

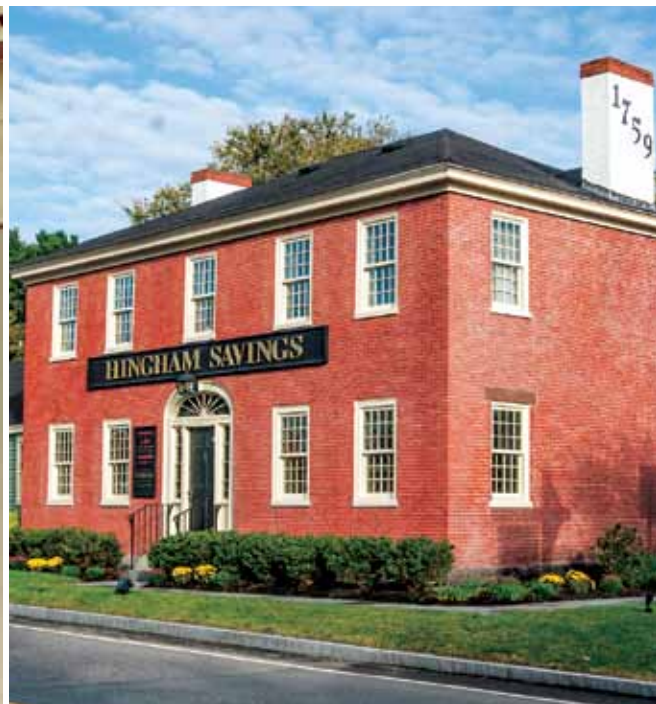
**HINGHAM**

**INSTITUTION FOR**

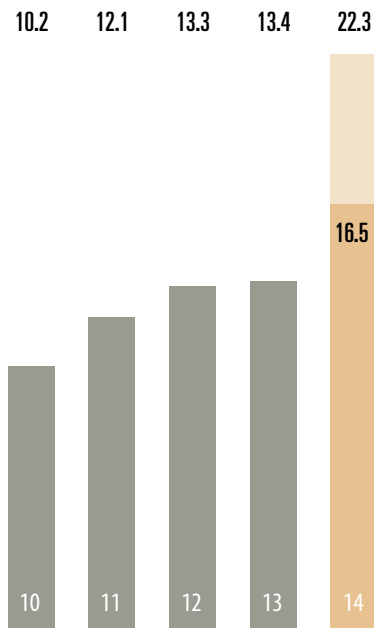
**SAVINGS**

**— ESTABLISHED 1834 —**

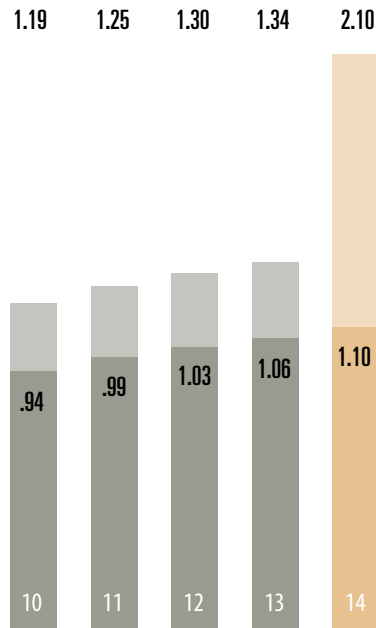
**2014 ANNUAL REPORT**



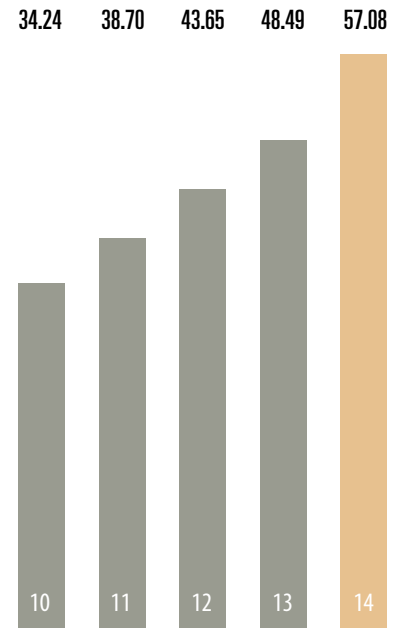
# FINANCIAL HIGHLIGHTS



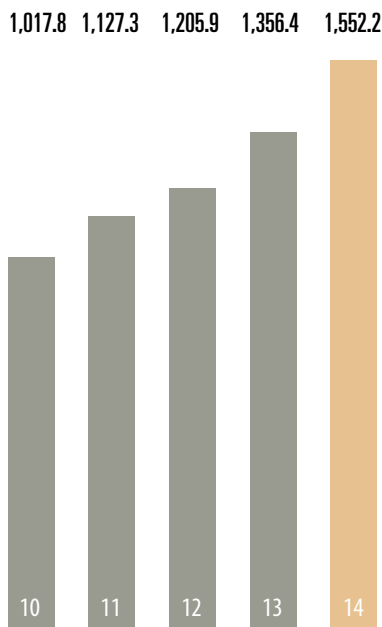
**Net Income\***  
(\$ in millions)



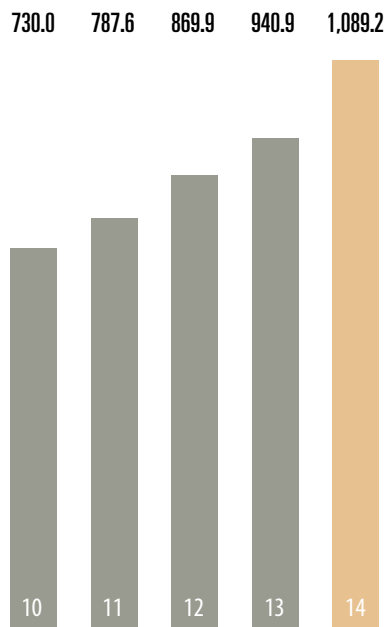
**Dividends Declared\*\***  
(\$ per share)



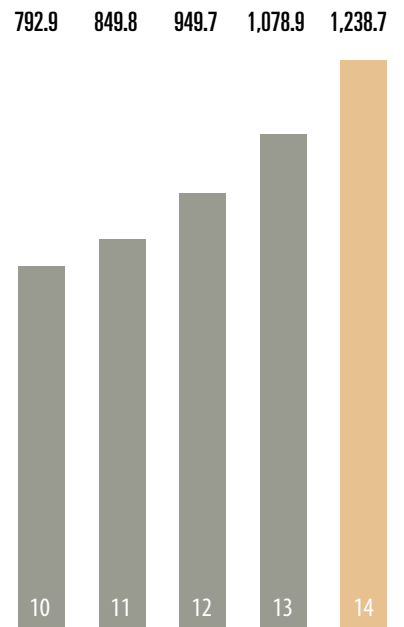
**Book Value**  
(\$ per share)



**Assets**  
(\$ in millions)



**Deposits**  
(\$ in millions)



**Loans, net**  
(\$ in millions)

\*Net Income: 2014 includes a one-time net gain of \$5.7 million related to a non-taxable life insurance death benefit (light shading reflects this one-time gain).

\*\*Dividends Declared: Dividends declared table includes the total regular dividends declared (dark shading) and the total dividends declared including any special dividends (light shading).

# FROM THE PRESIDENT



To Our Business Partners:

2014 was another outstanding year for Hingham Institution for Savings. We produced record earnings of \$22.3 million, with a return on average equity of 19.30% and a return on average assets of 1.52%. Excluding the impact of a substantial one-time insurance transaction, the Bank generated an operating return on average equity of 14.32% and an operating return on average assets of 1.13%. Book value per share grew by 18% and the five year compound annual growth in book value was 13%. We returned \$4.5 million to the ownership in dividends in light of these results. They are among the strongest in our industry. Our strategy of measured, organic growth continues to bear fruit.

Our performance in 2014 was the product of disciplined execution across the Bank. In 2014, net loans increased by \$159.8 million, or 15%, deposits increased by \$148.3 million, or 16%, and total assets increased to \$1.552 billion, or 14%. We have achieved this growth while maintaining a conservative underwriting culture that focuses on “common-sense” lending. We continue to insist on a substantial margin of safety in our commercial real estate operations where the majority of our capital is now committed. Our speed, flexibility, and focus on serving specialty commercial and residential real estate markets allows us to make loans that deliver unique value for our customers. Balance sheet growth at Hingham must be safe and must be profitable, in that order.

Prudence and thrift remain the cornerstones of our operational culture. Non-interest expenses as a percentage of average total assets reached a record low of 1.37% this year and our efficiency ratio similarly reached a record low of 37.19%. We continue to identify new and creative ways to take costs out of the business. Our employees act and think like owners, because nearly all of them are.

