



2012 ANNUAL REPORT

## A TRADITION OF VALUE — A FUTURE OF SERVICE

“Simple Banking - Honest Value – Happy Customers”. For 179 years, we have provided straight-forward banking products delivered in a professional manner with particular attention to the individual needs of our customers. This focus has produced a vibrant and growing institution. We believe that our past will shape our future. While remaining faithful to our traditions, we are focused on constantly improving our customer experience, expanding into new markets, and delivering a superior return to our shareholders.

We are fortunate to be an integral part of the history of Hingham and the South Shore. In recent years, we have expanded our market area with the opening of new branches in the South End and Beacon Hill neighborhoods of Boston. We have been warmly welcomed in these neighborhoods. In addition to continuing our expansion in the city, we are also eagerly anticipating the summer opening of a branch on Nantucket’s historic Main Street. For many years we have provided loans to Island residents and businesses, and we look forward to expanding our services there.

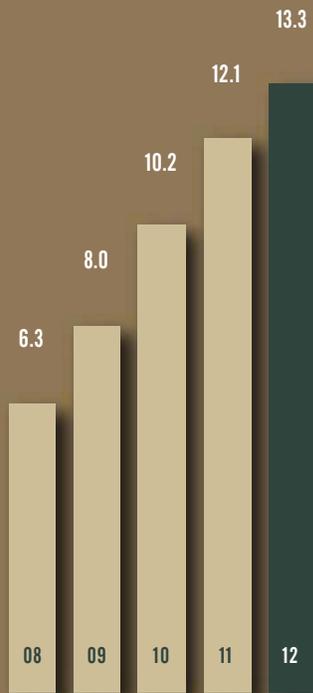
This past year, we redesigned and enhanced our online banking site for both personal and business banking. We are proud of the site’s improved customer interface and capabilities. We continue to evaluate new products and services for our customers, while retaining the simplicity that is the hallmark of the Bank. This simplicity allows us to act quickly and flexibly to support our customer’s personal and business needs.

Our customers are a reflection of who we are at Hingham Savings. From business banking to personal banking, we are committed to those we serve. The following pages highlight several of our important customer relationships:

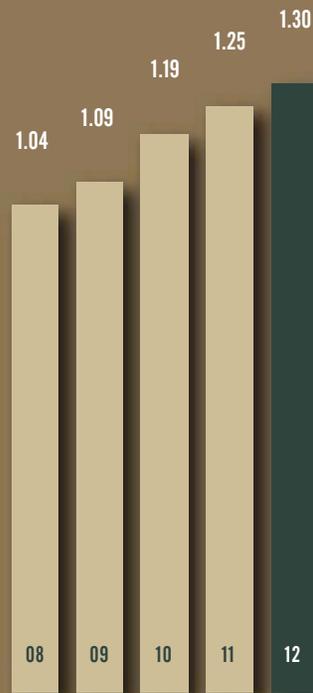
- ◆ Nantucket Looms has been a key player in the revitalization effort that gave Nantucket its cachet and contributes to its reputation as a unique vacation destination.
- ◆ Sing Ming Chan has applied his furniture and crafts knowledge to the creation of beautiful buildings and a highly successful real estate business.
- ◆ Land Rover continues to deliver industry-leading vehicles that have delighted automobile enthusiasts since 1948.
- ◆ Real estate developer John Woodin’s talent for project management has allowed him to expand his business from distressed rehabs to a spectacular multimillion dollar condominium development in Hingham.
- ◆ The Ggler family has smoothly transitioned from the suburbs to the city.



