



PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)
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9% INCREASE IN DILUTED QUARTERLY EARNINGS PER SHARE AND 15.08% RETURN ON EQUITY

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced second quarter earnings for 2017.

Net income for the quarter ended June 30, 2017 was \$6,470,000 or \$3.03 per share basic and \$2.97 per share diluted as compared to \$5,867,000 or \$2.75 per share basic and \$2.73 per share diluted for the same period last year. Net income per share (diluted) for the second quarter of 2017 increased 9% over the same period of 2016. The Bank's annualized return on average equity for the second quarter of 2017 was 15.08%, and the annualized return on average assets was 1.25% as compared to 15.96% and 1.21% for the same period in 2016.

Net income for the six months ended June 30, 2017 was \$12,582,000 or \$5.90 per share basic and \$5.77 per share diluted as compared to \$11,191,000 or \$5.25 per share basic and \$5.21 per share diluted for the same period last year. Net income per share (diluted) for the first six months of 2017 increased 11% over the same period in 2016. The Bank's annualized return on average equity for the first six months of 2017 was 14.93%, and the annualized return on average assets was 1.23%. The Bank's annualized return on average equity for the first six months of 2016 was 15.51%, and the annualized return on average assets was 1.20%.

Net income for the 2017 and 2016 periods included after-tax realized gains on securities of approximately \$49,000 and \$221,000 respectively, which were unrelated to the Bank's core business operations.

Balance sheet growth trends of recent years continued, as deposits were \$1.424 billion at June 30, 2017, representing 8% annualized growth year-to-date and 8% growth from June 30, 2016. Net loans were \$1.666 billion at June 30, 2017, representing 8% annualized growth year-to-date and 9% growth from June 30, 2016. Total assets were \$2.111 billion at June 30, 2017,

representing 10% annualized growth year-to-date and 10% growth from June 30, 2016. Book value per share increased to \$81.05 per share at June 30, 2017, representing a 15% annualized growth rate year-to-date and a 16% increase from June 30, 2016. In addition to the increase in book value per share, the Bank has declared \$1.60 in dividends per share since June 30, 2016.

Key credit metrics remained strong and operational metrics improved in the second quarter of 2017. At June 30, 2017, non-performing assets totaled 0.18% of total assets, as compared to 0.09% at December 31, 2016 and 0.18% at June 30, 2016. Non-performing loans as a percentage of the total loan portfolio totaled 0.22% at June 30, 2017, as compared to 0.11% at December 31, 2016 and 0.22% at June 30, 2016. At June 30, 2017 and 2016, the Bank did not own any foreclosed property. The efficiency ratio improved to 29.97% for the second quarter of 2017, as compared to 32.96% for the same period last year. Non-interest expense (annualized) as a percentage of average assets fell to 0.93% for the second quarter of 2017, as compared to 1.00% for the same period last year. These metrics reflect the Bank's disciplined focus on credit and expense management.

President Robert H. Gaughen, Jr. stated, "We are pleased to report that returns on equity and assets remain satisfactory. At Hingham, we take our role as stewards of the shareholders' capital seriously. Our emphasis on careful capital allocation, defensive and conservative underwriting, and disciplined cost control continues to serve our owners well. More important than performance in any one period, however, is a company's record of compounding shareholder capital over time and through credit cycles. On this measure, our team strives to set a high bar."

Hingham Institution for Savings is a Massachusetts-chartered savings bank located in Hingham, Massachusetts. Incorporated in 1834, it is one of America's oldest banks. The Bank's Main Office is located in Hingham and the Bank also maintains offices on the South Shore, in Boston (South End and 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

Selected Financial Ratios

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2017	2016	2017
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.21 %	1.25 %	1.20 %	1.23 %
Return on average equity (1)	15.96	15.08	15.51	14.93
Interest rate spread (1) (2)	2.90	2.94	2.96	2.97
Net interest margin (1) (3)	3.01	3.08	3.07	3.10
Non-interest expense to average assets (1)	1.00	0.93	1.04	0.97
Efficiency ratio (4)	32.96	29.97	33.66	31.20
Average equity to average assets	7.59	8.27	7.73	8.24
Average interest-earning assets to average interest-bearing liabilities	115.55	117.45	115.83	117.12
	June 30,	December 31,	June 30,	
	2016	2016	2017	
<i>(Unaudited)</i>				
Asset Quality Ratios				
Allowance for loan losses/total loans	0.68 %	0.68 %	0.69 %	
Allowance for loan losses/non-performing loans	302.09	614.43	310.63	
Non-performing loans/total loans	0.22	0.11	0.22	
Non-performing loans/total assets	0.18	0.09	0.18	
Non-performing assets/total assets	0.18	0.09	0.18	
Share Related				
Book value per share	\$ 69.69	\$ 75.50	\$ 81.05	
Market value per share	\$ 122.92	\$ 196.78	\$ 181.93	
Shares outstanding at end of period	2,130,750	2,132,750	2,132,750	

(1) Annualized.

