



PRESS RELEASE

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Hingham, MA (NASDAQ – HIFS)

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17% INCREASE IN ANNUAL OPERATING EARNINGS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ:HIFS), Hingham, Massachusetts announced net income for the year ended December 31, 2015 was \$19,346,000 or \$9.09 per share basic and \$9.02 per share diluted as compared to \$22,264,000 or \$10.46 per share basic and \$10.44 per share diluted for 2014. Annual earnings for 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 reported in the Bank's 2014 Annual Report on Form 10-K. Excluding this event, the Bank's operating earnings were \$16,523,000 or \$7.76 per share basic and \$7.75 per share fully diluted for 2014. Net income per share (basic) for 2015 increased 17% over 2014, excluding the impact of the life insurance transaction.

The Bank's return on average equity for the year ended December 31, 2015 was 14.81% and the return on average assets was 1.18%. Excluding the impact of the life insurance transaction, the Bank's return on average equity for the year ended December 31, 2014 was 14.32% and the return on average assets was 1.13%.

Net income for the fourth quarter of 2015 was \$5,234,000 or \$2.46 per share basic and \$2.44 per share diluted; a 15% increase over \$4,535,000 or \$2.13 per share basic and \$2.12 per share diluted for the fourth quarter of 2014. The Bank's return on average equity for the quarter ending December 31, 2015 was 15.30% and the return on average assets was 1.21%, an improvement from 15.01% and 1.18% for the same quarter last year.

The Bank produced strong growth in deposits, loans, and book value per share in 2015. Deposits increased by 12% to \$1.217 billion. Net loans increased by 13% to \$1.406 billion. Total assets increased by 14% to \$1.769 billion. Book value per share increased by 14% to \$64.83. This increase in book value per share excludes capital returned to the

ownership through regular and special dividends; the Bank declared \$1.46 in regular and special dividends in 2015.

Key credit and operational metrics continued to improve in 2015. At December 31, 2015, non-performing assets totaled 0.10% of total assets compared to 0.20% of total assets at December 31, 2014. Non-performing loans as a percentage of the total loan portfolio totaled 0.13% at December 31, 2015 as compared to 0.18% at December 31, 2014. At December 31, 2015, the Bank did not own any foreclosed real estate. The efficiency ratio improved to 36.32% in 2015 as compared to 37.12% in 2014. Operating expenses as a percentage of average assets improved to 1.16% in 2015 as compared to 1.37% in 2014. Both the efficiency ratio and operating expenses as a percentage of average assets reached new record lows in 2015 and reflect the Bank's particular focus on disciplined expense management.

Robert H. Gaughen Jr., President and Chairman of the Board of Directors, stated "At Hingham, we take our role as stewards of the shareholders' capital seriously. We are pleased to report a strong return on that capital in 2015. Our emphasis on careful capital allocation, conservative underwriting, disciplined cost control and measured growth continues to serve our shareholders well. More important than performance in any one year, 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. 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 December 31,		Twelve Months Ended December 31,	
	2014	2015	2014	2015
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.18 %	1.21 %	1.52 %	1.18 %
Return on average equity (1)	15.01	15.30	19.30	14.81
Interest rate spread (1) (2)	3.12	3.02	3.13	3.06
Net interest margin (1) (3)	3.23	3.14	3.23	3.17
Non-interest expense to average assets (1)	1.24	1.09	1.37	1.16
Efficiency ratio (4)	37.95	34.55	37.12	36.32
Average equity to average assets	7.83	7.90	7.87	7.97
Average interest-bearing assets to average interest bearing liabilities	115.74	115.90	114.92	115.85

	December 31, 2014	December 31, 2015
<i>(Unaudited)</i>		
Asset Quality Ratios		
Allowance for loan losses/total loans	0.73 %	0.70 %
Allowance for loan losses/non-performing loans	397.04	540.37
Non-performing loans/total loans	0.18	0.13
Non-performing loans/total assets	0.15	0.10
Non-performing assets/total assets	0.20	0.10
Share Related		
Book value per share	\$ 57.08	\$ 64.83
Market value per share	\$ 87.01	\$ 119.80
Shares outstanding at end of period	2,128,750	2,128,750

(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, excluding gain on sale of securities.

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Balance Sheets

<i>(Dollars in thousands, except per share data)</i>	December 31,	December 31,
<i>(Unaudited)</i>	2014	2015
ASSETS	<hr/>	<hr/>
Cash and due from banks	\$ 6,917	\$ 6,944
Short-term investments	170,305	254,069
Cash and cash equivalents	<hr/> 177,222	<hr/> 261,013
Certificates of deposit	12,926	6,206
Securities available for sale, at fair value	70,570	40,603
Federal Home Loan Bank stock, at cost	17,855	19,796
Loans, net of allowance for loan losses of \$9,108 at December 31, 2014 and \$9,905 at December 31, 2015	1,238,656	1,405,533
Foreclosed real estate	786	—
Bank-owned life insurance	11,416	11,697
Premises and equipment, net	15,211	15,094
Accrued interest receivable	2,959	3,270
Deferred income tax asset, net	2,642	3,281
Other assets	1,962	2,035
Total assets	<hr/> <hr/> \$ 1,552,205	<hr/> <hr/> \$ 1,768,528
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$ 1,089,217	\$ 1,217,027
Federal Home Loan Bank advances	329,602	402,464
Mortgage payable	973	922
Mortgagors' escrow accounts	4,476	4,850
Accrued interest payable	350	303
Other liabilities	6,072	4,947
Total liabilities	<hr/> 1,430,690	<hr/> 1,630,513
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
Additional paid-in capital	10,942	11,052
Undivided profits	108,243	124,481
Accumulated other comprehensive income	201	353
Total stockholders' equity	<hr/> 121,515	<hr/> 138,015
Total liabilities and stockholders' equity	<hr/> <hr/> \$ 1,552,205	<hr/> <hr/> \$ 1,768,528

