



PRESS RELEASE

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Hingham Institution for Savings
Hingham, MA (NASDAQ: HIFS)
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24% INCREASE IN QUARTERLY EARNINGS PER SHARE, 15.96% RETURN ON EQUITY

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced second quarter earnings for 2016. Net income for the quarter ended June 30, 2016 was \$5,867,000 or \$2.75 per share basic and \$2.73 per share diluted as compared to \$4,723,000 or \$2.22 per share basic and \$2.20 per share diluted for the second quarter of 2015. Net income per share (basic) for the second quarter of 2016 increased 24% over the same period in 2015. The Bank's annualized return on average equity for the second quarter of 2016 was 15.96%, and the annualized return on average assets was 1.21% as compared to 14.70% and 1.19% for the same period in 2015. Net income for the 2016 period included an after-tax realized gain on investments of approximately \$221,000, which was unrelated to the Bank's core business operations.

Net income for the six months ended June 30, 2016 was \$11,191,000 or \$5.25 per share basic and \$5.21 per share diluted as compared to \$9,238,000 or \$4.34 per share basic and \$4.31 per share diluted for the same period last year. Net income per share (basic) for the first six months of 2016 increased 21% over the same period in 2015. The Bank's annualized return on average equity for the first six months of 2016 was 15.51% and the annualized return on average assets was 1.20%. 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%.

Strong balance sheet growth trends of recent years continued, as deposits were \$1.320 billion at June 30, 2016, representing 17% annualized growth year-to-date and 17% growth from June 30, 2015. Net loans were \$1.525 billion at June 30, 2016, representing 17% annualized growth year-to-date and 18% growth from June 30, 2015. Total assets were \$1.919 billion at June 30, 2016, representing 17% annualized growth year-to-date and 17% growth from June 30, 2015. Book value per share increased to \$69.69 per share at June 30, 2016, representing a 15% annualized growth rate year-to-date and a 14% increase from June 30, 2015. In addition to the increase in book value per share, the Bank has declared \$1.50 in dividends per share since June 30, 2015.

Key credit and operational metrics remained steady in the second quarter of 2016. At June 30, 2016, non-performing assets totaled 0.18% of total assets, compared with 0.10% at December 31, 2015 and 0.11% at June 30, 2015. Non-performing loans as a percentage of the total loan portfolio totaled 0.22% at June 30, 2016, as compared to 0.13% at December 31, 2015 and 0.13% at June 30, 2015. At June 30, 2016, the Bank did not own any foreclosed property. The efficiency ratio improved to 32.96% for the second quarter of 2016, as compared to 36.36% for the same period last year. Non-interest expense (annualized) as a percentage of average assets fell to 1.00% for the second quarter of 2016, as compared to 1.18% for the same period last year. These metrics reflect the Bank's disciplined focus on credit and expense management.

President Robert H. Gaughen, Jr. stated, "We are pleased to report that our current quarterly earnings per share represent a 24% increase over the second quarter of 2015. 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 Office is 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 June 30,		Six Months Ended June 30,	
	2015	2016	2015	2016
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.19 %	1.21 %	1.17 %	1.20 %
Return on average equity (1)	14.70	15.96	14.61	15.51
Interest rate spread (1) (2)	3.11	2.90	3.10	2.96
Net interest margin (1) (3)	3.21	3.01	3.20	3.07
Non-interest expense to average assets (1)	1.18	1.00	1.21	1.04
Efficiency ratio (4)	36.36	32.96	37.33	33.66
Average equity to average assets	8.09	7.59	8.00	7.73
Average interest-earning assets to average interest-bearing liabilities	115.67	115.55	115.77	115.83
	June 30, 2015	December 31, 2015	June 30, 2016	
<i>(Unaudited)</i>				
Asset Quality Ratios				
Allowance for loan losses/total loans	0.73 %	0.70 %	0.68 %	
Allowance for loan losses/non-performing loans	569.13	540.37	302.09	
Non-performing loans/total loans	0.13	0.13	0.22	
Non-performing loans/total assets	0.10	0.10	0.18	
Non-performing assets/total assets	0.11	0.10	0.18	
Share Related				
Book value per share	\$ 60.96	\$ 64.83	\$ 69.69	
Market value per share	\$ 115.11	\$ 119.80	\$ 122.92	
Shares outstanding at end of period	2,128,750	2,128,750	2,130,750	

(1) Annualized.

