

HINGHAM
INSTITUTION FOR
SAVINGS
— ESTABLISHED 1834 —

2015 ANNUAL REPORT



FINANCIAL HIGHLIGHTS



*Net Income: 2014 includes a one-time net gain of \$5.7 million related to a non-taxable life insurance death benefit (light shading reflects this one-time gain).

**Dividends Declared: Dividends declared table includes the total regular dividends declared (dark shading) and the total dividends declared including any special dividends (light shading).

FROM THE PRESIDENT



To Our Business Partners:

2015 was another outstanding year for Hingham Institution for Savings. Since the present management team became associated with the Bank twenty-three years ago, it has been our objective to build a great bank, characterized by outstanding long-term financial results, a fortress balance sheet that provides unquestionable assurance to our depositors, and an enduring culture of growth and success. In 2015, we continued to expand on this vision – a vision that attracts the best staff, customers, and shareholders to our company.

Last year, we produced earnings of \$19.3M for the ownership, a 17% increase on an operating basis from 2014. Our return on average equity of 14.81% and return on average assets of 1.18% place us among the most profitable banks in the country. Net loans increased by 13% to \$1.406 billion, deposits increased by 12% to \$1.217 billion, and total assets increased by 14% to \$1.769 billion. This consistent growth over many years is a product of our simplicity, our thrift, and our focus on delivering unique value for our customers.

Although the financial results in 2015 were strong, results for any one year do not fully describe the real accomplishments and progress at Hingham. Throughout 2015, we invested in new and lasting relationships with families, businesses, non-profits, and municipalities that rely on us to finance homes, apartment buildings, and community projects. Customers have entrusted significant sums to our safekeeping – monies earmarked for a child’s education, the expansion of a business, or a city’s schools and emergency services. We never lose sight of our fiduciary duty to our depositors and our promises to them. When customers with significant sums seek security in an uncertain world, Hingham is increasingly the bank of choice.

We continued to find outstanding new associates in 2015, offering individuals a wonderful place in which to build a career. Our commitment to independence, our financial performance, and our increasing geographic reach attract great people.

As one of the oldest continuously operating banks in the United States, we enjoy deep, long-term relationships with many of our customers - we are quite literally invested in their success. Many are also long-term shareholders in the Bank and we know them from our active participation in the civic life of the communities in which we operate. You are our neighbors and friends, as well as our partners and customers. In our 182nd year, we have every intention of continuing to earn the trust you have placed in us.

Very truly yours,

Robert H. Gaughen Jr.

President and Chairman of the Board

KEN & JOSEPHINE LYONS

Owners, Lyons Associates



Ken Lyons and his wife Josephine are partners in commercial real estate investment and property management, specializing in luxury residential properties in Boston's Back Bay and Beacon Hill. The Bank supports all of their financing and banking needs, including handling electronic rent collection and security deposits. They enjoy a close relationship with the Bank and its principals, with direct access to decision-makers to discuss potential transactions. The Bank also supports the banking needs of both Ken and Josephine's extended families – a hallmark of the deep, long-term relationships Hingham enjoys with its customers and a marker of the trust they have placed in us.



“We appreciate Hingham’s integrity and ability to execute when time is of the essence.”

KEN LYONS



TESS ANDERSON

Owner, The Hub, Anderson's



“With my busy schedule, I appreciate Hingham’s reliable online banking, and I know I can always count on superb customer service when I visit their branch.”

TESS ANDERSON

Tess Anderson is the owner of The Hub, an iconic corner store on Main Street in Nantucket. Several years ago, she expanded her business to include Anderson’s, a high-end gift shop which she purchased from her father. The Bank supports Tess’ business and personal banking needs and she appreciates the Bank’s convenience, private banking service, and online offerings. At Hingham, our customers are often friends and neighbors – we are lucky to count Tess and her son Fisher in that group.

TOM CALUS

President, TCR Development



Tom Calus is the owner of TCR Development, a boutique real estate development firm that builds, renovates, and manages residential property in Boston. Tom has a record of successful development across the city, in emerging areas like Bay Village, South Boston and Fort Point, as well as the more traditional markets of the South End and Back Bay. Hingham's speed, flexibility, and market knowledge allow Tom to move quickly to capitalize on opportunities in the marketplace. The Bank also supports all of Tom's banking needs, including mobile banking, electronic rent collection, and tenant security deposit processing.

