



PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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9% GROWTH IN QUARTERLY EARNINGS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced third quarter earnings for 2015. Net income for the quarter ended September 30, 2015 was \$4,874,000 or \$2.29 per share basic and \$2.27 per share fully diluted as compared to \$4,481,000 or \$2.10 per share (basic and fully diluted) for the third quarter of 2014. Net income per share (basic) for the third quarter of 2015 increased 9% over the same period in 2014. The Bank's annualized return on average equity for the third quarter of 2015 was 14.67%, and the annualized return on average assets was 1.18% as compared to 15.12% and 1.20% for the same period in 2014.

Net income for the nine months ended September 30, 2015 was \$14,112,000 or \$6.63 per share basic and \$6.58 per share fully diluted as compared to \$17,729,000 or \$8.33 per share basic and \$8.32 per share fully diluted for the same period last year. Earnings for first nine 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 \$11,988,000 or \$5.63 per share basic and \$5.62 per share fully diluted for the first nine months of 2014. Net income per share (basic) for the first nine months of 2015 increased 18% 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 nine months of 2015 was 14.63% 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 nine months of 2014 was 14.08%, and the annualized return on average assets was 1.11%.

Strong balance sheet growth trends of recent years continued, as deposits were \$1.180 billion at September 30, 2015, representing 11% annualized growth year to date and 12% growth from September 30, 2014. Net loans were \$1.343 billion at September 30, 2015, representing 11% annualized growth year to date and 11% growth from September 30, 2014. Total assets were \$1.691 billion at September 30, 2015, representing 12% annualized growth year to date and 12%

growth from September 30, 2014. Book value per share increased to \$62.94 per share at September 30, 2015, representing a 14% annualized growth rate year to date and a 12% increase from September 30, 2014. In addition to the increase in book value per share, the Bank has declared \$0.86 in dividends per share in 2015 and \$2.14 in dividends per share since September 30, 2014.

Key credit and operational metrics remained steady in the third quarter of 2015. At September 30, 2015, non-performing assets totaled 0.17% of total assets, compared with 0.20% at December 31, 2014 and 0.43% at September 30, 2014. Non-performing loans as a percentage of the total loan portfolio totaled 0.21% at September 30, 2015, as compared to 0.18% at December 31, 2014 and 0.46% at September 30, 2014. The efficiency ratio improved to 36.11% for the third quarter of 2015, as compared to 37.04% for the same period last year. Non-interest expense (annualized) as a percentage of average assets fell to 1.15% for the third quarter of 2015, as compared to 1.22% 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 are pleased to report that our current quarterly earnings represent a 9% increase over the third quarter of 2014 – the product of careful capital allocation, conservative underwriting, disciplined cost control and measured growth. We continue to offer unique value to our customers, with whom we have deep, long-term relationships. Our success is a product of these partnerships."

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 September 30,		Nine Months Ended September 30,	
	2014	2015	2014	2015
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.20 %	1.18 %	1.64 %	1.17 %
Return on average equity (1)	15.12	14.67	20.82	14.63
Interest rate spread (1) (2)	3.16	3.04	3.13	3.08
Net interest margin (1) (3)	3.26	3.16	3.24	3.19
Non-interest expense to average assets (1)	1.22	1.15	1.42	1.19
Efficiency ratio (4)	37.04	36.19	36.96	36.94
Average equity to average assets	7.91	8.01	7.89	8.00
Average interest-bearing assets to average interest bearing liabilities	115.18	115.97	114.62	115.84

