



PRESS RELEASE

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

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18% GROWTH IN QUARTERLY EARNINGS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ – HIFS), Hingham, Massachusetts announced second quarter earnings for 2014. Net income for the quarter ended June 30, 2014 was \$3,873,000 or \$1.82 per share (basic and diluted) as compared to \$3,275,000 or \$1.54 per share (basic and diluted) in earnings for the second quarter of 2013. The Bank's annualized return on average equity for the second quarter of 2014 was 13.51%, and the annualized return on average assets was 1.08%.

Net income for the six months ended June 30, 2014 was \$13,248,000 or \$6.22 per share (basic and diluted) as compared to \$6,480,000 or \$3.05 per share basic and \$3.04 per share diluted for the same period last year. Earnings for first six 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 \$7,507,000 or \$3.53 per share basic and \$3.52 per share diluted for the first six months of 2014, representing a 16% increase in net income over same period last year.

The Bank's return on average equity for the first six months of 2014 was 23.86%, and the return on average assets was 1.88%. Excluding the \$5.7 million event, the Bank's return on average equity for the first six months of 2014 was 13.52%, and the return on average assets was 1.06% as compared to return on average equity of 13.44% and a return on average assets of 1.07% for the first six months of 2013.

Strong growth trends of recent years continued, as deposits increased by \$83.8 million from December 31, 2013 and \$132.9 million from June 30, 2013, representing an 18% annualized growth year to date and 15% from June 30, 2013. Net loans increased by \$109.3 million from December 31, 2013 and \$197.3 million from June 30, 2013, representing 20% annualized growth year to date and 20% growth from June 30, 2013. Total assets increased by \$124.5 million from December 31, 2013 and \$225.3 million from June 30, 2013, representing an 18% annualized growth year to date and 18% from June 30, 2013. Stockholders' equity increased to \$115.6 million as of June 30, 2014, representing a 24% annualized growth year to date and an 18% increase from June 30, 2013. Book value per share increased to \$54.32 per share at June 30, 2014 from \$48.49 per share at December 31, 2013 and \$46.08 per share at June 30, 2013.

At June 30, 2014, non-performing assets totaled 0.44% of total assets, compared with 0.46% at December 31, 2013 and 0.38% at June 30, 2013. For the quarter ended June 30, 2014, a provision of \$175,000 was made to the allowance for loan losses compared to \$100,000 for the same period in 2013.

President Robert H. Gaughen, Jr. stated, "We are pleased to report that our current quarterly earnings represent an 18% increase over the second quarter of 2013. Improvement in our net interest margin, combined with effective cost control and solid growth in our balance sheet continue to produce some of the strongest earnings in the industry. This is a reflection of our continued commitment to shareholder value through quality growth and effective cost control."