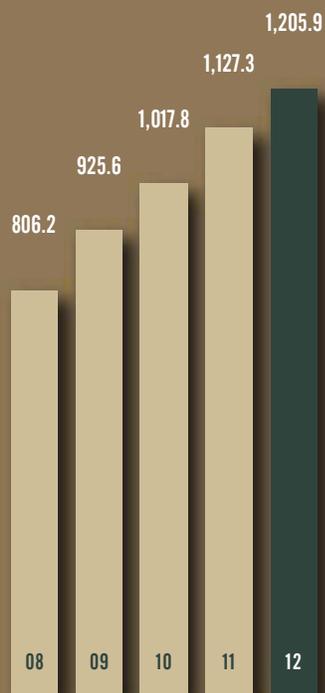
# FINANCIAL HIGHLIGHTS



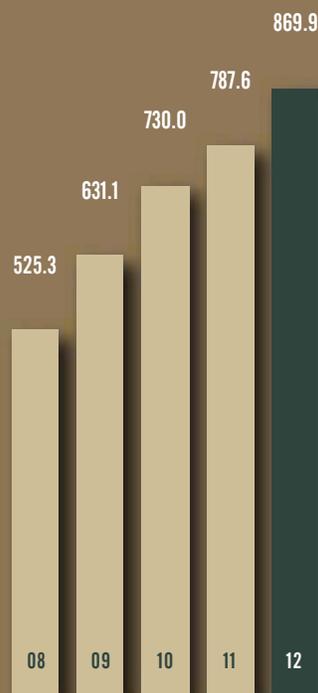
Net Income  
(\$ in millions)



Dividends Declared  
(\$ per share)



Assets  
(\$ in millions)



Deposits  
(\$ in millions)



Loans, net  
(\$ in millions)

## FROM THE PRESIDENT



This past year, we continued to demonstrate the extraordinary results that can be achieved by combining a focused strategy with efficient execution. We achieved record earnings of \$13.3 million or \$6.25 per share (basic and diluted). This represents a 10% increase over the previous year's record earnings.

We realized a return on average equity of 15.05%, and our return on average assets increased to 1.15%. On a regional and national basis, these are some of the strongest earnings metrics in our industry.

Our consistent growth pattern of recent years continued with a 10% increase in total deposits, a 12% increase in total loans and a 7% increase in total assets.

Asset quality continued to strengthen from already impressive levels. At December 31, 2012, non-performing assets totaled a mere 0.28% of total assets; down from 0.92% of total assets at the prior year end. Our strong credit culture and intense Board involvement have served us well during these past years of economic turmoil.

Our company-wide efforts at cost control continue to contribute to our financial strength. With an efficiency ratio of 41.54%, we have been able to achieve impressive rates of growth while also maintaining one of the leanest of expense ratios. For the 18<sup>th</sup> consecutive year, we increased cash dividends declared per share.

These financial results; the impressive growth; the strong asset quality; the tight expense control and the industry leading earnings performance, are all the product of an experienced, talented and committed group of banking professionals. From our Board committees to our front line staff, there is a unanimity of purpose.

We seek to provide our customers simple and effective banking services that meet their needs and are delivered in a straight-forward and efficient fashion. This allows us to provide extremely competitive rates and services to our customers and strong returns to our shareholders.

This past year, we continued to enhance our deposit offerings with improvements to our retail and business online banking products. We also implemented a remote deposit capture capability, electronic bank statements and other incremental upgrades. These improvements and the success of our newest branch office on Beacon Hill contributed to our steady growth.

We are an independent community bank with a proud and storied history. Our success of this past year confirms our belief in the future of this 179 year-old institution. We are committed to the constant evolution that is necessary while remaining true to our fundamentally conservative traditions.

I am grateful to our customers, shareholders, staff and directors for their support this past year, and I look forward to our continued success in 2013.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert H. Gaughen, Jr.", written in a cursive style.

Robert H. Gaughen, Jr.  
President & CEO



## NANTUCKET LOOMS

**N**antucket Looms is known around the world for its production hand weavings and one-of-a-kind textiles. The shop was incorporated in 1968 by Andy Oates and Bill Euler, who had also managed the restoration upholstery and drapes for the Jared Coffin House. A long line of distinguished commissions followed for clients including I.M. Pei, Chanel, and the National Gallery of Art. Since 1993, Nantucket Looms has been privately owned by Elizabeth Winship. Over the last decade, she has successfully expanded on the rich offerings of this studio.

