liabilities	<u>1,219,435</u>			<u>1,118,170</u>		
Stockholders' equity	102,475			92,037		
Total liabilities and stockholders' equity	<u>\$ 1,321,910</u>			<u>\$ 1,210,207</u>		
Net interest income		<u>\$ 10,075</u>			<u>\$ 9,634</u>	
Weighted average spread			<u>3.03 %</u>			<u>3.15 %</u>
Net interest margin (6)			<u>3.14 %</u>			<u>3.28 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>113.93 %</u>			<u>113.33 %</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,					
	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)	\$ 1,000,412	\$ 48,455	4.84 %	\$ 896,372	\$ 47,753	5.33 %
Securities (3) (4)	115,246	588	0.51	111,430	724	0.65
Short-term investments and certificates of deposit	100,527	299	0.30	114,845	354	0.31
Total earning assets	<u>1,216,185</u>	<u>49,342</u>	<u>4.06</u>	<u>1,122,647</u>	<u>48,831</u>	<u>4.35</u>
Other assets	37,096			36,623		
Total assets	<u>\$ 1,253,281</u>			<u>\$ 1,159,270</u>		
Interest-bearing deposits (5)	\$ 806,728	5,660	0.70	\$ 752,516	5,858	0.78
Borrowed funds	260,817	4,842	1.86	243,162	5,079	2.09
Total interest-bearing liabilities	<u>1,067,545</u>	<u>10,502</u>	<u>0.98</u>	<u>995,678</u>	<u>10,937</u>	<u>1.10</u>
Demand deposits	83,222			70,946		
Other liabilities	3,626			4,357		
Total liabilities	<u>1,154,393</u>			<u>1,070,981</u>		
Stockholders' equity	98,888			88,289		
Total liabilities and stockholders' equity	<u>\$ 1,253,281</u>			<u>\$ 1,159,270</u>		
Net interest income		<u>\$ 38,840</u>			<u>\$ 37,894</u>	
Weighted average spread			<u>3.07 %</u>			<u>3.25 %</u>
Net interest margin (6)			<u>3.19 %</u>			<u>3.38 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>113.92 %</u>			<u>112.75 %</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.