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>	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>	<u>June 30,</u> <u>2013</u>
ASSETS			
Cash and due from banks	\$ 8,140	\$ 11,922	\$ 8,570
Short-term investments	120,647	90,925	87,195
Cash and cash equivalents	<u>128,787</u>	<u>102,847</u>	<u>95,765</u>
Certificates of deposit	14,209	13,011	13,055
Securities available for sale, at fair value	97,331	106,369	103,580
Federal Home Loan Bank stock, at cost	16,983	15,978	14,043
Loans, net of allowance for loan losses of \$8,834 at June 30, 2014, \$8,509 at December 31, 2013 and \$8,330 at June 30, 2013	1,188,157	1,078,879	990,831
Foreclosed assets	425	271	471
Bank-owned life insurance	11,272	15,375	15,160
Premises and equipment, net	15,537	15,854	15,101
Accrued interest receivable	3,112	2,792	3,119
Deferred income tax asset, net	2,981	2,934	2,676
Other assets	<u>2,166</u>	<u>2,131</u>	<u>1,848</u>
Total assets	<u>\$ 1,480,960</u>	<u>\$ 1,356,441</u>	<u>\$ 1,255,649</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	\$ 1,024,673	\$ 940,906	\$ 891,772
Federal Home Loan Bank advances	331,668	302,732	257,795
Mortgage payable	997	1,020	1,043
Mortgagors' escrow accounts	3,956	3,709	3,092
Accrued interest payable	379	490	448
Other liabilities	3,645	4,367	3,473
Total liabilities	<u>1,365,318</u>	<u>1,253,224</u>	<u>1,157,623</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 June 30, 2014 and December 31, 2013 and 2,127,250 shares issued and outstanding at June 30, 2013	2,129	2,129	2,127
Additional paid-in capital	10,896	10,659	10,587
Undivided profits	102,548	90,449	85,303
Accumulated other comprehensive income	69	(20)	9
Total stockholders' equity	<u>115,642</u>	<u>103,217</u>	<u>98,026</u>
Total liabilities and stockholders' equity	<u>\$ 1,480,960</u>	<u>\$ 1,356,441</u>	<u>\$ 1,255,649</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
(Unaudited)	(In thousands, except per share amounts)			
Interest and dividend income:				
Loans	\$ 13,543	\$ 11,991	\$ 26,489	\$ 23,779
Debt securities	92	104	183	213
Equity securities	116	38	230	76
Short-term investments and certificates of deposit	82	66	151	134
Total interest and dividend income	<u>13,833</u>	<u>12,199</u>	<u>27,053</u>	<u>24,202</u>
Interest expense:				
Deposits	1,519	1,405	2,956	2,834
Federal Home Loan Bank advances	901	1,209	1,956	2,417
Mortgage payable	15	15	30	31
Total interest expense	<u>2,435</u>	<u>2,629</u>	<u>4,942</u>	<u>5,282</u>
Net interest income	<u>11,398</u>	<u>9,570</u>	<u>22,111</u>	<u>18,920</u>
Provision for loan losses	175	100	325	200
Net interest income, after provision for loan losses	<u>11,223</u>	<u>9,470</u>	<u>21,786</u>	<u>18,270</u>
Other income:				
Customer service fees on deposits	256	256	499	494
Increase in bank-owned life insurance	72	106	165	215
Life insurance death benefit	—	—	6,302	—
Miscellaneous	125	57	193	107
Total other income	<u>453</u>	<u>419</u>	<u>7,159</u>	<u>816</u>
Operating expenses:				
Salaries and employee benefits	2,904	2,604	6,691	5,158
Data processing	302	240	585	479
Occupancy and equipment	526	459	1,036	940
Deposit insurance	197	168	387	335
Foreclosure	106	119	296	199
Marketing	119	130	255	208
Other general and administrative	938	637	1,577	1,256
Total operating expenses	<u>5,092</u>	<u>4,357</u>	<u>10,827</u>	<u>8,575</u>
Income before income taxes	<u>6,584</u>	<u>5,532</u>	<u>18,118</u>	<u>10,961</u>
Income tax provision	2,711	2,257	4,870	4,481
Net income	<u>\$ 3,873</u>	<u>\$ 3,275</u>	<u>\$ 13,248</u>	<u>\$ 6,480</u>
Weighted average common shares outstanding:				
Basic	<u>2,129</u>	<u>2,127</u>	<u>2,129</u>	<u>2,127</u>
Diluted	<u>2,130</u>	<u>2,129</u>	<u>2,130</u>	<u>2,129</u>
Earnings per common share:				
Basic	<u>\$ 1.82</u>	<u>\$ 1.54</u>	<u>\$ 6.22</u>	<u>\$ 3.05</u>