(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>	June 30, 2015	December 31, 2015	June 30, 2016
ASSETS			
Cash and due from banks	\$ 10,115	\$ 6,944	\$ 10,788
Short-term investments	207,143	254,069	287,009
Cash and cash equivalents	217,258	261,013	297,797
Certificates of deposit	9,281	6,206	2,630
Securities available for sale, at fair value	59,831	40,603	32,949
Federal Home Loan Bank stock, at cost	18,454	19,796	24,203
Loans, net of allowance for loan losses of \$9,459 at June 30, 2015, \$9,905 at December 31, 2015 and \$10,413 at June 30, 2016	1,294,141	1,405,533	1,525,407
Foreclosed assets	175	—	—
Bank-owned life insurance	11,557	11,697	11,838
Premises and equipment, net	15,085	15,094	14,774
Accrued interest receivable	3,075	3,270	3,498
Deferred income tax asset, net	2,589	3,281	3,146
Other assets	2,550	2,035	2,423
Total assets	<u>\$ 1,633,996</u>	<u>\$ 1,768,528</u>	<u>\$ 1,918,665</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits	\$ 1,011,365	\$ 1,088,742	\$ 1,183,353
Non-interest-bearing deposits	116,813	128,285	136,272
Deposits	1,128,178	1,217,027	1,319,625
Federal Home Loan Bank advances	366,534	402,464	440,392
Mortgage payable	948	922	896
Mortgagors' escrow accounts	4,223	4,850	4,970
Accrued interest payable	302	303	388
Other liabilities	4,044	4,947	3,897
Total liabilities	<u>1,504,229</u>	<u>1,630,513</u>	<u>1,770,168</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 at June 30, 2015 and December 31, 2015 and 2,130,750 shares issued and outstanding at June 30, 2016	2,129	2,129	2,131
Additional paid-in capital	11,006	11,052	11,319
Undivided profits	116,289	124,481	134,394
Accumulated other comprehensive income	343	353	653
Total stockholders' equity	<u>129,767</u>	<u>138,015</u>	<u>148,497</u>
Total liabilities and stockholders' equity	<u>\$ 1,633,996</u>	<u>\$ 1,768,528</u>	<u>\$ 1,918,665</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2016	2015	2016
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 14,732	\$ 16,983	\$ 29,270	\$ 33,413
Debt securities	57	18	119	46
Equity securities	159	285	314	529
Short-term investments and certificates of deposit	134	418	270	744
Total interest and dividend income	<u>15,082</u>	<u>17,704</u>	<u>29,973</u>	<u>34,732</u>
Interest expense:				
Deposits	1,874	2,400	3,701	4,690
Federal Home Loan Bank advances	713	959	1,434	1,849
Mortgage payable	15	13	29	27
Total interest expense	<u>2,602</u>	<u>3,372</u>	<u>5,164</u>	<u>6,566</u>
Net interest income	<u>12,480</u>	<u>14,332</u>	<u>24,809</u>	<u>28,166</u>
Provision for loan losses	175	255	350	510
Net interest income, after provision for loan losses	<u>12,305</u>	<u>14,077</u>	<u>24,459</u>	<u>27,656</u>
Other income:				
Customer service fees on deposits	253	236	481	452
Increase in bank-owned life insurance	71	74	141	141
Gain on sale of securities	—	344	—	344
Miscellaneous	37	48	96	97
Total other income	<u>361</u>	<u>702</u>	<u>718</u>	<u>1,034</u>
Operating expenses:				
Salaries and employee benefits	2,922	2,991	5,826	6,061
Occupancy and equipment	519	484	1,073	955
Data processing	304	303	600	608
Deposit insurance	221	264	438	506
Foreclosure	(45)	26	32	82
Marketing	137	109	258	225
Other general and administrative	611	665	1,302	1,275
Total operating expenses	<u>4,669</u>	<u>4,842</u>	<u>9,529</u>	<u>9,712</u>
Income before income taxes	7,997	9,937	15,648	18,978
Income tax provision	3,274	4,070	6,410	7,787
Net income	<u>\$ 4,723</u>	<u>\$ 5,867</u>	<u>\$ 9,238</u>	<u>\$ 11,191</u>
Cash dividends declared per share	<u>\$ 0.28</u>	<u>\$ 0.30</u>	<u>\$ 0.56</u>	<u>\$ 0.60</u>
Weighted average shares outstanding:				
Basic	<u>2,129</u>	<u>2,131</u>	<u>2,129</u>	<u>2,130</u>
Diluted	<u>2,145</u>	<u>2,149</u>	<u>2,142</u>	<u>2,148</u>
Earnings per share:				
Basic	<u>\$ 2.22</u>	<u>\$ 2.75</u>	<u>\$ 4.34</u>	<u>\$ 5.25</u>
Diluted	<u>\$ 2.20</u>	<u>\$ 2.73</u>	<u>\$ 4.31</u>	<u>\$ 5.21</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

