



PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)
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18% INCREASE IN EARNINGS PER SHARE, 15% RETURN ON EQUITY

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced first quarter earnings for 2016. Net income for the quarter ended March 31, 2016 was \$5,324,000 or \$2.50 per share basic and \$2.48 per share diluted as compared to \$4,515,000 or \$2.12 per share basic and \$2.11 per share diluted for the same period last year. For the first quarter of 2016, the Bank's return on average equity was 15.03% and the return on average assets was 1.19% as compared to 14.52% and 1.15% for the same period in 2015.

Strong growth trends of recent years continued, as deposits increased to \$1.268 billion, representing a 12% increase from March 31, 2015 and a 17% increase on an annualized basis for the first quarter. Net loans increased to \$1.454 billion, representing a 16% increase from March 31, 2015 and a 14% increase on an annualized basis for the first quarter. Total assets increased to \$1.850 billion, an 18% increase from March 31, 2015, primarily driven by the Bank's larger loan portfolio and cash holdings at the Federal Reserve. Book value per share was \$67.21 as of March 31, 2016, a 14% increase from the same time last year.

Key credit and operational metrics remained steady in the first quarter. At March 31, 2016, non-performing assets totaled 0.19% of total assets, compared to 0.10% at December 31, 2015 and 0.17% at March 31, 2015. Non-performing loans as a percentage of the total loan portfolio totaled 0.22% at March 31, 2016 compared to 0.13% at December 31, 2015 and 0.16% at March 31, 2015. At March 31, 2016, the Bank owned only one piece of foreclosed residential real estate valued at \$168,000. The efficiency ratio improved to 34.38% for the first quarter of 2016, as compared to 38.26% for the same period last year. Non-interest

expense as a percentage of average assets fell to 1.09% in the first quarter, as compared to 1.23% for the same period last year. These metrics reflect the Bank's disciplined focus on credit and expense management.

Robert H. Gaughen Jr., President and Chairman of the Board of Directors, in releasing these results, stated, "We are pleased to report that our current quarterly earnings per share represent an 18% increase over the same period in 2015 and a 15% 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 in fair weather and foul."

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 March 31,	
	2015	2016
<i>(Unaudited)</i>		
Key Performance Ratios		
Return on average assets (1)	1.15 %	1.19 %
Return on average equity (1)	14.52	15.03
Interest rate spread (2)	3.09	3.03
Net interest margin (3)	3.20	3.14
Non-interest expense to average assets (1)	1.23	1.09
Efficiency ratio (4)	38.26	34.38
Average equity to average assets	7.90	7.89
Average interest-earning assets to average interest bearing liabilities	115.87	116.13

	March 31, 2015	December 31, 2015	March 31, 2016
<i>(Unaudited)</i>			
Asset Quality Ratios			
Allowance for loan losses/total loans	0.74 %	0.70 %	0.70 %
Allowance for loan losses/non-performing loans	447.64	540.37	311.79
Non-performing loans/total loans	0.16	0.13	0.22
Non-performing loans/total assets	0.13	0.10	0.18
Non-performing assets/total assets	0.17	0.10	0.19
Share Related			
Book value per share	\$ 58.95	\$ 64.83	\$ 67.21
Market value per share	\$ 99.00	\$ 119.80	\$ 119.11
Shares outstanding at end of period	2,128,750	2,128,750	2,130,750

(1) Annualized.

(2) Annualized. Interest rate spread represents the difference between the yield on earning assets and cost of interest-bearing liabilities.

(3) Annualized. Net interest margin represents net interest income divided by average earning assets.

(4) The efficiency ratio represents operating expenses divided by the sum of net interest income and other income.