	September 30, 2014	December 31, 2014	September 30, 2015
<i>(Unaudited)</i>			
Asset Quality Ratios			
Allowance for loan losses/total loans	0.74 %	0.73 %	0.71 %
Allowance for loan losses/non-performing loans	159.19	397.04	345.96
Non-performing loans/total loans	0.46	0.18	0.21
Non-performing loans/total assets	0.37	0.15	0.16
Non-performing assets/total assets	0.43	0.20	0.17
Share Related			
Book value per share	\$ 56.20	\$ 57.08	\$ 62.94
Market value per share	\$ 81.55	\$ 87.01	\$ 116.03
Shares outstanding at end of period	2,128,750	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> <i>(Unaudited)</i>	September 30, 2014	December 31, 2014	September 30, 2015
ASSETS			
Cash and due from banks	\$ 6,012	\$ 6,917	\$ 6,646
Short-term investments	142,414	170,305	231,311
Cash and cash equivalents	148,426	177,222	237,957
Certificates of deposit	14,460	12,926	7,448
Securities available for sale, at fair value	81,806	70,570	48,943
Federal Home Loan Bank stock, at cost	17,855	17,855	18,454
Loans, net of allowance for loan losses of \$8,953 at September 30, 2014, \$9,108 at December 31, 2014 and \$9,635 at September 30, 2015	1,207,481	1,238,656	1,342,634
Foreclosed assets	821	786	118
Bank-owned life insurance	11,345	11,416	11,628
Premises and equipment, net	15,381	15,211	15,130
Accrued interest receivable	2,989	2,959	3,156
Deferred income tax asset, net	2,940	2,642	2,627
Other assets	2,418	1,962	2,864
Total assets	<u>\$ 1,505,922</u>	<u>\$ 1,552,205</u>	<u>\$ 1,690,959</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	\$ 1,055,701	\$ 1,089,217	\$ 1,179,970
Federal Home Loan Bank advances	320,635	329,602	367,499
Mortgage payable	985	973	935
Mortgagors' escrow accounts	4,239	4,476	4,629
Accrued interest payable	346	350	281
Other liabilities	4,375	6,072	3,669
Total liabilities	<u>1,386,281</u>	<u>1,430,690</u>	<u>1,556,983</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	10,919	10,942	11,029
Undivided profits	106,432	108,243	120,524
Accumulated other comprehensive income	161	201	294
Total stockholders' equity	<u>119,641</u>	<u>121,515</u>	<u>133,976</u>
Total liabilities and stockholders' equity	<u>\$ 1,505,922</u>	<u>\$ 1,552,205</u>	<u>\$ 1,690,959</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2015	2014	2015
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 14,109	\$ 15,180	\$ 40,598	\$ 44,450
Debt securities	80	43	263	162
Equity securities	116	231	346	545
Short-term investments and certificates of deposit	95	154	246	424
Total interest and dividend income	<u>14,400</u>	<u>15,608</u>	<u>41,453</u>	<u>45,581</u>
Interest expense:				
Deposits	1,598	2,047	4,554	5,748
Federal Home Loan Bank advances	846	728	2,802	2,162
Mortgage payable	15	14	45	43
Total interest expense	<u>2,459</u>	<u>2,789</u>	<u>7,401</u>	<u>7,953</u>
Net interest income	11,941	12,819	34,052	37,628
Provision for loan losses	150	175	475	525
Net interest income, after provision for loan losses	<u>11,791</u>	<u>12,644</u>	<u>33,577</u>	<u>37,103</u>
Other income:				
Customer service fees on deposits	257	250	756	731
Increase in bank-owned life insurance	73	71	238	212
Gain on life insurance distribution	—	—	6,302	—
Gain on sale of securities	—	29	—	29
Miscellaneous	69	46	232	142
Total other income	<u>399</u>	<u>396</u>	<u>7,528</u>	<u>1,114</u>
Operating expenses:				
Salaries and employee benefits	2,887	2,875	9,578	8,701
Occupancy and equipment	486	513	1,522	1,586
Data processing	308	291	893	891
Deposit insurance	205	224	592	662
Foreclosure	(62)	30	234	62
Marketing	99	126	354	384
Other general and administrative	648	713	2,195	2,015
Total operating expenses	<u>4,571</u>	<u>4,772</u>	<u>15,368</u>	<u>14,301</u>
Income before income taxes	7,619	8,268	25,737	23,916
Income tax provision	3,138	3,394	8,008	9,804
Net income	<u>\$ 4,481</u>	<u>\$ 4,874</u>	<u>\$ 17,729</u>	<u>\$ 14,112</u>
Weighted average shares outstanding:				
Basic	2,129	2,129	2,129	2,129
Diluted	<u>2,135</u>	<u>2,146</u>	<u>2,132</u>	<u>2,144</u>
Earnings per share:				
Basic	\$ 2.10	\$ 2.29	\$ 8.33	\$ 6.63
Diluted	<u>\$ 2.10</u>	<u>\$ 2.27</u>	<u>\$ 8.32</u>	<u>\$ 6.58</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

Three Months Ended September 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)	\$ 1,207,348	\$ 14,109	4.67 %	\$ 1,320,522	\$ 15,180	4.60 %
Securities (3) (4)	106,538	196	0.74	71,903	274	1.52
Short-term investments and certificates of deposit	151,394	95	0.25	232,181	154	0.27
Total earning assets	1,465,280	14,400	3.93	1,624,606	15,608	3.84
Other assets	33,737			33,424		
Total assets	<u>\$ 1,499,017</u>			<u>\$ 1,658,030</u>		
Interest-bearing deposits (5)	\$ 940,681	1,598	0.68	\$ 1,043,970	2,047	0.78
Borrowed funds	331,458	861	1.04	356,930	742	0.83
Total interest-bearing liabilities	1,272,139	2,459	0.77	1,400,900	2,789	0.80
Demand deposits	104,433			120,303		
Other liabilities	3,894			3,952		
Total liabilities	1,380,466			1,525,155		
Stockholders' equity	118,551			132,875		
Total liabilities and stockholders' equity	<u>\$ 1,499,017</u>			<u>\$ 1,658,030</u>		
Net interest income		<u>\$ 11,941</u>			<u>\$ 12,819</u>	
Weighted average spread			<u>3.16 %</u>			<u>3.04 %</u>
Net interest margin (6)			<u>3.26 %</u>			<u>3.16 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>115.18 %</u>			<u>115.97 %</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

Nine Months Ended September 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)	\$ 1,163,600	\$ 40,598	4.65 %	\$ 1,282,979	\$ 44,450	4.62 %
Securities (3) (4)	114,459	609	0.71	80,275	707	1.17
Short-term investments and certificates of deposit	125,289	246	0.26	211,054	424	0.27
Total earning assets	1,403,348	41,453	3.94	1,574,308	45,581	3.86
Other assets	36,586			32,972		
Total assets	<u>\$ 1,439,934</u>			<u>\$ 1,607,280</u>		
Interest-bearing deposits (5)	\$ 909,248	4,554	0.67	\$ 1,021,266	5,748	0.75
Borrowed funds	315,078	2,847	1.20	337,806	2,205	0.87
Total interest-bearing liabilities	1,224,326	7,401	0.81	1,359,072	7,953	0.78
Demand deposits	98,656			115,296		
Other liabilities	3,398			4,327		
Total liabilities	1,326,380			1,478,695		
Stockholders' equity	113,554			128,585		
Total liabilities and stockholders' equity	<u>\$ 1,439,934</u>			<u>\$ 1,607,280</u>		
Net interest income		<u>\$ 34,052</u>			<u>\$ 37,628</u>	
Weighted average spread			<u>3.13 %</u>			<u>3.08 %</u>
Net interest margin (6)			<u>3.24 %</u>			<u>3.19 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>114.62 %</u>			<u>115.84 %</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.