



PRESS RELEASE

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Hingham, MA (NASDAQ – HIFS)
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RECORD ANNUAL EARNINGS AND 30% INCREASE IN QUARTERLY EARNINGS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ:HIFS), Hingham, Massachusetts announced record earnings for 2014. Net income for the year ended December 31, 2014 was \$22,264,000 or \$10.46 per share basic and \$10.44 per share diluted as compared to \$13,371,000 or \$6.28 per share (basic and diluted) for 2013. Net income for the fourth quarter of 2014 was \$4,535,000 or \$2.13 per share basic and \$2.12 per share diluted; a 30% increase over \$3,488,000 or \$1.64 per share (basic and diluted) for the fourth quarter of 2013. The Bank's return on average equity for the year ended December 31, 2014 was 19.30%, and the return on average assets was 1.52%.

Net income 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 \$16,523,000 or \$7.76 per share basic and \$7.75 per share diluted for 2014, representing a 24% increase in net income over the previous year. Excluding the income statement impact of this event, the Bank's return on average equity was 14.32% and return on average assets was 1.13% in 2014, as compared to 13.52% and 1.07% in 2013.

The Bank also produced record increases in both deposits and loans. Deposits increased by \$148.3 million, or 16%. Net loans increased by \$159.8 million, or 15%, and total assets increased by 14% from December 31, 2013 to December 31, 2014. Total assets were \$1.552 billion at December 31, 2014 as compared to \$1.356 billion at

December 31, 2013. Book value per share increased by 17.7% to \$57.08 per share at December 31, 2014 from \$48.49 per share at December 31, 2013. This increase in book value per share excludes capital returned to the ownership through regular and special dividends; the Bank declared \$2.10 per share in regular and special dividends in 2014.

Key credit and operational metrics continued to improve in 2014 as compared to 2013. At December 31, 2014, non-performing assets totaled 0.20% of total assets compared to 0.46% of total assets at December 31, 2013. Non-performing loans as a percentage of the total loan portfolio totaled 0.18% at December 31, 2014 as compared to 0.55% at December 31, 2013. The efficiency ratio improved to 37.19% in 2014 as compared to 43.23% in 2013. Non-interest expense as a percentage of average assets fell to 1.37% in 2014 as compared to 1.40% in 2013. Both the efficiency ratio and non-interest expense as a percentage of average assets reached record lows in 2014 and reflect the Bank's particular focus on disciplined expense management.

Robert H. Gaughen Jr., President and Chairman of the Board of Directors, stated "At Hingham, we take our role as stewards of the shareholders' capital seriously. We are pleased to report an outstanding return on that capital in 2014. Our emphasis on conservative underwriting, careful capital allocation, and measured growth continues to serve our shareholders well. More important than performance in any one year, however, is our record of compounding shareholder capital over time. On this measure, our team continues to set a very high bar."

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 continuously operating banks in the United States. 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,	
	2014	2013	2014	2013
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.18 %	1.06 %	1.52 %	1.07 %
Return on average equity (1)	15.01	13.62	19.30	13.52
Interest rate spread (1) (2)	3.12	3.02	3.13	3.08
Net interest margin (1) (3)	3.23	3.14	3.23	3.19
Non-interest expense to average assets (1)	1.24	1.37	1.37	1.40
Efficiency ratio (4)	37.95	43.03	37.19	43.23
Average equity to average assets	7.83	7.75	7.87	7.89
Average interest-bearing assets to average interest bearing liabilities	115.74	114.01	114.92	113.95

	December 31,	December 31,
	2014	2013
<i>(Unaudited)</i>		
Asset Quality Ratios		
Allowance for loan losses/total loans	0.73 %	0.78 %
Allowance for loan losses/non-performing loans	397.04	143.37
Non-performing loans/total loans	0.18	0.55
Non-performing loans/total assets	0.15	0.44
Non-performing assets/total assets	0.20	0.46
Share Related		
Book value per share	\$ 57.08	\$ 48.49
Market value per share	\$ 87.01	\$ 78.49
Shares outstanding at end of period	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.

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Balance Sheets

	December 31, 2014	December 31, 2013
<i>(Dollars in thousands except per share data)</i>		
<i>(Unaudited)</i>		
ASSETS		
Cash and due from banks	\$ 6,917	\$ 11,922
Short-term investments	170,305	90,925
Cash and cash equivalents	177,222	102,847
Certificates of deposit	12,926	13,011
Securities available for sale, at fair value	70,570	106,369
Federal Home Loan Bank stock, at cost	17,855	15,978
Loans, net of allowance for loan losses of \$9,108 at December 31, 2014 and \$8,509 at December 31, 2013	1,238,656	1,078,879
Foreclosed assets	786	271
Bank-owned life insurance	11,416	15,375
Premises and equipment, net	15,211	15,854
Accrued interest receivable	2,959	2,792
Deferred income tax asset, net	2,642	2,934
Other assets	1,962	2,131
Total assets	\$ 1,552,205	\$ 1,356,441
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$ 1,089,217	\$ 940,906
Federal Home Loan Bank advances	329,602	302,732
Mortgage payable	973	1,020
Mortgagors' escrow accounts	4,476	3,709
Accrued interest payable	350	490
Other liabilities	6,072	4,367
Total liabilities	1,430,690	1,253,224
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, 2014 and December 31, 2013	2,129	2,129
Additional paid-in capital	10,942	10,659
Undivided profits	108,243	90,449
Accumulated other comprehensive income	201	(20)
Total stockholders' equity	121,515	103,217
Total liabilities and stockholders' equity	\$ 1,552,205	\$ 1,356,441