After hearing positive recommendations from other commercial mortgage customers on Nantucket, Elizabeth was referred to Hingham Savings by one of Nantucket's real estate brokers. She was interested in purchasing a property for her store and weaving operations. In 2009, she purchased a property on Main Street at a very attractive price. She credits the fast response of Loan Officer Shawn Sullivan and our streamlined loan process for being able to take full advantage of a wonderful opportunity. We are proud to have Elizabeth as a home mortgage customer as well.

We are a portfolio lender and our flexible approach to financing sets us apart. For us, it is a privilege to visit with and learn about the businesses of our customers. We also appreciate that timing is very important to our business customers. As a locally managed bank, we are able to make fast, informed decisions on loan requests. Our loan process is designed to close commercial real estate loans for our customers smoothly and without delay.

Hingham Savings will be opening a branch on Main Street this summer, just a few doors down from Nantucket Looms. Our Branch Manager & Loan Officer is longtime Nantucket resident Sara Congdon. Shown here with Elizabeth Winship, Sara is looking forward to talking with island merchants and residents about how Hingham Savings will best serve their deposit and financing needs.







## SING MING CHAN

**S**ing Ming Chan is a local business owner with retail stores in the Boston area. He characterizes his real estate endeavors as a hobby, but his investments have been enormously successful. Mr. Chan specializes in renovating multifamily apartment buildings and high-end condominium conversions. His family background in furniture making brings an appreciation of quality craftsmanship. This recently completed multifamily on East Broadway in South Boston features many fine details, including a wooden spiral staircase, and custom dentil moldings on the exterior entryways. Mr. Chan understands the changing market in South Boston and these quality touches will surely be appreciated.

Mr. Chan came to Hingham Savings by referral from a family member who had worked with Vice President Shawn Sullivan on a commercial proposal. Since 2009, we have financed five separate properties for Mr. Chan in South Boston, all of which have been beautifully restored. Shawn and Mr. Chan have a strong partnership based on a rare combination of mutual respect and trust – the kind that only comes from a conscious effort to know our customers and build

successful working relationships. Our loan officers are an experienced group of professionals, each of whom has been with the Bank for many years. They can speak with confidence about our credit standards and expectations. Our customers know that the partner they worked with on prior projects will be there for their next loan.



## LAND ROVER

**T**im Porelle has operated his successful Land Rover dealerships in Hanover and Hyannis for the past thirteen years. Whether you are reading one of the many glowing customer testimonials on the Land Rover website or attending an off-road experience, the message is consistent: these dealerships live up to the “Land Rover Way” with an ever-evolving product line, knowledgeable personnel, and a loyal customer community.

Relationships are important to Tim. He prefers to do his banking with a community bank. Our Norwell/Hanover branch is located directly across the street from the dealership. Tim stopped by to meet with Assistant Vice President & Branch Manager Denise Quirk last year. It was evident to him that we share his core business values, and he has been banking with us ever since. He appreciates the individual service that Denise provides on every aspect of his business banking.



Even as we have invested in new technologies to support our customers, we recognize that our true distinction is found in the manner in which we deliver these services. Our relationship with Tim testifies to our commitment.



## DERBY BROOK TOWN HOMES

John Woodin of Realty Assets, Inc. has a 25-year history of development success in the Boston area. His most recent project in South Hingham is his most ambitious: Derby Brook is a 20-unit, condominium townhouse development. Currently in the second phase of development, the 2,000 square-foot townhome-style condos are upscale and traditional in style, featuring high-end amenities, a private road and wooded surroundings. The project also includes a percentage of affordable units. The response to the development has been overwhelmingly positive, and John anticipates building out the entire Derby Brook development by the end of this year, selling out at 15% higher than projections.

