



## PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)  
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### **22% GROWTH IN QUARTERLY EARNINGS**

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced second quarter earnings for 2015. Net income for the quarter ended June 30, 2015 was \$4,723,000 or \$2.22 per share basic and \$2.20 per share diluted as compared to \$3,873,000 or \$1.82 per share (basic and diluted) in earnings for the second quarter of 2014. Net income per share (basic) for the second quarter of 2015 increased 22% over the same period in 2014. The Bank's annualized return on average equity for the second quarter of 2015 was 14.70%, and the annualized return on average assets was 1.19% as compared to 13.51% and 1.08% for the same period in 2014.

Net income for the six months ended June 30, 2015 was \$9,238,000 or \$4.34 per share basic and \$4.31 per share diluted as compared to \$13,248,000 or \$6.22 per share (basic and diluted) for the same period last year. Earnings for first six months of 2014 included a one-time net gain of approximately \$5.7 million related to a non-taxable life insurance transaction, the details of which were fully reported in the Bank's 2014 Annual Report on Form 10-K. Excluding this event, the Bank earned \$7,507,000 or \$3.53 per share basic and \$3.52 per share diluted for the first six months of 2014. Net income per share for the first six months of 2015 increased 23% over the same period in 2014 excluding the impact of the life insurance transaction.

The Bank's annualized return on average equity for the first six months of 2015 was 14.61%, and the annualized return on average assets was 1.17%. Excluding the impact of the life insurance transaction, the Bank's annualized return on average equity for the first six months of 2014 was 13.52%, and the annualized return on average assets was 1.06%.

Strong growth trends of recent years continued, as deposits increased by \$39.0 million from December 31, 2014 and \$103.5 million from June 30, 2014, representing 7% annualized growth year to date and 10% from June 30, 2014. Net loans increased by \$55.5 million from December 31, 2014 and \$106.0 million from June 30, 2014, representing 9% annualized growth year to date and 9% growth from June 30, 2014. Total assets increased by \$81.8 million from December 31, 2014 and \$153.0 million from June 30, 2014, representing 11% annualized growth year to date and 10% from June 30, 2014. Stockholders' equity increased to \$129.8 million as of June 30, 2015, representing 14% annualized growth year to date and a 12% increase from June 30, 2014. Book value per share increased to \$60.96 per share at June 30, 2015 from \$57.08 per share at December 31, 2014 and \$54.32 per share at June 30, 2014.

Key credit and operational metrics continued to improve in the second quarter of 2015. At June 30, 2015, non-performing assets totaled 0.11% of total assets, compared with 0.20% at December 31, 2014 and 0.44% at June 30, 2014. Non-performing loans as a percentage of the total loan portfolio totaled 0.13% at June 30, 2015, as compared to 0.18% at December 31, 2014 and 0.51% at June 30, 2014. The efficiency ratio improved to 36.36% for the second quarter of 2015, as compared to 42.73% in the same period last year. Non-interest expense (annualized) as a percentage of average assets fell to 1.18% for the second quarter of 2015, as compared to 1.40% for the same period last year. These reductions reflect the Bank's continued focus on credit quality and disciplined expense controls.

President Robert H. Gaughen, Jr. stated, "We continue to emphasize careful capital allocation, conservative underwriting, and cost discipline. We remain committed to the fundamentally conservative strategies that have produced long-term value for our shareholders."

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 continually 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, Norwell, Scituate and Weymouth, as well as branches in the South End of Boston, on 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		Six Months Ended	
	June 30,		June 30,	
	2014	2015	2014	2015
<i>(Unaudited)</i>				
<b>Key Performance Ratios</b>				
Return on average assets (1)	1.08 %	<b>1.19 %</b>	1.88 %	<b>1.17 %</b>
Return on average equity (1)	13.51	<b>14.70</b>	23.86	<b>14.61</b>
Interest rate spread (1) (2)	3.14	<b>3.11</b>	3.12	<b>3.10</b>
Net interest margin (1) (3)	3.25	<b>3.21</b>	3.22	<b>3.20</b>
Non-interest expense to average assets (1)	1.40	<b>1.18</b>	1.53	<b>1.21</b>
Efficiency ratio (4)	42.73	<b>36.36</b>	36.85	<b>37.33</b>
Average equity to average assets	7.96	<b>8.09</b>	7.88	<b>8.00</b>
Average interest-bearing assets to average interest bearing liabilities	114.68	<b>115.67</b>	114.32	<b>115.77</b>
	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>	
	<b>2014</b>	<b>2014</b>	<b>2015</b>	
<i>(Unaudited)</i>				
<b>Asset Quality Ratios</b>				
Allowance for loan losses/total loans	0.74 %	0.73 %	<b>0.73 %</b>	
Allowance for loan losses/non-performing loans	144.14	397.04	<b>569.13</b>	
Non-performing loans/total loans	0.51	0.18	<b>0.13</b>	
Non-performing loans/total assets	0.41	0.15	<b>0.10</b>	
Non-performing assets/total assets	0.44	0.20	<b>0.11</b>	
<b>Share Related</b>				
Book value per share	\$ 54.32	\$ 57.08	<b>\$ 60.96</b>	
Market value per share	\$ 79.40	\$ 87.01	<b>\$ 115.11</b>	
Shares outstanding at end of period	2,128,750	2,128,750	<b>2,128,750</b>	

