



PRESS RELEASE

FROM: Robert H. Gaughen, Jr., President
Hingham Institution for Savings
Hingham, MA (NASDAQ: HIFS)
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CONTACT: Patrick R. Gaughen, Executive Vice President (781) 783-1761

14% INCREASE IN DILUTED EARNINGS PER SHARE AND 14.77% RETURN ON EQUITY

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced earnings for the first quarter ended March 31, 2017.

Net income for the quarter ended March 31, 2017 was \$6,112,000 or \$2.87 per share basic and \$2.83 per share diluted, as compared to \$5,324,000 or \$2.50 per share basic and \$2.48 per share diluted for the same period last year. For the first quarter of 2017, the Bank's annualized return on average equity was 14.77% and the annualized return on average assets was 1.21%, as compared to 15.03% and 1.19%, respectively, for the same period in 2016.

Solid growth trends of recent years continued, as deposits increased to \$1.403 billion at March 31, 2017, representing 11% annualized growth year-to-date and 11% growth from March 31, 2016. Net loans increased to \$1.634 billion, representing 7% annualized growth year-to-date and 12% growth from March 31, 2016. Total assets increased to \$2.039 billion, representing 5% annualized growth year-to-date and 10% growth from March 31, 2016, primarily driven by the Bank's larger loan portfolio. Book value per share was \$78.29 as of March 31, 2017, representing a 16% increase from the same time last year and 15% annualized growth year to date. This increase in book value per share excludes capital returned to the ownership through regular and special dividends; the Bank has declared \$1.58 in regular and special dividends since March 31, 2016, including a regular dividend of \$0.32 declared during the first quarter of 2017.

Key credit and operational metrics remained strong in the first quarter. At March 31, 2017, non-performing assets totaled 0.09% of total assets, compared to 0.09% at December 31, 2016 and 0.19% at March 31, 2016. Non-performing loans as a percentage of the total loan portfolio totaled 0.08% at March 31, 2017, compared to 0.11% at December 31, 2016 and 0.22% at March 31, 2016. At March 31, 2017, the Bank owned only one piece of foreclosed property valued at \$563,000. The efficiency ratio improved to 32.45% for the first quarter of 2017, as compared to 34.38% for the same period last year. Non-interest expense as a percentage of average assets fell to 1.02% in the first quarter, as compared to 1.09% for the same period last year. Both the

efficiency ratio and operating expenses as a percentage of average assets reflect the Bank's particular focus on disciplined expense management.

President Robert H. Gaughen Jr. stated, "We are pleased to report that our first quarter of 2017 diluted earnings per share represent an 14% increase over the same period in 2016 and a 14.77% return on average equity. At Hingham, we take our role as stewards of the owners' capital seriously. We remain focused on careful capital allocation, conservative underwriting, and disciplined cost control – strategies that have served our owners well over time and through credit cycles."

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 March 31,	
	2016	2017
<i>(Unaudited)</i>		
Key Performance Ratios		
Return on average assets (1)	1.19 %	1.21 %
Return on average equity (1)	15.03	14.77
Interest rate spread (1) (2)	3.03	3.00
Net interest margin (1) (3)	3.14	3.12
Non-interest expense to average assets (1)	1.09	1.02
Efficiency ratio (4)	34.38	32.45
Average equity to average assets	7.89	8.21
Average interest-earning assets to average interest bearing liabilities	116.13	116.78

	March 31, 2016	December 31, 2016	March 31, 2017
<i>(Unaudited)</i>			
Asset Quality Ratios			
Allowance for loan losses/total loans	0.70 %	0.68 %	0.69 %
Allowance for loan losses/non-performing loans	311.79	614.43	846.59
Non-performing loans/total loans	0.22	0.11	0.08
Non-performing loans/total assets	0.18	0.09	0.07
Non-performing assets/total assets	0.19	0.09	0.09
Share Related			
Book value per share	\$ 67.21	\$ 75.50	\$ 78.29
Market value per share	\$ 119.11	\$ 196.78	\$ 176.85
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 interest-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