John was referred to Hingham Savings by another Hingham customer in 2001, and he has partnered with us ever since. He especially enjoys working with Assistant Vice President & Loan Officer Janice Spiess. As General



Contractor, he manages every aspect of his projects, and he appreciates our accessibility. His phone calls are answered promptly, and we are always available for a meeting or to provide the assistance that will keep his construction projects running smoothly. Janice's thorough understanding of the construction process and our streamlined, no red-tape policy keep his projects on track and on budget.





## GEGLER RESIDENCE

**G**ene and Mary Geger raised their young family in Hingham. When their children began attending high school in the Boston area, they decided to move to the city. For three years, they rented while exploring various neighborhoods, allowing them to decide just where they wanted to live. Last year, they attended an open house and fell in love with a garden condominium deep in the heart of the South End.

As community members, the Geger's were already familiar with Hingham Savings. On a referral from one of our Directors, they called on Tony Tierno, Assistant Vice President & South End Branch Manager, for their mortgage financing. As it turned out, Tony already knew the property that the Gegers were interested in purchasing. Not only were the condominium developers, David Goldman and Dennis Kanin, longtime customers of the Bank, but the finish work on the unit had also been done by another one of our commercial customers, Kennedy Design Build. It was a match that was meant to be. The Geger's new mortgage was processed smoothly and without delay, and they are happily settled in their new home. They are impressed with our high level of service and Gene often comments on how easy the Bank made the whole process for them.

We are a locally managed bank. Our officers live and work in the communities we serve. We understand the importance of fast, knowledgeable service, especially when working with time-sensitive home purchases. Our loan decisions are made locally, and our officers personally see each loan through the entire process. We work with our customers to find the best possible fit for their mortgage financing needs and ensure that their loan transaction with us is a best-in-class experience. Long after the closing, our customer relationships continue; every mortgage is serviced in-house, which means you will always reach a real person at Hingham Savings whenever you call us about your loan.



## SENIOR OFFICERS



**Robert A. Bogart**  
Vice President  
& Treasurer

**Peter R. Smollett**  
Vice President  
Commercial Lending

**Shawn T. Sullivan**  
Vice President  
Commercial Lending

**William M. Donovan Jr.**  
Vice President  
Administration

**Robert H. Gaughen, Jr.**  
President  
& Chief Executive Officer

**William G. Bowers, Jr.**  
Vice President  
Commercial Lending

**Alexander L. Boyd**  
Vice President  
Commercial Lending

**Michael J. Sinclair**  
Vice President  
Retail Lending

**Patrick R. Gaughen**  
Vice President  
Chief Strategy  
& Corporate Development

**Thomas I. Chew**  
Vice President  
Branch Operations

# BOARD OF DIRECTORS



Howard M. Berger, Esq.



Michael J. Desmond



Marion J. Fahey



Ronald D. Falcione



Kevin W. Gaughen, Esq.



Patrick R. Gaughen



Robert H. Gaughen, Jr., Esq.



Julio R. Hernando, Esq.



Brian T. Kenner, Esq.



Robert A. Lane, Esq.



Scott L. Moser



Stacey M. Page



Robert K. Sheridan



Edward L. Sparda



Donald M. Tardiff M.D.



Geoffrey C. Wilkinson, Sr.



Jacqueline M. Youngworth

# FINANCIAL HIGHLIGHTS

## Selected Financial Data

The following information does not purport to be complete and is qualified in its entirety by the more detailed information contained in the Bank's Annual Report on Form 10-K.

