



PRESS RELEASE

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Hingham Institution for Savings
Hingham, MA (NASDAQ: HIFS)
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HINGHAM ANNOUNCES 21% INCREASE IN ANNUAL EARNINGS AND 15.59% RETURN ON EQUITY

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced earnings for the fourth quarter and the year ended December 31, 2016.

Net income for the year ended December 31, 2016 was \$23,423,000 or \$10.99 per share basic and \$10.89 per share diluted as compared to \$19,346,000 or \$9.09 per share basic and \$9.02 per share diluted for the year ended December 31, 2015. Net income per share (basic and diluted) for 2016 increased 21% over the same period in 2015. The Bank's return on average equity for the year ended December 31, 2016 was 15.59% and the return on average assets was 1.22%, as compared to 14.81% and 1.18% for the same period in 2015.

Net income for the quarter ended December 31, 2016 was \$6,287,000 or \$2.95 per share basic and \$2.92 per share diluted as compared to \$5,234,000 or \$2.46 per share basic and \$2.44 per share diluted for the fourth quarter of 2015. Net income per share (basic and diluted) for the fourth quarter of 2016 increased 20% over the same period in 2015. The Bank's annualized return on average equity for the fourth quarter of 2016 was 15.85%, and the annualized return on average assets was 1.27% as compared to 15.30% and 1.21% for the same period in 2015.

The Bank continued to produce strong growth in deposits, loans, and book value per share in 2016. Deposits increased by 12% to \$1.366 billion. Net loans increased by 14% to \$1.606 billion. Total assets increased by 14% to \$2.015 billion. Book value per share increased by 16% to \$75.50. This increase in book value per share excludes capital returned to the ownership through regular and special dividends; the Bank declared \$1.56 in regular and special dividends in 2016.

Key credit and operational metrics remained strong in 2016. At December 31, 2016, non-performing assets totaled 0.09% of total assets as compared with 0.10% at December 31, 2015. Non-performing loans as a percentage of the total loan portfolio totaled 0.11% at December 31,

2016, as compared to 0.13% at December 31, 2015. At December 31, 2016 and 2015, the Bank did not own any foreclosed property. The efficiency ratio improved to 32.15% in 2016 as compared to 36.32% in 2015. Non-interest expense as a percentage of average assets improved to 1.00% in 2016, as compared to 1.16% in 2015. Both the efficiency ratio and operating expenses as a percentage of average assets reached new record lows in 2016 and reflect the Bank's particular focus on disciplined expense management.

President Robert H. Gaughen, Jr. stated, "We are pleased to report a strong return on capital in 2016. 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 the oldest financial institution headquartered in Hingham and one of the oldest continuously operating banks in the United States. The Bank's main offices are located on Main Street in Hingham, MA. The Bank also maintains branch offices in South Hingham and the neighboring towns of Cohasset, Hull, Scituate, Norwell and Weymouth as well as branches in the South End of Boston, 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		Twelve Months Ended	
	December 31,		December 31,	
	2015	2016	2015	2016
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.21 %	1.27 %	1.18 %	1.22 %
Return on average equity (1)	15.30	15.85	14.81	15.59
Interest rate spread (1) (2)	3.02	3.03	3.06	2.99
Net interest margin (1) (3)	3.14	3.15	3.17	3.10
Non-interest expense to average assets (1)	1.09	0.95	1.16	1.00
Efficiency ratio (4)	34.55	29.93	36.32	32.15
Average equity to average assets	7.90	7.98	7.97	7.85
Average interest-earning assets to average interest-bearing liabilities	115.90	116.65	115.85	116.19

	December 31,	December 31,
	2015	2016
<i>(Unaudited)</i>		
Asset Quality Ratios		
Allowance for loan losses/total loans	0.70 %	0.68 %
Allowance for loan losses/non-performing loans	540.37	614.43
Non-performing loans/total loans	0.13	0.11
Non-performing loans/total assets	0.10	0.09
Non-performing assets/total assets	0.10	0.09
Share Related		
Book value per share	\$ 64.83	\$ 75.50
Market value per share	\$ 119.80	\$ 196.78
Shares outstanding at end of period	2,128,750	2,132,750

(1) Annualized for the three months periods.