As noted in these pages, we enjoy deep, long-term relationships with many of our customers - we are quite literally invested in their success. Many of our customers are also long-term shareholders in the Bank and we know them from our active participation in the civic life of the communities in which we operate. You are our neighbors and friends, as well as our partners and customers. In our 181st year, we have every intention of continuing to earn the trust that you have placed in us.

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 and Chairman of the Board*

# JONATHAN BLOCK

*President, Block Properties*



Jonathan Block is an experienced real estate investor with offices in Boston's Back Bay. His specialty is the renovation and management of multifamily rental properties. Jonathan had only done business with large banks before coming to Hingham and he was surprised by how quickly Hingham was able to act on his requests for financing, especially when he was bidding on new acquisitions under tight timelines. He appreciated Vice President Shawn Sullivan's solid understanding of the commercial market, as well as the Bank's flexibility in structuring terms that met his needs. Jonathan has been thoroughly impressed by Hingham, and this is a partnership with a bright future.



*“Hingham Savings is a bank that gets it. Their knowledge of the commercial market is solid, they have an ability to move quickly, and they keep the process simple.”*

JONATHAN BLOCK



*“From the start, it was clear that Hingham Savings understood our business financing needs, as well as the seasonal economy of the Island. We are delighted to work with a Bank that treats its small business customers so respectfully.”*

WENDY & CHEF PETER JANNELLE

# FIFTY-SIX UNION

*Chef Peter Jannelle, Owner / Wendy Jannelle, Owner*



Fifteen years ago, Chef Peter Jannelle and his wife Wendy opened Fifty-Six Union on Nantucket. A graduate of the Culinary Institute of America, Peter creates dishes ranging from simple to sophisticated. Combined with an extensive wine list and welcoming atmosphere, Fifty-Six Union is a chic neighborhood bistro with a loyal following. The Jannelles have found Hingham Savings a strong partner. Our solid understanding of the Island market, flexible lending products, and high service standards are a proven recipe for success.



# DR. MOHAMAD SHURBAJI, DMD

*Owner, Advanced Dental Centers / Independent Real Estate Investor*



Dr. Mohamad Shurbaji is the owner of Advanced Dental Centers, with offices in Norwood and Weymouth. He is also a commercial real estate investor, with several multifamily properties in the Boston area. Like many of our customers, Mohamad was referred to Hingham Savings by another customer. He partners with us on his growing portfolio of properties, in addition to his personal and business banking. As a resident of Hingham with a young family, community is important to Dr. Shurbaji. He shares our values and our commitment to outstanding personal service; that's why Hingham Savings is his bank of choice.



*“Hingham Savings consistently brings the highest standards of excellence to a relationship that continues to grow, whether we are doing business in person, by phone, or online. They have earned my trust.”*

DR. MOHAMAD SHURBAJI, DMD



*“As business owners, everyone wears a lot of hats, and we are impressed with Hingham Savings’ hands-on approach to our business needs. The Bank truly sees us as more than just a set of numbers on a page, and we are very pleased with their upbeat, can-do attitude.”*

LARRY & MICHELLE MAURY

# EMPORIUM OF NANTUCKET

*Michelle and Larry Maury, Owners*



Larry and Michelle Maury own the Emporium of Nantucket, a popular island home goods store, established in 1947. With over 5000 square feet of home furnishings, lighting, and nautical décor, the Emporium is a celebration of Nantucket style. For Islanders, the shop is a perennial favorite and a trusted resource; it's well known that the variety of items available at the Emporium will furnish an entire home beautifully. The Maury family has a long history in the Nantucket community, and they have seen many changes over the years. They grew disappointed with the big banks on the Island that didn't seem to understand small businesses. The Maurys moved their deposit accounts to Hingham Savings soon after our Nantucket branch opened. Our relationship has grown to include their personal and commercial real estate financing. They appreciate the access to decision-makers that understand the Nantucket market and support their business needs. They are pleased to see a return to true community banking on Nantucket.