	At December 31,				
	2012	2011	2010	2009	2008
	(In Thousands)				
Total assets .....	\$ 1,205,884	\$ 1,127,276	\$ 1,017,845	\$ 925,560	\$ 806,193
Securities available for sale.....	102,866	96,689	95,071	96,374	87,380
Loans:					
Residential loans .....	457,217	408,607	385,525	350,433	299,866
Commercial mortgage .....	438,037	404,343	383,361	348,700	317,162
Construction .....	60,390	42,269	29,065	23,228	33,315
Other .....	869	1,090	958	833	799
Allowance for loan losses .....	7,999	7,516	6,905	5,737	4,530
Deposits .....	869,886	787,573	729,960	631,087	525,334
Federal Home Loan Bank advances...	234,355	247,471	207,580	222,636	214,994
Stockholders' equity .....	92,799	82,265	72,736	65,293	59,825

	Years Ended December 31,				
	2012	2011	2010	2009	2008
	(Dollars in Thousands, Except Per Share Amounts)				
<b>Income Statement Data:</b>					
Total interest and dividend income .....	\$ 48,831	\$ 48,444	\$ 46,825	\$ 44,798	\$ 43,309
Total interest expense.....	10,937	12,618	15,098	17,599	21,980
Net interest income .....	37,894	35,826	31,727	27,199	21,329
Provision for loan losses .....	725	1,100	1,300	1,700	805
Other income .....	1,666	1,700	1,627	2,008	1,664
Operating expenses .....	16,434	16,091	14,978	14,371	12,123
Income before income taxes .....	22,401	20,335	17,076	13,136	10,065
Income tax provision .....	9,111	8,273	6,848	5,091	3,780
Net income .....	13,290	\$ 12,062	\$ 10,228	\$ 8,045	\$ 6,285

### Earnings per common share:

Basic.....	\$ 6.25	\$ 5.68	\$ 4.81	\$ 3.79	\$ 2.96
Diluted.....	\$ 6.25	\$ 5.67	\$ 4.81	\$ 3.79	\$ 2.96

### Financial Ratios:

Return on average assets.....	1.15 %	1.14 %	1.05 %	0.93 %	0.81 %
Return on average equity.....	15.05	15.34	14.67	12.78	11.08
Average equity to average assets.....	7.62	7.44	7.14	7.26	7.33
Interest rate spread.....	3.25	3.36	3.20	3.11	2.52
Net yield on average earning assets.....	3.38	3.50	3.37	3.30	2.86
Dividend payout ratio (basic) .....	20.80	22.01	24.74	28.76	35.14
Efficiency ratio.....	41.54	42.88	44.91	49.20	52.72
Cash dividends declared per common share .....	\$ 1.30	\$ 1.25	\$ 1.19	\$ 1.09	\$ 1.04
Book value per common share .....	\$ 43.65	\$ 38.70	\$ 34.24	\$ 30.74	\$ 28.20

## COMPARATIVE STOCK PERFORMANCE GRAPH

The chart which appears below sets forth the percentage change, on an annual basis, in the cumulative total return on the Bank's Common Stock since December 31, 2007 through December 31, 2012. For comparative purposes, changes in the cumulative total return on the three indices of publicly traded stocks (the "Indices") are also set forth on the chart.

The NASDAQ Composite Index reflects the total return of a group of stocks in a cross section of industries. Many of these stocks have substantially larger market capitalizations than the Bank. The SNL Bank and Thrift Index tracks a national group of publicly traded bank and thrift institutions.