(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**

<i>(Dollars in thousands, except per share data)</i> <i>(Unaudited)</i>	<b>June 30, 2014</b>	<b>December 31, 2014</b>	<b>June 30, 2015</b>
<b>ASSETS</b>			
Cash and due from banks	\$ 8,140	\$ 6,917	\$ 10,115
Short-term investments	120,647	170,305	207,143
Cash and cash equivalents	128,787	177,222	217,258
Certificates of deposit	14,209	12,926	9,281
Securities available for sale, at fair value	97,331	70,570	59,831
Federal Home Loan Bank stock, at cost	16,983	17,855	18,454
Loans, net of allowance for loan losses of \$8,834 at June 30, 2014, \$9,108 at December 31, 2014 and \$9,459 at June 30, 2015	1,188,157	1,238,656	1,294,141
Foreclosed assets	425	786	175
Bank-owned life insurance	11,272	11,416	11,557
Premises and equipment, net	15,537	15,211	15,085
Accrued interest receivable	3,112	2,959	3,075
Deferred income tax asset, net	2,981	2,642	2,589
Other assets	2,166	1,962	2,550
Total assets	<u>\$ 1,480,960</u>	<u>\$ 1,552,205</u>	<u>\$ 1,633,996</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Deposits	\$ 1,024,673	\$ 1,089,217	\$ 1,128,178
Federal Home Loan Bank advances	331,668	329,602	366,534
Mortgage payable	997	973	948
Mortgagors' escrow accounts	3,956	4,476	4,223
Accrued interest payable	379	350	302
Other liabilities	3,645	6,072	4,044
Total liabilities	<u>1,365,318</u>	<u>1,430,690</u>	<u>1,504,229</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; 2,128,750 shares issued and outstanding	2,129	2,129	2,129
Additional paid-in capital	10,896	10,942	11,006
Undivided profits	102,548	108,243	116,289
Accumulated other comprehensive income	69	201	343
Total stockholders' equity	<u>115,642</u>	<u>121,515</u>	<u>129,767</u>
Total liabilities and stockholders' equity	<u>\$ 1,480,960</u>	<u>\$ 1,552,205</u>	<u>\$ 1,633,996</u>