*“As entrepreneurs, we appreciate Hingham Savings’ speed and flexibility - they are a business partner that can deliver solutions we can rely on.”*

SAMANTHA SHIH

# 9TAILORS

*Samantha Shih, President, Co-Owner / Austin Wei, Co-Owner  
Patrick R. Gaughen, Executive Vice President, HIFS*



Samantha Shih and Austin Wei own 9Tailors, a luxury custom clothing business located in Boston. 9Tailors' handmade custom suits and dress shirts – produced by master tailors in Hong Kong – are a blend of old-world tradition and modern elegance. Samantha chose “9” – an auspicious number in Chinese – because it conveys longevity and success. The company has experienced both, growing rapidly since its founding in 2008 and developing a loyal following in Boston and New York. In 2014, Samantha and Austin found a loft space in Boston's Leather District that would accommodate their growth and success – they relied on Hingham Savings for the financing. The family has done business with Hingham Savings for many years; like many of the Bank's customers, they enjoy a long relationship with our principals and benefit from our common sense approach to lending.

# HINGHAM HISTORICAL SOCIETY

*Michael Studley, President / Suzanne Buchanan, Executive Director  
Robert H. Gaughen, Jr., President & CEO, HIFS*



Founded in 1914, the Hingham Historical Society's mission is the preservation and sharing of Hingham's 379-year history. Executive Director Suzanne Buchanan oversees a collection of more than 10,000 artifacts and documents, a bustling Visitor Center, and a growing membership. She is excited about the expansion for this treasured landmark, which will soon be known as the Hingham Heritage Museum. This \$2.8 million project, supported in part by Hingham Savings, will preserve and expand Old Derby, creating a museum-quality exhibition space and a beautifully restored venue for cultural and educational programs. As the oldest operating business in Hingham, we are deeply committed to the preservation of our town's history and the vitality of our Town Square.

*“The Society appreciates Hingham Savings’ longtime support. Our forward thinking partnership will help ensure the success of the Hingham Heritage Museum Project, and a vibrant future for one of Hingham’s most treasured historic icons.”*

SUZANNE BUCHANAN

# BOARD OF DIRECTORS



*Standing:*

Stacey M. Page, Scott L. Moser, Michael J. Desmond,  
Robert A. Lane, Esq., Robert K. Sheridan, Esq.,  
Julio R. Hernando, Esq., Kevin W. Gaughen, Esq.,  
Ronald D. Falcione, Geoffrey C. Wilkinson, Sr.,  
Howard M. Berger, Esq., Edward L. Sparda

*Seated:*

Brian T. Kenner, Esq., Marion J. Fahey,  
Robert H. Gaughen, Jr., Esq., Jacqueline M. Youngworth,  
Patrick R. Gaughen



# SELECTED FINANCIAL DATA

	At December 31,				
	2014	2013	2012	2011	2010
	(Dollars in Thousands)				
<b>Balance Sheet Data:</b>					
Total assets	\$ 1,552,205	\$ 1,356,441	\$ 1,205,884	\$ 1,127,276	\$ 1,017,845
Short-term investments	170,305	90,925	79,373	107,422	61,566
Securities available for sale	70,570	106,369	102,866	96,689	95,071
Loans:					
Residential loans	576,665	532,845	457,217	408,607	385,525
Commercial mortgage	607,851	498,592	438,037	404,343	383,361
Construction	60,371	53,520	60,390	42,269	29,065
Other	996	913	869	1,090	958
Allowance for loan losses	9,108	8,509	7,999	7,516	6,905
Deposits	1,089,217	940,906	869,886	787,573	729,960
Federal Home Loan Bank advances	329,602	302,732	234,355	247,471	207,580
Stockholders' equity	121,515	103,217	92,799	82,265	72,736
	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars in Thousands, Except Per Share Amounts)				
<b>Income Statement Data:</b>					
Total interest and dividend income	\$ 56,193	\$ 49,342	\$ 48,831	\$ 48,444	\$ 46,825
Total interest expense	9,936	10,502	10,937	12,618	15,098
Net interest income	46,257	38,840	37,894	35,826	31,727
Provision for loan losses	625	380	725	1,100	1,300
Other income	7,920	1,663	1,638	1,670	1,598
Operating expenses	20,146	17,512	16,406	16,061	14,949
Income before income taxes	33,406	22,611	22,401	20,335	17,076
Income tax provision	11,142	9,240	9,111	8,273	6,848
Net income	\$ 22,264	\$ 13,371	\$ 13,290	\$ 12,062	\$ 10,228
<b>Earnings per common share:</b>					
Basic	\$ 10.46	\$ 6.28	\$ 6.25	\$ 5.68	\$ 4.81
Diluted	\$ 10.44	\$ 6.28	\$ 6.25	\$ 5.67	\$ 4.81
<b>Financial Ratios:</b>					
Return on average assets	1.52%	1.07%	1.15%	1.14%	1.05%
Return on average equity	19.30	13.52	15.05	15.34	14.67
Average equity to average assets	7.86	7.89	7.62	7.44	7.14
Interest rate spread	3.13	3.07	3.25	3.36	3.20
Net interest margin	3.23	3.19	3.38	3.50	3.37
Efficiency ratio	37.19	43.26	41.54	42.88	44.91
Cash dividends declared per common share	\$ 2.10	\$ 1.34	\$ 1.30	\$ 1.25	\$ 1.19
Book value per common share, at year end	\$ 57.08	\$ 48.49	\$ 43.65	\$ 38.70	\$ 34.24