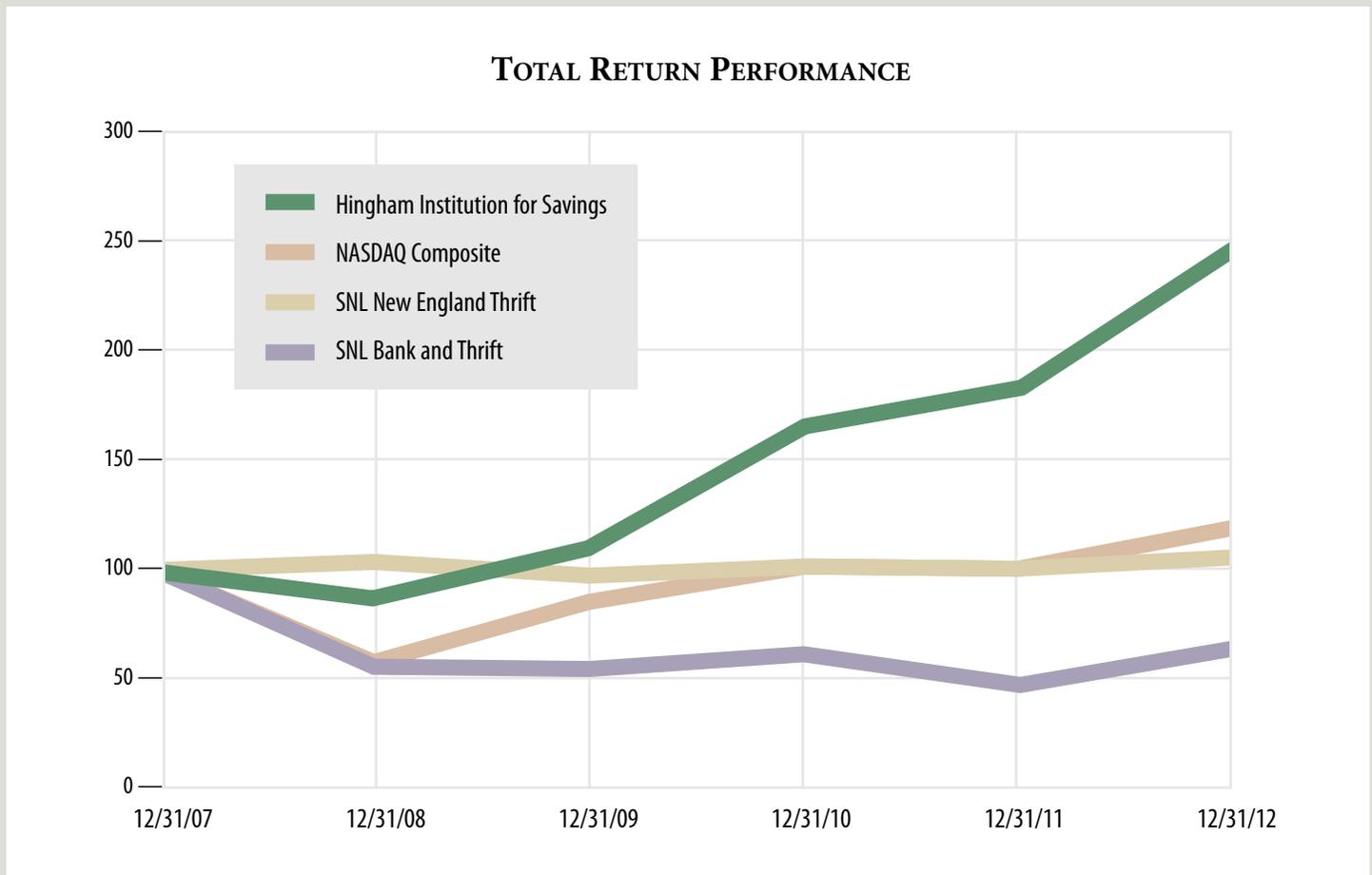
The final Index, SNL New England Thrift Index, tracks a peer group of all publicly traded thrift institutions located in New

England. SNL Securities is a research and publishing firm specializing in the collection and dissemination of data on the banking, thrift, and financial services industries.

The chart begins with an equal base value of \$100 for the Bank's stock and for each of the Indices on December 31, 2007 and reflects year-end closing prices and dividends paid thereafter by the Bank and by the companies which comprise the Indices. The chart assumes full reinvestment of such dividends.

Information about the Indices has been obtained from sources believed to be reliable, but neither the accuracy nor the completeness of such information is guaranteed by the Bank.