<i>(In thousands, except share amounts)</i> <i>(Unaudited)</i>	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2016</u>	<u>March 31,</u> <u>2017</u>
ASSETS			
Cash and due from banks	\$ 7,643	\$ 7,816	\$ 6,548
Federal Reserve and other short-term investments	290,414	315,116	310,130
Cash and cash equivalents	<u>298,057</u>	<u>322,932</u>	<u>316,678</u>
Certificates of deposit	4,469	—	—
CRA investment	5,041	6,839	7,341
Other securities available for sale	<u>32,359</u>	<u>20,329</u>	<u>21,369</u>
Securities available for sale, at fair value	37,400	27,168	28,710
Federal Home Loan Bank stock, at cost	20,679	24,472	24,920
Loans, net of allowance for loan losses of \$10,158 at March 31, 2016, \$11,030 at December 31, 2016 and \$11,285 at March 31, 2017	1,453,722	1,605,647	1,634,263
Foreclosed assets	168	—	563
Bank-owned life insurance	11,764	11,962	12,029
Premises and equipment, net	14,921	14,462	14,314
Accrued interest receivable	3,435	3,529	3,576
Deferred income tax asset, net	3,127	2,489	2,226
Other assets	<u>2,188</u>	<u>1,938</u>	<u>2,217</u>
Total assets	<u>\$ 1,849,930</u>	<u>\$ 2,014,599</u>	<u>\$ 2,039,496</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits	\$ 1,135,004	\$ 1,218,360	\$ 1,248,381
Non-interest-bearing deposits	<u>133,297</u>	<u>147,749</u>	<u>154,622</u>
Total deposits	1,268,301	1,366,109	1,403,003
Federal Home Loan Bank advances	425,429	475,318	455,281
Mortgage payable	909	868	855
Mortgagors' escrow accounts	4,995	5,585	5,787
Accrued interest payable	324	400	396
Other liabilities	<u>6,770</u>	<u>5,295</u>	<u>7,207</u>
Total liabilities	<u>1,706,728</u>	<u>1,853,575</u>	<u>1,872,529</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 March 31, 2016 and 2,132,750 shares issued and outstanding at December 31, 2016 and March 31, 2017	2,131	2,133	2,133
Additional paid-in capital	11,260	11,575	11,619
Undivided profits	129,166	144,580	150,008
Accumulated other comprehensive income	<u>645</u>	<u>2,736</u>	<u>3,207</u>
Total stockholders' equity	<u>143,202</u>	<u>161,024</u>	<u>166,967</u>
Total liabilities and stockholders' equity	<u>\$ 1,849,930</u>	<u>\$ 2,014,599</u>	<u>\$ 2,039,496</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended	
	March 31,	
	2016	2017
<i>(In thousands, except per share amounts)</i>		
<i>(Unaudited)</i>		
Interest and dividend income:		
Loans	\$ 16,430	\$ 17,968
Debt securities	28	—
Equity securities	244	353
Federal Reserve and other short-term investments	326	609
Total interest and dividend income	17,028	18,930
Interest expense:		
Deposits	2,290	2,518
Federal Home Loan Bank advances	890	960
Mortgage payable	14	13
Total interest expense	3,194	3,491
Net interest income	13,834	15,439
Provision for loan losses	255	255
Net interest income, after provision for loan losses	13,579	15,184
Other income:		
Customer service fees on deposits	216	219
Increase in cash surrender value of bank-owned life insurance	67	67
Miscellaneous	49	45
Total other income	332	331
Operating expenses:		
Salaries and employee benefits	3,070	3,146
Occupancy and equipment	471	464
Data processing	305	297
Deposit insurance	242	258
Foreclosure	56	43
Marketing	116	124
Other general and administrative	610	786
Total operating expenses	4,870	5,118
Income before income taxes	9,041	10,397
Income tax provision	3,717	4,285
Net income	\$ 5,324	\$ 6,112
Cash dividends declared per common share	\$ 0.30	\$ 0.32
Weighted average shares outstanding:		
Basic	2,130	2,133
Diluted	2,149	2,162
Earnings per share:		
Basic	\$ 2.50	\$ 2.87
Diluted	\$ 2.48	\$ 2.83

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended March 31,					
	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)	\$ 1,439,994	\$ 16,430	4.56 %	\$ 1,625,525	\$ 17,968	4.42 %
Securities (3) (4)	61,042	272	1.78	47,643	353	2.96
Federal Reserve and other short-term investments	260,669	326	0.50	309,143	609	0.79
Total interest-earning assets	<u>1,761,705</u>	<u>17,028</u>	<u>3.87</u>	<u>1,982,311</u>	<u>18,930</u>	<u>3.82</u>
Other assets	33,156			34,405		
Total assets	<u>\$ 1,794,861</u>			<u>\$ 2,016,716</u>		
Interest-bearing deposits (5)	\$ 1,120,656	2,290	0.82	\$ 1,229,476	2,518	0.82
Borrowed funds	396,378	904	0.91	467,988	973	0.83
Total interest-bearing liabilities	<u>1,517,034</u>	<u>3,194</u>	<u>0.84</u>	<u>1,697,464</u>	<u>3,491</u>	<u>0.82</u>
Demand deposits	131,212			148,841		
Other liabilities	4,947			4,849		
Total liabilities	<u>1,653,193</u>			<u>1,851,154</u>		
Stockholders' equity	141,668			165,562		
Total liabilities and stockholders' equity	<u>\$ 1,794,861</u>			<u>\$ 2,016,716</u>		
Net interest income		<u>\$ 13,834</u>			<u>\$ 15,439</u>	
Weighted average spread			<u>3.03 %</u>			<u>3.00 %</u>
Net interest margin (6)			<u>3.14 %</u>			<u>3.12 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>116.13 %</u>			<u>116.78 %</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.