"Hingham's knowledge of the Boston market is well known within commercial real estate investor circles; we have a business partnership that I respect."

TOM CALUS



STEVEN YOUNG

Owner, SYA+FH Steven Young Architect + Fine Home Builder



“Hingham understands the needs of their entrepreneurial customers, and its approach to lending keeps the process simple.”

STEVEN YOUNG

Steven Young is an architect and owner of SYA+FH, a design/build firm with over twenty years of experience building and renovating luxury residential property in Boston. The Bank has partnered with Steven on multiple projects in Boston’s Back Bay, South End, and Hingham and like all of our commercial borrowers, he enjoys direct access to our senior lenders and our principals. He and his wife Dr. Caroline Young, owner of Hingham Pediatric Dentistry, just finished an extensive renovation of their home in Hingham in partnership with the Bank, and they are now neighbors as well as customers.

LORI LEO & MIKE THERIAULT

Commercial Real Estate Investors



Lori Leo and her husband Mike Theriault are experienced commercial real estate investors, as well as the owners of Four Winds Icelandic Horse Farm, an award-winning farm near our branch in Norwell. After working with impersonal national banks, Lori and Mike came to Hingham for its community feel, local decision-making, and personalized service. Hingham has handled their personal and commercial banking needs, including financing investment properties and construction projects.

“From Nantucket to Hingham, the Bank has always delivered on our financing needs.”

LORI LEO



CARL AWED, SR
Owner, Park Drive Inc



“I found Hingham Savings on the advice of a trusted friend. Hingham understands our family’s business and what we are seeking to accomplish.”

CARL AWED, SR.

Carl Awed Sr. has owned and operated apartment buildings in the Fenway neighborhood of Boston for over thirty years, most recently with his son Carl Jr. At 90 years of age, Carl directly manages his buildings, whether demolishing walls to expose brick, overseeing the installation of new kitchens and baths, or talking with tenants. Another long-term customer referred Carl to the Bank and we handle all of his commercial banking needs. At Hingham, we often finance generational assets like Carl’s buildings. We look forward to serving Carl and his family for many years to come.

SELECTED FINANCIAL DATA

	At December 31,				
	2011	2012	2013	2014	2015
(Dollars in Thousands)					
Balance Sheet Data:					
Total assets	\$ 1,127,276	\$ 1,205,884	\$ 1,356,441	\$ 1,552,205	\$ 1,768,528
Cash & cash equivalents	116,340	87,334	102,847	177,222	261,013
Securities available for sale	96,689	102,866	106,369	70,570	40,603
Loans:					
Residential loans	408,607	457,217	532,845	576,665	635,522
Commercial mortgages	404,343	438,037	498,592	607,851	681,601
Construction	42,269	60,390	53,520	60,371	95,433
Other	1,090	869	913	996	644
Allowance for loan losses	7,516	7,999	8,509	9,108	9,905
Deposits	787,573	869,886	940,906	1,089,217	1,217,027
Federal Home Loan Bank advances	247,471	234,355	302,732	329,602	402,464
Stockholders' equity	82,265	92,799	103,217	121,515	138,015
Years Ended December 31,					
	2011	2012	2013	2014	2015
(Dollars in Thousands, Except Per Share Amounts)					
Income Statement Data:					
Total interest and dividend income	\$ 48,444	\$ 48,831	\$ 49,342	\$ 56,193	\$ 61,859
Total interest expense	12,618	10,937	10,502	9,936	10,910
Net interest income	35,826	37,894	38,840	46,257	50,949
Provision for loan losses	1,100	725	380	625	625
Other income	1,608	1,580	1,604	7,863	1,483
Operating expenses	15,999	16,348	17,453	20,089	19,031
Income before income taxes	20,335	22,401	22,611	33,406	32,776
Income tax provision	8,273	9,111	9,240	11,142	13,430
Net income	\$ 12,062	\$ 13,290	\$ 13,371	\$ 22,264	\$ 19,346
Earnings per common share:					
Basic	\$ 5.68	\$ 6.25	\$ 6.28	\$ 10.46	\$ 9.09
Diluted	\$ 5.67	\$ 6.25	\$ 6.28	\$ 10.44	\$ 9.02
Financial Ratios:					
Return on average assets	1.14%	1.15%	1.07%	1.52%	1.18%
Return on average equity	15.34	15.05	13.52	19.30	14.81
Average equity to average assets	7.44	7.62	7.89	7.87	7.97
Interest rate spread	3.36	3.25	3.07	3.13	3.06
Net interest margin	3.50	3.38	3.19	3.23	3.17
Efficiency ratio	42.88	41.41	43.15	37.12	36.32
Cash dividends declared per common share	\$ 1.25	\$ 1.30	\$ 1.34	\$ 2.10	\$ 1.46
Book value per common share, at year end	\$ 38.70	\$ 43.65	\$ 48.49	\$ 57.08	\$ 64.83
Shares outstanding, at year end	2,125,750	2,125,750	2,128,750	2,128,750	2,128,750