Diluted	<u>\$ 1.82</u>	<u>\$ 1.54</u>	<u>\$ 6.22</u>	<u>\$ 3.04</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended June 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)	\$ 1,168,189	\$ 13,543	4.64 %	\$ 984,444	\$ 11,991	4.87 %
Securities (3) (4)	117,791	208	0.71	113,924	142	0.50
Short-term investments and certificates of deposit	116,911	82	0.28	85,227	66	0.31
Total earning assets	<u>1,402,891</u>	<u>13,833</u>	<u>3.94</u>	<u>1,183,595</u>	<u>12,199</u>	<u>4.12</u>
Other assets	37,923			36,535		
Total assets	<u>\$ 1,440,814</u>			<u>\$ 1,220,130</u>		
Interest-bearing deposits (5)	\$ 917,070	1,519	0.66	\$ 793,668	1,405	0.71
Borrowed funds	306,186	916	1.20	243,374	1,224	2.01
Total interest-bearing liabilities	<u>1,223,256</u>	<u>2,435</u>	<u>0.80</u>	<u>1,037,042</u>	<u>2,629</u>	<u>1.01</u>
Demand deposits	99,194			82,166		
Other liabilities	3,725			3,559		
Total liabilities	<u>1,326,175</u>			<u>1,122,767</u>		
Stockholders' equity	114,639			97,363		
Total liabilities and stockholders' equity	<u>\$ 1,440,814</u>			<u>\$ 1,220,130</u>		
Net interest income		<u>\$ 11,398</u>			<u>\$ 9,570</u>	
Weighted average spread			<u>3.14 %</u>			<u>3.11 %</u>
Net interest margin (6)			<u>3.25 %</u>			<u>3.23 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>114.68 %</u>			<u>114.13 %</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,					
	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)	\$ 1,141,363	\$ 26,489	4.64 %	\$ 971,146	\$ 23,779	4.90 %
Securities (3) (4)	118,485	413	0.70	114,812	289	0.50
Short-term investments and certificates of deposit	111,985	151	0.27	89,444	134	0.30
Total earning assets	<u>1,371,833</u>	<u>27,053</u>	<u>3.94</u>	<u>1,175,402</u>	<u>24,202</u>	<u>4.12</u>
Other assets	38,070			36,234		
Total assets	<u>\$ 1,409,903</u>			<u>\$ 1,211,636</u>		
Interest-bearing deposits (5)	\$ 893,272	2,956	0.66	\$ 793,801	2,834	0.71
Borrowed funds	306,752	1,986	1.29	239,102	2,448	2.05
Total interest-bearing liabilities	<u>1,200,024</u>	<u>4,942</u>	<u>0.82</u>	<u>1,032,903</u>	<u>5,282</u>	<u>1.02</u>
Demand deposits	95,719			79,188		
Other liabilities	3,105			3,102		
Total liabilities	<u>1,298,848</u>			<u>1,115,193</u>		
Stockholders' equity	111,055			96,443		
Total liabilities and stockholders' equity	<u>\$ 1,409,903</u>			<u>\$ 1,211,636</u>		
Net interest income		<u>\$ 22,111</u>			<u>\$ 18,920</u>	
Weighted average spread			<u>3.12 %</u>			<u>3.10 %</u>
Net interest margin (6)			<u>3.22 %</u>			<u>3.22 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>114.32 %</u>			<u>113.80 %</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		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.08 %	1.07 %	1.88 %	1.07 %
Return on average equity (1)	13.51	13.45	23.86	13.44
Interest rate spread (1) (2)	3.14	3.11	3.12	3.10
Net interest margin (1) (3)	3.25	3.23	3.22	3.22
Non-interest expense to average assets (1)	1.41	1.43	1.54	1.42
Efficiency ratio (4)	42.97	43.62	36.99	43.45
Average equity to average assets	7.96	7.98	7.88	7.96
Average interest-bearing assets to average interest bearing liabilities	114.68	114.13	114.32	113.80

	June 30,	December 31,	June 30,
	2014	2013	2013
	<i>(Unaudited)</i>		
Asset Quality Ratios			
Allowance for loan losses/total loans	0.74 %	0.78 %	0.83 %
Allowance for loan losses/non-performing loans	144.14	143.37	191.32
Non-performing loans/total loans	0.51	0.55	0.44
Non-performing loans/total assets	0.41	0.44	0.35
Non-performing assets/total assets	0.44	0.46	0.38
Share Related			
Book value per share	\$ 54.32	\$ 48.49	\$ 46.08
Market value per share	\$ 79.40	\$ 78.49	67.88
Shares outstanding at end of period	2,128,750	2,128,750	\$ 2,127,250

(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.