Three Months Ended June 30,

	2015			2016		
	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,277,323	\$ 14,732	4.61 %	\$ 1,507,171	\$ 16,983	4.51 %
Securities (3) (4)	82,026	216	1.05	61,766	303	1.96
Short-term investments and certificates of deposit	196,092	134	0.27	335,064	418	0.50
Total interest-earning assets	<u>1,555,441</u>	<u>15,082</u>	<u>3.88</u>	<u>1,904,001</u>	<u>17,704</u>	<u>3.72</u>
Other assets	32,792			33,532		
Total assets	<u>\$ 1,588,233</u>			<u>\$ 1,937,533</u>		
Interest-bearing deposits (5)	\$ 1,013,585	1,874	0.74	\$ 1,177,674	2,400	0.82
Borrowed funds	331,158	728	0.88	470,110	972	0.83
Total interest-bearing liabilities	<u>1,344,743</u>	<u>2,602</u>	<u>0.77</u>	<u>1,647,784</u>	<u>3,372</u>	<u>0.82</u>
Demand deposits	110,770			137,837		
Other liabilities	4,194			4,889		
Total liabilities	<u>1,459,707</u>			<u>1,790,510</u>		
Stockholders' equity	128,526			147,023		
Total liabilities and stockholders' equity	<u>\$ 1,588,233</u>			<u>\$ 1,937,533</u>		
Net interest income		<u>\$ 12,480</u>			<u>\$ 14,332</u>	
Weighted average spread			<u>3.11 %</u>			<u>2.90 %</u>
Net interest margin (6)			<u>3.21 %</u>			<u>3.01 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>115.67 %</u>			<u>115.55 %</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

	Six Months Ended June 30,					
	2015			2016		
	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,263,897	\$ 29,270	4.63 %	\$ 1,473,583	\$ 33,413	4.53 %
Securities (3) (4)	84,530	433	1.02	61,404	575	1.87
Short-term investments and certificates of deposit	200,316	270	0.27	297,866	744	0.50
Total interest-earning assets	<u>1,548,743</u>	<u>29,973</u>	<u>3.87</u>	<u>1,832,853</u>	<u>34,732</u>	<u>3.79</u>
Other assets	32,742			33,344		
Total assets	<u>\$ 1,581,485</u>			<u>\$ 1,866,197</u>		
Interest-bearing deposits (5)	\$ 1,009,726	3,701	0.73	\$ 1,149,165	4,690	0.82
Borrowed funds	328,085	1,463	0.89	433,244	1,876	0.87
Total interest-bearing liabilities	<u>1,337,811</u>	<u>5,164</u>	<u>0.77</u>	<u>1,582,409</u>	<u>6,566</u>	<u>0.83</u>
Demand deposits	112,751			134,524		
Other liabilities	4,483			4,918		
Total liabilities	<u>1,455,045</u>			<u>1,721,851</u>		
Stockholders' equity	126,440			144,346		
Total liabilities and stockholders' equity	<u>\$ 1,581,485</u>			<u>\$ 1,866,197</u>		
Net interest income		<u>\$ 24,809</u>			<u>\$ 28,166</u>	
Weighted average spread			<u>3.10 %</u>			<u>2.96 %</u>
Net interest margin (6)			<u>3.20 %</u>			<u>3.07 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>115.77 %</u>			<u>115.83 %</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