Index	Period Ending					
	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12
Hingham Institution for Savings	100.00	87.69	111.43	167.02	184.07	246.63
NASDAQ Composite	100.00	60.02	87.24	103.08	102.26	120.42
SNL New England Thrift	100.00	105.24	100.14	102.64	101.63	107.91
SNL Bank and Thrift	100.00	57.51	56.74	63.34	49.25	66.14



# CONSOLIDATED BALANCE SHEETS

## ASSETS

	December 31,	
	2012	2011
	(In Thousands)	
Cash and due from banks .....	\$ 7,961	\$ 8,918
Short-term investments .....	79,373	107,422
Cash and cash equivalents .....	87,334	116,340
Certificates of deposit.....	13,737	13,405
Securities available for sale, at fair value .....	102,866	96,689
Federal Home Loan Bank stock, at cost .....	14,105	13,373
Loans, net of allowance for loan losses of \$7,999,000 in 2012 and \$7,516,000 in 2011 .....	949,662	849,776
Foreclosed assets .....	471	3,629
Bank-owned life insurance .....	14,945	14,524
Premises and equipment, net .....	14,180	10,597
Accrued interest receivable .....	2,667	2,858
Prepaid FDIC assessment .....	1,364	1,871
Deferred income tax asset, net .....	2,556	2,704
Other assets .....	1,997	1,510
Total assets .....	<u>\$ 1,205,884</u>	<u>\$ 1,127,276</u>

## LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits .....	\$ 869,886	\$ 787,573
Federal Home Loan Bank advances .....	234,355	247,471
Mortgage payable .....	1,065	1,107
Mortgagors' escrow accounts .....	3,231	2,517
Accrued interest payable .....	478	475
Other liabilities.....	4,070	5,868
Total liabilities .....	<u>1,113,085</u>	<u>1,045,011</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; 2,125,750 shares issued and outstanding at December 31, 2012 and December 31, 2011 .....	2,126	2,126
Additional paid-in capital .....	10,519	10,500
Undivided profits .....	79,930	69,404
Accumulated other comprehensive income .....	224	235
Total stockholders' equity .....	<u>92,799</u>	<u>82,265</u>
Total liabilities and stockholders' equity .....	<u>\$ 1,205,884</u>	<u>\$ 1,127,276</u>

# CONSOLIDATED STATEMENTS OF NET INCOME

	<b>Years Ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(In Thousands, Except Per Share Amounts)		
<b>Interest and dividend income:</b>			
Loans .....	\$ 47,753	\$ 47,191	\$ 44,878
Debt securities .....	526	749	1,418
Equity securities.....	198	153	106
Short-term investments and certificates of deposit .....	354	351	423
Total interest and dividend income .....	<u>48,831</u>	<u>48,444</u>	<u>46,825</u>
<b>Interest expense:</b>			
Deposits.....	5,858	6,751	8,125
Federal Home Loan Bank advances .....	5,014	5,799	6,903
Mortgage payable .....	65	68	70
Total interest expense .....	<u>10,937</u>	<u>12,618</u>	<u>15,098</u>
Net interest income .....	37,894	35,826	31,727
Provision for loan losses .....	725	1,100	1,300
Net interest income, after provision for loan losses .....	<u>37,169</u>	<u>34,726</u>	<u>30,427</u>
<b>Other income:</b>			
Customer service fees on deposits.....	1,008	987	893
Increase in Bank-owned life insurance.....	421	450	459
Miscellaneous .....	237	263	275
Total other income .....	<u>1,666</u>	<u>1,700</u>	<u>1,627</u>
<b>Operating expenses:</b>			
Salaries and employee benefits .....	9,643	8,894	8,371
Data processing .....	884	883	853
Occupancy and equipment .....	1,709	1,528	1,280
Deposit insurance .....	611	701	1,074
Foreclosure.....	336	1,038	726
Marketing .....	654	650	501
Other general and administrative .....	2,597	2,397	2,173
Total operating expenses.....	<u>16,434</u>	<u>16,091</u>	<u>14,978</u>
Income before income taxes .....	22,401	20,335	17,076
Income tax provision .....	9,111	8,273	6,848
Net income .....	<u>\$ 13,290</u>	<u>\$ 12,062</u>	<u>\$ 10,228</u>
<b>Earnings per common share:</b>			
Basic .....	<u>\$ 6.25</u>	<u>\$ 5.68</u>	<u>\$ 4.81</u>
Diluted .....	<u>\$ 6.25</u>	<u>\$ 5.67</u>	<u>\$ 4.81</u>

# STOCKHOLDER INFORMATION

## Hingham Institution for Savings

55 Main Street  
Hingham, MA 02043  
(781) 749-2200

## President and Chief Executive Officer

Robert H. Gaughen, Jr.