**HINGHAM INSTITUTION FOR SAVINGS**  
**Consolidated Statements of Income**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
(In thousands, except per share amounts)				
(Unaudited)				
Interest and dividend income:				
Loans	\$ 13,543	\$ <b>14,732</b>	\$ 26,489	\$ <b>29,270</b>
Debt securities	92	57	183	119
Equity securities	116	159	230	314
Short-term investments and certificates of deposit	82	134	151	270
Total interest and dividend income	<u>13,833</u>	<u><b>15,082</b></u>	<u>27,053</u>	<u><b>29,973</b></u>
Interest expense:				
Deposits	1,519	1,874	2,956	3,701
Federal Home Loan Bank advances	901	713	1,956	1,434
Mortgage payable	15	15	30	29
Total interest expense	<u>2,435</u>	<u><b>2,602</b></u>	<u>4,942</u>	<u><b>5,164</b></u>
Net interest income	11,398	12,480	22,111	24,809
Provision for loan losses	175	175	325	350
Net interest income, after provision for loan losses	<u>11,223</u>	<u><b>12,305</b></u>	<u>21,786</u>	<u><b>24,459</b></u>
Other income:				
Customer service fees on deposits	256	253	499	481
Increase in bank-owned life insurance	72	71	165	141
Life insurance death benefit	—	—	6,302	—
Miscellaneous	75	37	129	96
Total other income	<u>403</u>	<u><b>361</b></u>	<u>7,095</u>	<u><b>718</b></u>
Operating expenses:				
Salaries and employee benefits	2,904	2,922	6,691	5,826
Data processing	302	304	585	600
Occupancy and equipment	506	519	1,001	1,073
Deposit insurance	197	221	387	438
Foreclosure	106	(45)	296	32
Marketing	119	137	255	258
Other general and administrative	908	611	1,548	1,302
Total operating expenses	<u>5,042</u>	<u><b>4,669</b></u>	<u>10,763</u>	<u><b>9,529</b></u>
Income before income taxes	6,584	7,997	18,118	15,648
Income tax provision	2,711	3,274	4,870	6,410
Net income	<u>\$ 3,873</u>	<u><b>\$ 4,723</b></u>	<u>\$ 13,248</u>	<u><b>\$ 9,238</b></u>
Weighted average shares outstanding:				
Basic	<u>2,129</u>	<u><b>2,129</b></u>	<u>2,129</u>	<u><b>2,129</b></u>
Diluted	<u>2,130</u>	<u><b>2,145</b></u>	<u>2,130</u>	<u><b>2,142</b></u>
Earnings per share:				
Basic	<u>\$ 1.82</u>	<u><b>\$ 2.22</b></u>	<u>\$ 6.22</u>	<u><b>\$ 4.34</b></u>
Diluted	<u>\$ 1.82</u>	<u><b>\$ 2.20</b></u>	<u>\$ 6.22</u>	<u><b>\$ 4.31</b></u>

**HINGHAM INSTITUTION FOR SAVINGS**  
**Net Interest Income Analysis**

Three Months Ended June 30,

	2014			2015		
	<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)	\$ 1,168,189	\$ 13,543	4.64 %	\$ 1,277,323	\$ 14,732	4.61 %
Securities (3) (4)	117,791	208	0.71	82,026	216	1.05
Short-term investments and certificates of deposit	116,956	82	0.28	196,092	134	0.27
Total earning assets	1,402,936	13,833	3.94	1,555,441	15,082	3.88
Other assets	37,878			32,792		
Total assets	<u>\$ 1,440,814</u>			<u>\$ 1,588,233</u>		
Interest-bearing deposits (5)	\$ 917,070	1,519	0.66	\$ 1,013,585	1,874	0.74
Borrowed funds	306,186	916	1.20	331,158	728	0.88
Total interest-bearing liabilities	1,223,256	2,435	0.80	1,344,743	2,602	0.77
Demand deposits	99,194			110,770		
Other liabilities	3,725			4,194		
Total liabilities	1,326,175			1,459,707		
Stockholders' equity	114,639			128,526		
Total liabilities and stockholders' equity	<u>\$ 1,440,814</u>			<u>\$ 1,588,233</u>		
Net interest income		<u>\$ 11,398</u>			<u>\$ 12,480</u>	
Weighted average spread			<u>3.14 %</u>			<u>3.11 %</u>
Net interest margin (6)			<u>3.25 %</u>			<u>3.21 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>114.68 %</u>			<u>115.67 %</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**

Six Months Ended June 30,

	2014			2015		
	<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)	\$ 1,141,363	\$ 26,489	4.64 %	\$ 1,263,897	\$ 29,270	4.63 %
Securities (3) (4)	118,486	413	0.70	84,530	433	1.02
Short-term investments and certificates of deposit	112,020	151	0.27	200,316	270	0.27
Total earning assets	1,371,869	27,053	3.94	1,548,743	29,973	3.87
Other assets	38,034			32,742		
Total assets	<u>\$ 1,409,903</u>			<u>\$ 1,581,485</u>		
Interest-bearing deposits (5)	\$ 893,272	2,956	0.66	\$ 1,009,726	3,701	0.73
Borrowed funds	306,752	1,986	1.29	328,085	1,463	0.89
Total interest-bearing liabilities	1,200,024	4,942	0.82	1,337,811	5,164	0.77
Demand deposits	95,719			112,751		
Other liabilities	3,105			4,483		
Total liabilities	1,298,848			1,455,045		
Stockholders' equity	111,055			126,440		
Total liabilities and stockholders' equity	<u>\$ 1,409,903</u>			<u>\$ 1,581,485</u>		
Net interest income		<u>\$ 22,111</u>			<u>\$ 24,809</u>	
Weighted average spread			<u>3.12 %</u>			<u>3.10 %</u>
Net interest margin (6)			<u>3.22 %</u>			<u>3.20 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>114.32 %</u>			<u>115.77 %</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.