BOARD OF DIRECTORS



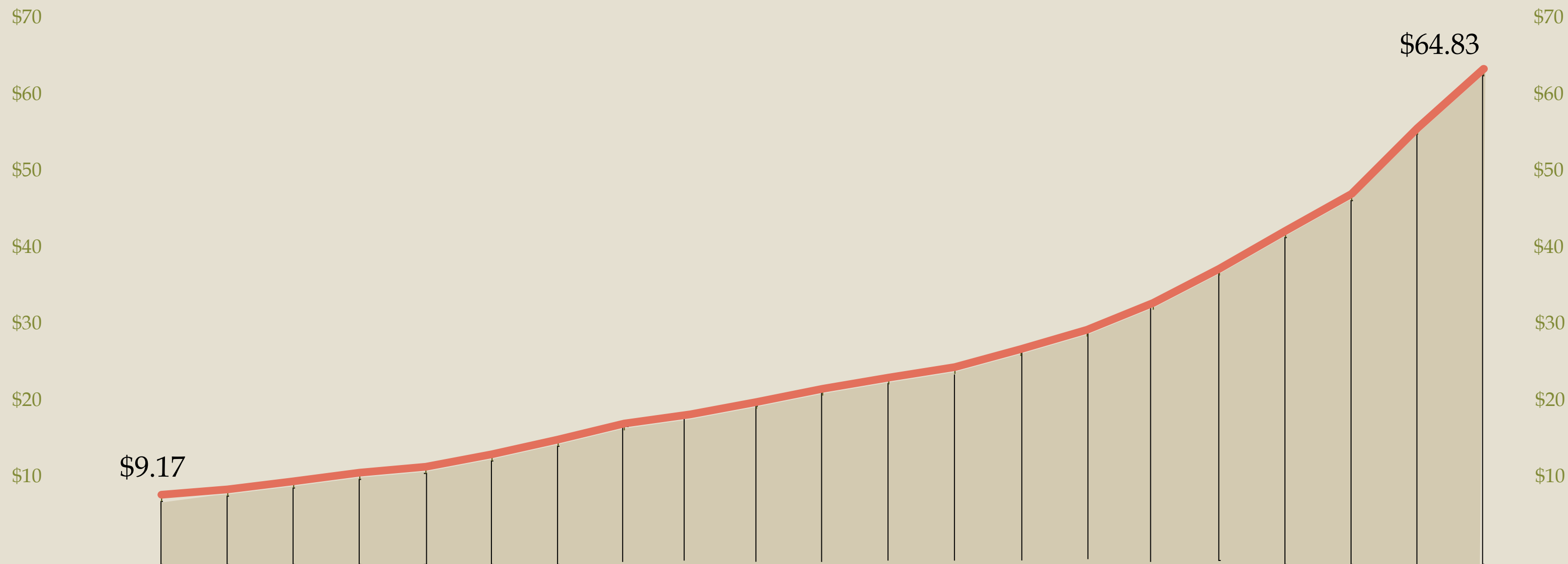
Standing (left to right):

Edward L. Sparda
 Scott L. Moser
 Michael J. Desmond
 Robert A. Lane, Esq.
 Robert K. Sheridan, Esq.
 Julio R. Hernando, Esq.
 Kevin W. Gaughen, Esq.
 Stacey M. Page
 Ronald D. Falcione
 Geoffrey C. Wilkinson, Sr.,
 Howard M. Berger, Esq.