## Investor Inquiries

William M. Donovan, Jr.  
Vice President – Administration

## Transfer Agent and Registrar

Computershare  
250 Royall St.  
Canton, MA 02021  
(800) 288-9541

## Online Registered Shareholder Access

[www.computershare.com/investor](http://www.computershare.com/investor)

## Stockholder Inquiries

Computershare  
For Hingham Institution for Savings  
P.O. Box 358015  
Pittsburgh, PA 15252-8015  
(800) 288-9541

## Independent Registered Public Accounting Firm

Wolf & Company, P.C.  
99 High Street  
Boston, MA 02110

## Special Counsel

WilmerHale  
60 State Street  
Boston, MA 02109

## Form 10-K and Proxy Statement

A copy of the Bank's Annual Report on Form 10-K and Proxy Statement for the fiscal year ended December 31, 2012, as filed with the Federal Deposit Insurance Corporation, may be obtained without charge by any stockholder of the Bank upon written request addressed to the Investor Relations Department. Additionally, the Bank's Annual Report on Form 10-K and the Proxy Statement are available electronically at [www.hinghamavings.com](http://www.hinghamavings.com)

## Stock Data

Hingham Institution for Savings' common shares are listed and traded on The NASDAQ Stock Market under the symbol HIFS.

As of December 31, 2012, there were approximately 352 stockholders of record, holding 731,079 outstanding shares of common stock. These shares do not include the number of persons who hold their shares in nominee or street name through various brokerage firms.

The following table presents the quarterly high and low bid prices for the Bank's common stock reported by NASDAQ.

	<u>High</u>	<u>Low</u>
<b>2012</b>		
First Quarter	\$ 56.94	\$ 47.90
Second Quarter	61.40	53.79
Third Quarter	66.99	57.74
Fourth Quarter	82.34	59.55
<b>2011</b>		
First Quarter	\$ 51.51	\$ 42.80
Second Quarter	53.00	44.77
Third Quarter	57.50	45.75
Fourth Quarter	50.00	46.15

The closing sale price of the Bank's common stock at December 31, 2012 was \$62.60 per share.

## BRANCH OFFICES

### BOSTON

BEACON HILL  
80 Charles Street  
Boston, MA 02114

### SOUTH END

540 Tremont Street  
Boston, MA 02116

### COHASSET

13 Elm Street  
Cohasset, MA 02025

### HINGHAM

Main Office  
55 Main Street  
Hingham, MA 02043

Loan Center  
49 Main Street  
Hingham, MA 02043

Drive-Up  
71 Main Street  
Hingham, MA 02043

SOUTH HINGHAM  
37 Whiting Street  
Hingham, MA 02043

LINDEN PONDS  
300 Linden Ponds Way  
Hingham, MA 02043  
(serving Linden Ponds residents  
and employees)

### HULL

401 Nantasket Avenue  
Hull, MA 02045

### NANTUCKET

35 Main Street  
Nantucket MA 02554  
*Coming in Summer 2013*

### NORWELL/HANOVER

5 Assinippi Avenue  
Hanover, MA 02339

### SCITUATE

400 Gannett Road  
North Scituate, MA 02066

### SOUTH WEYMOUTH

32 Pleasant Street  
South Weymouth, MA 02190



55 Main Street, Hingham, MA 02043  
Tel: 781-749-2200 Fax: 781-740-4889  
[www.hinghamavings.com](http://www.hinghamavings.com)

Member FDIC/Member DIF  Equal Housing Lender