(2) Interest rate spread represents the difference between the yield on interest-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, excluding gain on sale of securities.

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Balance Sheets

	June 30, 2016	December 31, 2016	June 30, 2017
<i>(Dollars in thousands, except per share data)</i>			
<i>(Unaudited)</i>			
ASSETS			
Cash and due from banks	\$ 10,788	\$ 7,816	\$ 8,312
Federal Reserve and other short-term investments	287,009	315,116	346,999
Cash and cash equivalents	<u>297,797</u>	<u>322,932</u>	<u>355,311</u>
Certificates of deposit	2,630	—	—
CRA investment	7,092	6,839	7,383
Other securities available for sale	25,857	20,329	21,974
Securities available for sale, at fair value	32,949	27,168	29,357
Federal Home Loan Bank stock, at cost	24,203	24,472	25,297
Loans, net of allowance for loan losses of \$10,413 at June 30, 2016, \$11,030 at December 31, 2016 and \$11,571 at June 30, 2017	1,525,407	1,605,647	1,666,172
Foreclosed assets	—	—	—
Bank-owned life insurance	11,838	11,962	12,091
Premises and equipment, net	14,774	14,462	14,169
Accrued interest receivable	3,498	3,529	3,645
Deferred income tax asset, net	3,146	2,489	2,190
Other assets	2,423	1,938	2,784
Total assets	<u>\$ 1,918,665</u>	<u>\$ 2,014,599</u>	<u>\$ 2,111,016</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits	\$ 1,183,353	\$ 1,218,360	\$ 1,263,923
Non-interest-bearing deposits	136,272	147,749	159,702
Total deposits	1,319,625	1,366,109	1,423,625
Federal Home Loan Bank advances	440,392	475,318	503,242
Mortgage payable	896	868	840
Mortgagors' escrow accounts	4,970	5,585	5,735
Accrued interest payable	388	400	531
Other liabilities	3,897	5,295	4,182
Total liabilities	<u>1,770,168</u>	<u>1,853,575</u>	<u>1,938,155</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; 2,130,750 shares issued and outstanding at June 30, 2016 and 2,132,750 shares issued and outstanding at December 31, 2016 and June 30, 2017	2,131	2,133	2,133
Additional paid-in capital	11,319	11,575	11,662
Undivided profits	134,394	144,580	155,796
Accumulated other comprehensive income	653	2,736	3,270
Total stockholders' equity	<u>148,497</u>	<u>161,024</u>	<u>172,861</u>
Total liabilities and stockholders' equity	<u>\$ 1,918,665</u>	<u>\$ 2,014,599</u>	<u>\$ 2,111,016</u>

HINGHAM INSTITUTION FOR SAVINGS

Consolidated Statements of Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2017	2016	2017
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 16,983	\$ 18,484	\$ 33,413	\$ 36,452
Debt securities	18	—	46	—
Equity securities	285	367	529	720
Federal Reserve and other short-term investments	418	827	744	1,436
Total interest and dividend income	17,704	19,678	34,732	38,608
Interest expense:				
Deposits	2,400	2,712	4,690	5,230
Federal Home Loan Bank advances	959	1,277	1,849	2,237
Mortgage payable	13	13	27	26
Total interest expense	3,372	4,002	6,566	7,493
Net interest income	14,332	15,676	28,166	31,115
Provision for loan losses	255	285	510	540
Net interest income, after provision for loan losses	14,077	15,391	27,656	30,575
Other income:				
Customer service fees on deposits	236	227	452	446
Increase in bank-owned life insurance	74	62	141	129
Gain on sale of securities	344	77	344	77
Miscellaneous	48	47	97	92
Total other income	702	413	1,034	744
Operating expenses:				
Salaries and employee benefits	2,991	3,091	6,061	6,237
Occupancy and equipment	484	419	955	883
Data processing	303	311	608	608
Deposit insurance	264	258	506	516
Foreclosure	26	(40)	82	3
Marketing	109	116	225	240
Other general and administrative	665	643	1,275	1,429
Total operating expenses	4,842	4,798	9,712	9,916
Income before income taxes	9,937	11,006	18,978	21,403
Income tax provision	4,070	4,536	7,787	8,821
Net income	\$ 5,867	\$ 6,470	\$ 11,191	\$ 12,582
Cash dividends declared per share	\$ 0.30	\$ 0.32	\$ 0.60	\$ 0.64
Weighted average shares outstanding:				
Basic	2,131	2,133	2,130	2,133
Diluted	2,149	2,179	2,148	2,180
Earnings per share:				
Basic	\$ 2.75	\$ 3.03	\$ 5.25	\$ 5.90
Diluted	\$ 2.73	\$ 2.97	\$ 5.21	\$ 5.77