# 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, 2009 through December 31, 2014. 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

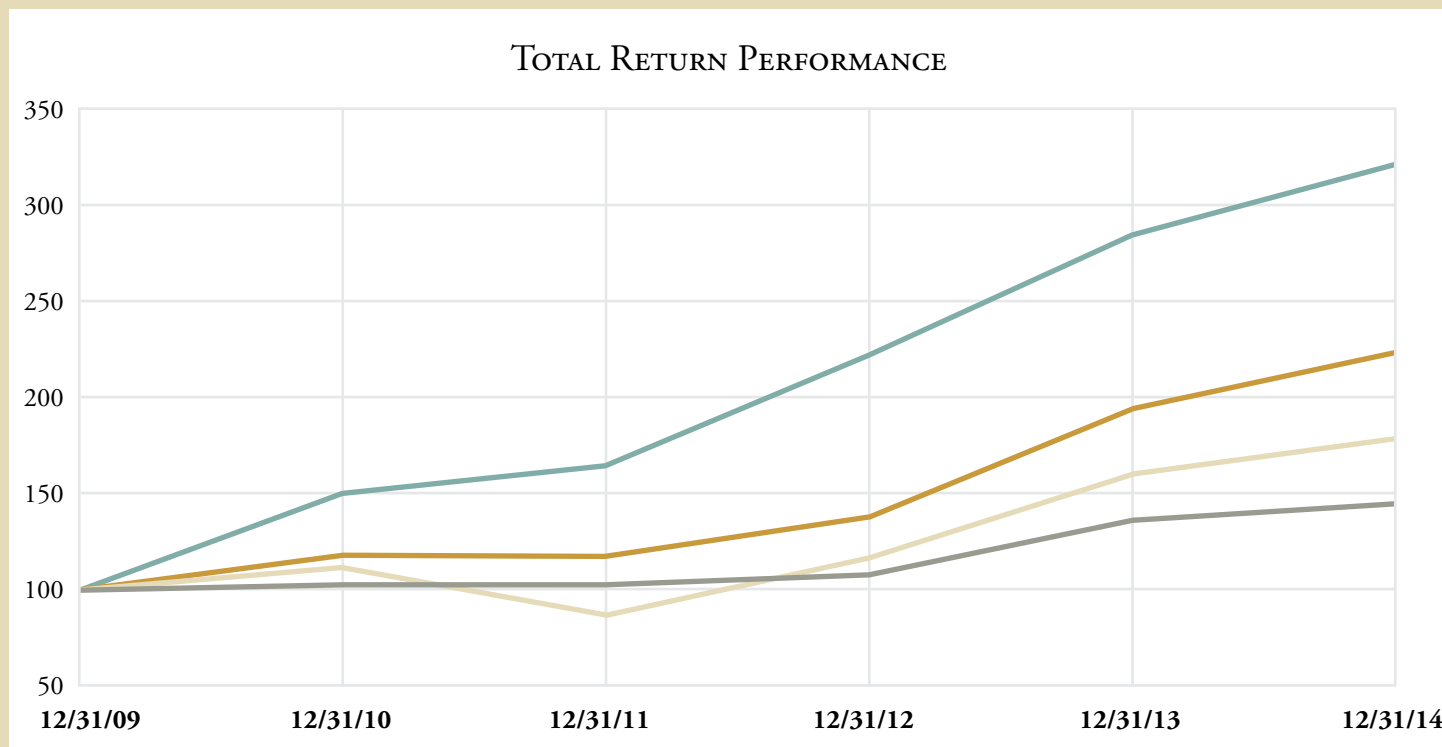
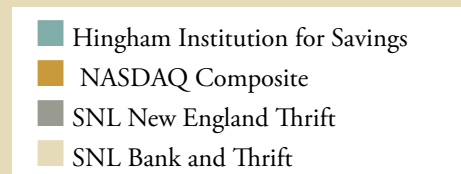
and Thrift Index tracks a national group of publicly traded bank and thrift institutions.