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Balance Sheets

<i>(In thousands, except per share amounts)</i> <i>(Unaudited)</i>	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2016</u>
ASSETS			
Cash and due from banks	\$ 5,901	\$ 6,944	\$ 7,643
Short-term investments	182,399	254,069	290,414
Cash and cash equivalents	<u>188,300</u>	<u>261,013</u>	<u>298,057</u>
Certificates of deposit	10,722	6,206	4,469
Securities available for sale, at fair value	66,853	40,603	37,400
Federal Home Loan Bank stock, at cost	17,855	19,796	20,679
Loans, net of allowance for loan losses of \$9,284 at March 31, 2015, \$9,905 at December 31, 2015 and \$10,158 at March 31, 2016	1,254,913	1,405,533	1,453,722
Foreclosed assets	586	—	168
Bank-owned life insurance	11,486	11,697	11,764
Premises and equipment, net	15,091	15,094	14,921
Accrued interest receivable	3,001	3,270	3,435
Deferred income tax asset, net	2,632	3,281	3,127
Other assets	2,491	2,035	2,188
Total assets	<u>\$ 1,573,930</u>	<u>\$ 1,768,528</u>	<u>\$ 1,849,930</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	\$ 1,135,850	\$ 1,217,027	\$ 1,268,301
Federal Home Loan Bank advances	300,568	402,464	425,429
Mortgage payable	960	922	909
Mortgagors' escrow accounts	4,411	4,850	4,995
Accrued interest payable	341	303	324
Other liabilities	6,307	4,947	6,770
Total liabilities	<u>1,448,437</u>	<u>1,630,513</u>	<u>1,706,728</u>
Stockholders' equity:			
Preferred stock, \$1.00 par value, 2,500 shares authorized, none issued	—	—	—
Common stock, \$1.00 par value, 5,000 shares authorized; 2,129 shares issued and outstanding at March 31, 2015 and December 31, 2015 and 2,131 shares issued and outstanding at March 31, 2016	2,129	2,129	2,131
Additional paid-in capital	10,965	11,052	11,260
Undivided profits	112,162	124,481	129,166
Accumulated other comprehensive income	237	353	645
Total stockholders' equity	<u>125,493</u>	<u>138,015</u>	<u>143,202</u>
Total liabilities and stockholders' equity	<u>\$ 1,573,930</u>	<u>\$ 1,768,528</u>	<u>\$ 1,849,930</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended March 31,	
	2015	2016
<i>(In thousands, except per share amounts)</i>		
<i>(Unaudited)</i>		
Interest and dividend income:		
Loans	\$ 14,538	\$ 16,430
Debt securities	62	28
Equity securities	155	244
Short-term investments and certificates of deposit	136	326
Total interest and dividend income	14,891	17,028
Interest expense:		
Deposits	1,827	2,290
Federal Home Loan Bank advances	721	890
Mortgage payable	14	14
Total interest expense	2,562	3,194
Net interest income	12,329	13,834
Provision for loan losses	175	255
Net interest income, after provision for loan losses	12,154	13,579
Other income:		
Customer service fees on deposits	228	216
Increase in cash surrender value of life insurance	70	67
Miscellaneous	48	49
Total other income	346	332
Operating expenses:		
Salaries and employee benefits	2,904	3,070
Data processing	296	305
Occupancy and equipment	554	471
Deposit insurance	217	242
Foreclosure	77	56
Marketing	121	116
Other general and administrative	680	610
Total operating expenses	4,849	4,870
Income before income taxes	7,651	9,041
Income tax provision	3,136	3,717
Net income	\$ 4,515	\$ 5,324
Cash dividends declared per common share	\$ 0.28	\$ 0.30
Weighted average shares outstanding:		
Basic	2,129	2,130
Diluted	2,140	2,149
Earnings per share:		
Basic	\$ 2.12	\$ 2.50
Diluted	\$ 2.11	\$ 2.48

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended March 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)	\$ 1,250,321	\$ 14,538	4.65 %	\$ 1,439,994	\$ 16,430	4.56 %
Securities (3) (4)	87,063	217	1.00	61,042	272	1.78
Short-term investments and certificates of deposit	204,586	136	0.27	260,669	326	0.50
Total interest-earning assets	<u>1,541,970</u>	<u>14,891</u>	<u>3.86</u>	<u>1,761,705</u>	<u>17,028</u>	<u>3.87</u>
Other assets	32,692			33,156		
Total assets	<u>\$ 1,574,662</u>			<u>\$ 1,794,861</u>		
Interest-bearing deposits (5)	\$ 1,005,824	1,827	0.73	\$ 1,120,656	2,290	0.82
Borrowed funds	324,979	735	0.90	396,378	904	0.91
Total interest-bearing liabilities	<u>1,330,803</u>	<u>2,562</u>	<u>0.77</u>	<u>1,517,034</u>	<u>3,194</u>	<u>0.84</u>
Demand deposits	114,755			131,212		
Other liabilities	4,750			4,947		
Total liabilities	<u>1,450,308</u>			<u>1,653,193</u>		
Stockholders' equity	124,354			141,668		
Total liabilities and stockholders' equity	<u>\$ 1,574,662</u>			<u>\$ 1,794,861</u>		
Net interest income		<u>\$ 12,329</u>			<u>\$ 13,834</u>	
Weighted average spread			<u>3.09 %</u>			<u>3.03 %</u>
Net interest margin (6)			<u>3.20 %</u>			<u>3.14 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>115.87 %</u>			<u>116.13 %</u>

* Annualized

- (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.