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Net Income

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2014	2013	2014	2013
(Unaudited)	(In thousands, except per share amounts)			
Interest and dividend income:				
Loans	\$ 14,392	\$ 12,455	\$ 54,990	\$ 48,455
Debt securities	73	92	336	407
Equity securities	145	65	491	181
Short-term investments and certificates of deposit	130	86	376	299
Total interest and dividend income	<u>14,740</u>	<u>12,698</u>	<u>56,193</u>	<u>49,342</u>
Interest expense:				
Deposits	1,760	1,430	6,314	5,660
Federal Home Loan Bank advances	760	1,177	3,562	4,779
Mortgage payable	15	16	60	63
Total interest expense	<u>2,535</u>	<u>2,623</u>	<u>9,936</u>	<u>10,502</u>
Net interest income	12,205	10,075	46,257	38,840
Provision for loan losses	150	90	625	380
Net interest income, after provision for loan losses	<u>12,055</u>	<u>9,985</u>	<u>45,632</u>	<u>38,460</u>
Other income:				
Customer service fees on deposits	258	261	1,014	1,019
Increase in bank-owned life insurance	70	107	308	430
Life insurance death benefit	—	—	6,302	—
Miscellaneous	69	65	296	214
Total other income	<u>397</u>	<u>433</u>	<u>7,920</u>	<u>1,663</u>
Operating expenses:				
Salaries and employee benefits	2,846	2,773	12,424	10,602
Data processing	304	261	1,197	1,015
Occupancy and equipment	496	480	1,968	1,853
Deposit insurance	211	175	803	684
Foreclosure	29	(32)	263	186
Marketing	203	167	557	557
Other general and administrative	694	700	2,934	2,615
Total operating expenses	<u>4,783</u>	<u>4,524</u>	<u>20,146</u>	<u>17,512</u>
Income before income taxes	7,669	5,894	33,406	22,611
Income tax provision	3,134	2,406	11,142	9,240
Net income	<u>\$ 4,535</u>	<u>\$ 3,488</u>	<u>\$ 22,264</u>	<u>\$ 13,371</u>
Weighted average common shares outstanding:				
Basic	<u>2,129</u>	<u>2,129</u>	<u>2,129</u>	<u>2,128</u>
Diluted	<u>2,136</u>	<u>2,131</u>	<u>2,133</u>	<u>2,130</u>
Earnings per common share:				
Basic	<u>\$ 2.13</u>	<u>\$ 1.64</u>	<u>\$ 10.46</u>	<u>\$ 6.28</u>
Diluted	<u>\$ 2.12</u>	<u>\$ 1.64</u>	<u>\$ 10.44</u>	<u>\$ 6.28</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended December 31,					
	2014			2013		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,228,130	\$ 14,392	4.69 %	\$ 1,053,754	\$ 12,455	4.73 %
Securities (3) (4)	96,852	218	0.90	116,233	157	0.54
Short-term investments and certificates of deposit	185,211	130	0.28	114,398	86	0.30
Total earning assets	<u>1,510,193</u>	<u>14,740</u>	<u>3.90</u>	<u>1,284,385</u>	<u>12,698</u>	<u>3.95</u>
Other assets	33,565			37,525		
Total assets	<u>\$ 1,543,758</u>			<u>\$ 1,321,910</u>		
Interest-bearing deposits (5)	\$ 965,990	1,760	0.73	\$ 833,128	1,430	0.69
Borrowed funds	338,841	775	0.91	293,442	1,193	1.63
Total interest-bearing liabilities	<u>1,304,831</u>	<u>2,535</u>	<u>0.78</u>	<u>1,126,570</u>	<u>2,623</u>	<u>0.93</u>
Demand deposits	111,821			88,294		
Other liabilities	6,245			4,571		
Total liabilities	<u>1,422,897</u>			<u>1,219,435</u>		
Stockholders' equity	120,861			102,475		
Total liabilities and stockholders' equity	<u>\$ 1,543,758</u>			<u>\$ 1,321,910</u>		
Net interest income		<u>\$ 12,205</u>			<u>\$ 10,075</u>	
Weighted average spread			<u>3.12 %</u>			<u>3.02 %</u>
Net interest margin (6)			<u>3.23 %</u>			<u>3.14 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>115.74 %</u>			<u>114.01 %</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,					
	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)	\$ 1,179,865	\$ 54,990	4.66 %	\$ 1,000,412	\$ 48,455	4.84 %
Securities (3) (4)	110,021	827	0.75	115,476	588	0.51
Short-term investments and certificates of deposit	140,393	376	0.27	100,527	299	0.30
Total earning assets	<u>1,430,279</u>	<u>56,193</u>	<u>3.93</u>	<u>1,216,415</u>	<u>49,342</u>	<u>4.06</u>
Other assets	35,824			36,866		
Total assets	<u>\$ 1,466,103</u>			<u>\$ 1,253,281</u>		
Interest-bearing deposits (5)	\$ 923,550	6,314	0.68	\$ 806,728	5,660	0.70
Borrowed funds	321,068	3,622	1.13	260,817	4,842	1.86
Total interest-bearing liabilities	<u>1,244,618</u>	<u>9,936</u>	<u>0.80</u>	<u>1,067,545</u>	<u>10,502</u>	<u>0.98</u>
Demand deposits	101,974			83,222		
Other liabilities	4,130			3,626		
Total liabilities	<u>1,350,722</u>			<u>1,154,393</u>		
Stockholders' equity	115,381			98,888		
Total liabilities and stockholders' equity	<u>\$ 1,466,103</u>			<u>\$ 1,253,281</u>		
Net interest income		<u>\$ 46,257</u>			<u>\$ 38,840</u>	
Weighted average spread			<u>3.13 %</u>			<u>3.08 %</u>
Net interest margin (6)			<u>3.23 %</u>			<u>3.19 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>114.92 %</u>			<u>113.95 %</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.