(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

<i>(Dollars in thousands, except per share data)</i> <i>(Unaudited)</i>	December 31, 2015	December 31, 2016
ASSETS		
Cash and due from banks	\$ 6,944	\$ 7,816
Federal Reserve and other short-term investments	254,069	315,116
Cash and cash equivalents	261,013	322,932
Certificates of deposit	6,206	—
CRA investment	4,971	6,839
Other securities available for sale	35,632	20,329
Securities available for sale, at fair value	40,603	27,168
Federal Home Loan Bank stock, at cost	19,796	24,472
Loans, net of allowance for loan losses of \$9,905 at December 31, 2015 and \$11,030 at December 31, 2016	1,405,533	1,605,647
Foreclosed assets	—	—
Bank-owned life insurance	11,697	11,962
Premises and equipment, net	15,094	14,462
Accrued interest receivable	3,270	3,529
Deferred income tax asset, net	3,281	2,489
Other assets	2,035	1,938
Total assets	<u>\$ 1,768,528</u>	<u>\$ 2,014,599</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Interest-bearing deposits	\$ 1,088,742	\$ 1,218,360
Non-interest-bearing deposits	128,285	147,749
Total deposits	1,217,027	1,366,109
Federal Home Loan Bank advances	402,464	475,318
Mortgage payable	922	868
Mortgagors' escrow accounts	4,850	5,585
Accrued interest payable	303	400
Other liabilities	4,947	5,295
Total liabilities	1,630,513	1,853,575
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 and 2,132,750 shares issued and outstanding at December 31, 2015 and 2016, respectively	2,129	2,133
Additional paid-in capital	11,052	11,575
Undivided profits	124,481	144,580
Accumulated other comprehensive income	353	2,736
Total stockholders' equity	138,015	161,024
Total liabilities and stockholders' equity	<u>\$ 1,768,528</u>	<u>\$ 2,014,599</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2015	2016	2015	2016
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 15,810	\$ 18,027	\$ 60,260	\$ 68,917
Debt securities	33	—	195	52
Equity securities	250	367	795	1,248
Federal Reserve and other short-term investments	185	426	609	1,552
Total interest and dividend income	<u>16,278</u>	<u>18,820</u>	<u>61,859</u>	<u>71,769</u>
Interest expense:				
Deposits	2,197	2,474	7,945	9,599
Federal Home Loan Bank advances	746	950	2,908	3,732
Mortgage payable	14	14	57	54
Total interest expense	<u>2,957</u>	<u>3,438</u>	<u>10,910</u>	<u>13,385</u>
Net interest income	13,321	15,382	50,949	58,384
Provision for loan losses	100	325	625	1,135
Net interest income, after provision for loan losses	<u>13,221</u>	<u>15,057</u>	<u>50,324</u>	<u>57,249</u>
Other income:				
Customer service fees on deposits	247	237	978	928
Increase in bank-owned life insurance	69	62	281	265
Gain on sale of securities	—	—	29	344
Miscellaneous	53	55	195	198
Total other income	<u>369</u>	<u>354</u>	<u>1,483</u>	<u>1,735</u>
Operating expenses:				
Salaries and employee benefits	2,931	3,036	11,632	12,024
Occupancy and equipment	471	455	2,057	1,856
Data processing	291	304	1,182	1,230
Deposit insurance	240	252	902	1,023
Foreclosure	10	(73)	72	34
Marketing	105	74	489	403
Other general and administrative	682	662	2,697	2,645
Total operating expenses	<u>4,730</u>	<u>4,710</u>	<u>19,031</u>	<u>19,215</u>
Income before income taxes	8,860	10,701	32,776	39,769
Income tax provision	3,626	4,414	13,430	16,346
Net income	<u>\$ 5,234</u>	<u>\$ 6,287</u>	<u>\$ 19,346</u>	<u>\$ 23,423</u>
Cash dividends declared per share	<u>\$ 0.60</u>	<u>\$ 0.64</u>	<u>\$ 1.46</u>	<u>\$ 1.56</u>
Weighted average shares outstanding:				
Basic	2,129	2,131	2,129	2,131
Diluted	<u>2,149</u>	<u>2,158</u>	<u>2,145</u>	<u>2,152</u>
Earnings per share:				
Basic	<u>\$ 2.46</u>	<u>\$ 2.95</u>	<u>\$ 9.09</u>	<u>\$ 10.99</u>
Diluted	<u>\$ 2.44</u>	<u>\$ 2.92</u>	<u>\$ 9.02</u>	<u>\$ 10.89</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