HINGHAM INSTITUTION FOR SAVINGS

Net Interest Income Analysis

Three Months Ended June 30,

	2016			2017		
	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,507,171	\$ 16,983	4.51 %	\$ 1,666,327	\$ 18,484	4.44 %
Securities (3) (4)	61,766	303	1.96	49,233	367	2.98
Federal Reserve and other short-term investments	335,064	418	0.50	322,239	827	1.03
Total interest-earning assets	<u>1,904,001</u>	<u>17,704</u>	<u>3.72</u>	<u>2,037,799</u>	<u>19,678</u>	<u>3.86</u>
Other assets	33,532			35,894		
Total assets	<u>\$ 1,937,533</u>			<u>\$ 2,073,693</u>		
Interest-bearing deposits (5)	\$ 1,177,674	2,400	0.82	\$ 1,263,209	2,712	0.86
Borrowed funds	470,110	972	0.83	471,805	1,290	1.09
Total interest-bearing liabilities	<u>1,647,784</u>	<u>3,372</u>	<u>0.82</u>	<u>1,735,014</u>	<u>4,002</u>	<u>0.92</u>
Demand deposits	137,837			162,339		
Other liabilities	4,889			4,755		
Total liabilities	<u>1,790,510</u>			<u>1,902,108</u>		
Stockholders' equity	147,023			171,585		
Total liabilities and stockholders' equity	<u>\$ 1,937,533</u>			<u>\$ 2,073,693</u>		
Net interest income		<u>\$ 14,332</u>			<u>\$ 15,676</u>	
Weighted average spread			<u>2.90 %</u>			<u>2.94 %</u>
Net interest margin (6)			<u>3.01 %</u>			<u>3.08 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>115.55 %</u>			<u>117.45 %</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 interest-earning assets.

(7) Total interest-earning assets divided by total interest-bearing liabilities.

(8) Annualized

HINGHAM INSTITUTION FOR SAVINGS

Net Interest Income Analysis

Six Months Ended June 30,

	2016			2017		
	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,473,583	\$ 33,413	4.53 %	\$ 1,646,040	\$ 36,452	4.43 %
Securities (3) (4)	61,404	575	1.87	48,442	720	2.97
Federal Reserve and other short-term investments	297,866	744	0.50	315,727	1,436	0.91
Total interest-earning assets	1,832,853	34,732	3.79	2,010,209	38,608	3.84
Other assets	33,344			35,153		
Total assets	<u>\$ 1,866,197</u>			<u>\$ 2,045,362</u>		
Interest-bearing deposits (5)	\$ 1,149,165	4,690	0.82	\$ 1,246,436	5,230	0.84
Borrowed funds	433,244	1,876	0.87	469,907	2,263	0.96
Total interest-bearing liabilities	1,582,409	6,566	0.83	1,716,343	7,493	0.87
Demand deposits	134,524			155,627		
Other liabilities	4,918			4,802		
Total liabilities	1,721,851			1,876,772		
Stockholders' equity	144,346			168,590		
Total liabilities and stockholders' equity	<u>\$ 1,866,197</u>			<u>\$ 2,045,362</u>		
Net interest income		<u>\$ 28,166</u>			<u>\$ 31,115</u>	
Weighted average spread			<u>2.96 %</u>			<u>2.97 %</u>
Net interest margin (6)			<u>3.07 %</u>			<u>3.10 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>115.83 %</u>			<u>117.12 %</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 interest-earning assets.

(7) Total interest-earning assets divided by total interest-bearing liabilities.

(8) Annualized