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Net Income

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2014	2015	2014	2015
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 14,392	\$ 15,810	\$ 54,990	\$ 60,260
Debt securities	73	33	336	195
Equity securities	145	250	491	795
Short-term investments and certificates of deposit	130	185	376	609
Total interest and dividend income	14,740	16,278	56,193	61,859
Interest expense:				
Deposits	1,760	2,197	6,314	7,945
Federal Home Loan Bank advances	760	746	3,562	2,908
Mortgage payable	15	14	60	57
Total interest expense	2,535	2,957	9,936	10,910
Net interest income	12,205	13,321	46,257	50,949
Provision for loan losses	150	100	625	625
Net interest income, after provision for loan losses	12,055	13,221	45,632	50,324
Other income:				
Customer service fees on deposits	258	247	1,014	978
Increase in bank-owned life insurance	70	69	308	281
Gain on life insurance distribution	—	—	6,302	—
Gain on sale of securities	—	—	—	29
Miscellaneous	57	53	239	195
Total other income	385	369	7,863	1,483
Operating expenses:				
Salaries and employee benefits	2,846	2,931	12,424	11,632
Data processing	304	291	1,197	1,182
Occupancy and equipment	496	471	1,968	2,057
Deposit insurance	211	240	803	902
Foreclosure	29	10	263	72
Marketing	203	105	557	489
Other general and administrative	682	682	2,877	2,697
Total operating expenses	4,771	4,730	20,089	19,031
Income before income taxes	7,669	8,860	33,406	32,776
Income tax provision	3,134	3,626	11,142	13,430
Net income	\$ 4,535	\$ 5,234	\$ 22,264	\$ 19,346
Weighted average common shares outstanding:				
Basic	2,129	2,129	2,129	2,129
Diluted	2,136	2,149	2,133	2,145
Earnings per common share:				
Basic	\$ 2.13	\$ 2.46	\$ 10.46	\$ 9.09
Diluted	\$ 2.12	\$ 2.44	\$ 10.44	\$ 9.02

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended December 31,					
	2014			2015		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,228,130	\$ 14,392	4.69 %	\$ 1,381,732	\$ 15,810	4.58 %
Securities (3) (4)	96,852	218	0.90	64,082	283	1.77
Short-term investments and certificates of deposit	185,211	130	0.28	253,716	185	0.29
Total earning assets	<u>1,510,193</u>	<u>14,740</u>	<u>3.90</u>	<u>1,699,530</u>	<u>16,278</u>	<u>3.83</u>
Other assets	33,565			33,138		
Total assets	<u>\$ 1,543,758</u>			<u>\$ 1,732,668</u>		
Interest-bearing deposits (5)	\$ 965,990	1,760	0.73	\$ 1,087,721	2,197	0.81
Borrowed funds	338,841	775	0.91	378,621	760	0.80
Total interest-bearing liabilities	<u>1,304,831</u>	<u>2,535</u>	<u>0.78</u>	<u>1,466,342</u>	<u>2,957</u>	<u>0.81</u>
Demand deposits	111,821			124,994		
Other liabilities	6,245			4,499		
Total liabilities	<u>1,422,897</u>			<u>1,595,835</u>		
Stockholders' equity	120,861			136,833		
Total liabilities and stockholders' equity	<u>\$ 1,543,758</u>			<u>\$ 1,732,668</u>		
Net interest income		<u>\$ 12,205</u>			<u>\$ 13,321</u>	
Weighted average spread			<u>3.12 %</u>			<u>3.02 %</u>
Net interest margin (6)			<u>3.23 %</u>			<u>3.14 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>115.74 %</u>			<u>115.90 %</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

	Twelve Months Ended December 31,					
	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)	\$ 1,179,865	\$ 54,990	4.66 %	\$ 1,307,871	\$ 60,260	4.61 %
Securities (3) (4)	110,021	827	0.75	76,193	990	1.30
Short-term investments and certificates of deposit	140,393	376	0.27	221,807	609	0.27
Total earning assets	<u>1,430,279</u>	<u>56,193</u>	<u>3.93</u>	<u>1,605,871</u>	<u>61,859</u>	<u>3.85</u>
Other assets	35,824			33,014		
Total assets	<u>\$ 1,466,103</u>			<u>\$ 1,638,885</u>		
Interest-bearing deposits (5)	\$ 923,550	6,314	0.68	\$ 1,038,016	7,945	0.77
Borrowed funds	321,068	3,622	1.13	348,094	2,965	0.85
Total interest-bearing liabilities	<u>1,244,618</u>	<u>9,936</u>	<u>0.80</u>	<u>1,386,110</u>	<u>10,910</u>	<u>0.79</u>
Demand deposits	101,974			117,741		
Other liabilities	4,130			4,387		
Total liabilities	<u>1,350,722</u>			<u>1,508,238</u>		
Stockholders' equity	115,381			130,647		
Total liabilities and stockholders' equity	<u>\$ 1,466,103</u>			<u>\$ 1,638,885</u>		
Net interest income		<u>\$ 46,257</u>			<u>\$ 50,949</u>	
Weighted average spread			<u>3.13 %</u>			<u>3.06 %</u>
Net interest margin (6)			<u>3.23 %</u>			<u>3.17 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>114.92 %</u>			<u>115.85 %</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.