Three Months Ended December 31,

	2015			2016		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,381,732	\$ 15,810	4.58 %	\$ 1,598,286	\$ 18,027	4.51 %
Securities (3) (4)	64,082	283	1.77	45,965	367	3.19
Federal Reserve and other short-term investments	253,716	185	0.29	309,043	426	0.55
Total interest-earning assets	1,699,530	16,278	3.83	1,953,294	18,820	3.85
Other assets	33,138			33,715		
Total assets	<u>\$ 1,732,668</u>			<u>\$ 1,987,009</u>		
Interest-bearing deposits (5)	\$ 1,087,721	2,197	0.81	\$ 1,212,674	2,474	0.82
Borrowed funds	378,621	760	0.80	461,749	964	0.84
Total interest-bearing liabilities	1,466,342	2,957	0.81	1,674,423	3,438	0.82
Demand deposits	124,994			149,352		
Other liabilities	4,499			4,579		
Total liabilities	1,595,835			1,828,354		
Stockholders' equity	136,833			158,655		
Total liabilities and stockholders' equity	<u>\$ 1,732,668</u>			<u>\$ 1,987,009</u>		
Net interest income		<u>\$ 13,321</u>			<u>\$ 15,382</u>	
Weighted average spread			<u>3.02 %</u>			<u>3.03 %</u>
Net interest margin (6)			<u>3.14 %</u>			<u>3.15 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>115.90 %</u>			<u>116.65 %</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

Twelve Months Ended December 31,

	2015			2016		
	<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)	\$ 1,307,871	\$ 60,260	4.61 %	\$ 1,524,858	\$ 68,917	4.52 %
Securities (3) (4)	76,193	990	1.30	54,494	1,300	2.39
Federal Reserve and other short-term investments	221,807	609	0.27	301,322	1,552	0.52
Total interest-earning assets	1,605,871	61,859	3.85	1,880,674	71,769	3.82
Other assets	33,014			33,378		
Total assets	<u>\$ 1,638,885</u>			<u>\$ 1,914,052</u>		
Interest-bearing deposits (5)	\$ 1,038,016	7,945	0.77	\$ 1,176,472	9,599	0.82
Borrowed funds	348,094	2,965	0.85	442,134	3,786	0.86
Total interest-bearing liabilities	1,386,110	10,910	0.79	1,618,606	13,385	0.83
Demand deposits	117,741			140,758		
Other liabilities	4,387			4,456		
Total liabilities	1,508,238			1,763,820		
Stockholders' equity	130,647			150,232		
Total liabilities and stockholders' equity	<u>\$ 1,638,885</u>			<u>\$ 1,914,052</u>		
Net interest income		<u>\$ 50,949</u>			<u>\$ 58,384</u>	
Weighted average spread			<u>3.06 %</u>			<u>2.99 %</u>
Net interest margin (6)			<u>3.17 %</u>			<u>3.10 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>115.85 %</u>			<u>116.19 %</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.
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