Seated (left to right):

Brian T. Kenner, Esq.
 Kara Gaughen Smith
 Robert H. Gaughen, Jr., Esq.
 Jacqueline M. Youngworth
 Patrick R. Gaughen

20 YEARS OF PERFORMANCE – BOOK VALUE PER SHARE



(dollars in thousands, except per share data)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Assets	\$175,409	201,586	222,584	260,076	291,183	337,881	386,181	426,430	483,954	547,051	628,251	691,652	744,602	806,193	925,560	1,017,845	1,127,276	1,205,884	1,356,441	1,552,205	1,768,528
Total Net Loans	\$119,472	151,166	172,839	204,774	229,687	266,568	282,386	320,692	358,778	415,538	488,126	539,104	593,915	647,255	718,242	792,910	849,776	949,662	1,078,879	1,238,656	1,405,533
Book Value Per Share	\$ 9.17	9.87	10.93	12.05	12.83	14.46	16.38	18.48	19.68	21.29	23.01	24.47	25.85	28.20	30.74	34.24	38.70	43.65	48.49	57.08	64.83
Return on Equity	11.11%	11.06%	13.00%	13.18%	13.07%	15.17%	15.95%	16.58%	13.53%	13.56%	13.20%	9.18%	8.40%	11.08%	12.78%	14.67%	15.34%	15.05%	13.52%	19.30%	14.81%
Earnings Per Share	\$ 0.98	1.05	1.36	1.53	1.65	2.07	2.49	2.91	2.58	2.80	2.95	2.19	2.12	2.96	3.79	4.81	5.68	6.25	6.28	10.46	9.09

STOCKHOLDER INFORMATION

Hingham Institution for Savings

55 Main Street
Hingham, MA 02043
(781) 749-2200

President and Chief Executive Officer

Robert H. Gaughen, Jr.

Investor Inquiries

Robert A. Bogart
Vice President - Treasurer

Transfer Agent and Registrar

Computershare
P.O. Box 30170
College Station, TX 77842-3170
(800) 288-9541

Online Registered Shareholder Access

www.computershare.com/investor

Independent Registered Public Accounting Firm

Wolf & Company, P.C.
99 High Street
Boston, MA 02110

Special Counsel

WilmerHale
1875 Pennsylvania Ave. NW
Washington, DC 20006

Form 10-K and Proxy Statement

A copy of the Bank's Annual Report on Form 10-K and Proxy Statement for the fiscal year ended December 31, 2015, as filed with the Federal Deposit Insurance Corporation, may be obtained without charge by any stockholder of the Bank upon written request addressed to the Investor Relations Department. Additionally, the Bank's Annual Report on Form 10-K and the Proxy Statement are available electronically at www.hinghamavings.com

Stock Data

Hingham Institution for Savings' common shares are listed and traded on The NASDAQ Stock Market under the symbol HIFS.

As of December 31, 2015, there were approximately 278 stockholders of record, holding 248,802 outstanding shares of common stock. These shares do not include the number of persons who hold their shares in nominee or street name through various brokerage firms.

The following table presents the quarterly high and low bid prices for the Bank's common stock reported by NASDAQ.

	<u>High</u>	<u>Low</u>
2015		
First Quarter	\$ 103.75	\$ 82.24
Second Quarter	116.84	98.00
Third Quarter	126.15	104.25
Fourth Quarter	135.03	112.39
2014		
First Quarter	\$ 81.00	\$ 74.76
Second Quarter	80.00	66.12
Third Quarter	88.89	78.53
Fourth Quarter	90.77	80.26

The closing sale price of the Bank's common stock at December 31, 2015 was \$119.80 per share.

1834

BOSTON
BEACON HILL
SOUTH END

COHASSET

HINGHAM
HINGHAM SQUARE
SOUTH HINGHAM
LINDEN PONDS

HULL

NANTUCKET

NORWELL/HANOVER

SCITUATE

WEYMOUTH



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