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, 2009 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	Year Ending					
	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Hingham Institution for Savings	100.00	149.90	165.19	221.34	283.01	319.33
NASDAQ Composite	100.00	118.15	117.22	138.02	193.47	222.16
SNL New England Thrift	100.00	102.50	101.49	107.76	135.98	143.86
SNL Bank and Thrift	100.00	111.64	86.81	116.57	159.61	178.18

# CONSOLIDATED BALANCE SHEETS

	At December 31,	
	2014	2013
		(In Thousands)
<b>ASSETS</b>		
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 \$9,108,000 in 2014 and \$8,509,000 in 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	<u>\$ 1,552,205</u>	<u>\$ 1,356,441</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
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 2013	2,129	2,129
Additional paid-in capital	10,942	10,659
Undivided profits	108,243	90,449
Accumulated other comprehensive income (loss)	201	(20)
Total stockholders' equity	121,515	103,217
Total liabilities and stockholders' equity	<u>\$ 1,552,205</u>	<u>\$ 1,356,441</u>

# CONSOLIDATED STATEMENTS OF NET INCOME

	Years Ended December 31,		
	2014	2013	2012
		(Dollars in Thousands, Except Per Share Amounts)	
Interest and dividend income:			
Loans	\$ 54,990	\$ 48,455	\$ 47,753
Debt securities	336	407	526
Equity securities	491	181	198
Short-term investments and certificates of deposit	376	299	354
Total interest and dividend income	<u>56,193</u>	<u>49,342</u>	<u>48,831</u>
Interest expense:			
Deposits	6,314	5,660	5,858
Federal Home Loan Bank advances	3,562	4,779	5,014
Mortgage payable	60	63	65
Total interest expense	<u>9,936</u>	<u>10,502</u>	<u>10,937</u>
Net interest income	46,257	38,840	37,894
Provision for loan losses	625	380	725
Net interest income, after provision for loan losses	<u>45,632</u>	<u>38,460</u>	<u>37,169</u>
Other income:			
Customer service fees on deposits	1,014	1,019	1,008
Increase in bank-owned life insurance	308	430	421
Gain on life insurance distribution	6,302	—	—
Miscellaneous	296	214	209
Total other income	<u>7,920</u>	<u>1,663</u>	<u>1,638</u>
Operating expenses:			
Salaries and employee benefits	12,424	10,602	9,643
Data processing	1,197	1,015	884
Occupancy and equipment	1,968	1,853	1,681
Deposit insurance	803	684	611
Foreclosure	263	186	336
Marketing	557	557	654
Other general and administrative	2,934	2,615	2,597
Total operating expenses	<u>20,146</u>	<u>17,512</u>	<u>16,406</u>
Income before income taxes	33,406	22,611	22,401
Income tax provision	11,142	9,240	9,111
Net income	<u>\$ 22,264</u>	<u>\$ 13,371</u>	<u>\$ 13,290</u>
Earnings per common share:			
Basic	<u>\$ 10.46</u>	<u>\$ 6.28</u>	<u>\$ 6.25</u>
Diluted	<u>\$ 10.44</u>	<u>\$ 6.28</u>	<u>\$ 6.25</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**

Robert A. Bogart  
*Vice President – Treasurer*

## **Transfer Agent and Registrar**

Computershare  
P.O. Box 30170  
College Station, TX 77842-3170  
(800) 288-9541

## **Online Registered Shareholder Access**

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

## **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, 2014, 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, 2014, there were approximately 303 stockholders of record, holding 336,208 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>2014</b>		
First Quarter	\$ 81.00	\$ 74.76
Second Quarter	80.00	66.12
Third Quarter	88.89	78.53
Fourth Quarter	90.77	80.26
<b>2013</b>		
First Quarter	\$ 72.94	\$ 62.63
Second Quarter	70.46	57.59
Third Quarter	77.00	66.01
Fourth Quarter	79.56	66.01

The closing sale price of the Bank's common stock at December 31, 2014 was \$87.01 per share.

# 1834

BOSTON  
BEACON HILL  
SOUTH END

COHASSET

HINGHAM  
HINGHAM SQUARE  
SOUTH HINGHAM  
LINDEN PONDS

HULL

NANTUCKET

NORWELL/HANOVER

SCITUATE

WEYMOUTH



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