



## **PRESS RELEASE**

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Hingham Institution for Savings  
Hingham, MA (NASDAQ: HIFS)

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### **HINGHAM REPORTS SECOND QUARTER 2018 RESULTS**

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced second quarter results for 2018.

Net income for the quarter ended June 30, 2018 was \$7,975,000 or \$3.74 per share basic and \$3.64 per share diluted, as compared to \$6,470,000 or \$3.03 per share basic and \$2.97 per share diluted for the same period last year. The Bank's annualized return on average equity for the second quarter of 2018 was 15.97%, and the annualized return on average assets was 1.40%, as compared to 15.08% and 1.25% for the same period in 2017. Net income per share (diluted) for the second quarter of 2018 increased 23% over the same period of 2017.

Excluding the after-tax gains and losses on securities, both realized and unrealized, core net income for the second quarter of 2018 was \$8,147,000 or \$3.82 per share basic and \$3.73 per share diluted, as compared to \$6,421,000 or \$3.01 per share basic and \$2.95 per share diluted for the same period last year. The Bank's annualized core return on average equity for the second quarter of 2018 was 16.31%, and the annualized core return on average assets was 1.43%, as compared to 14.97% and 1.24% for the same period in 2017. Core net income per share (diluted) for the second quarter of 2018 increased by 26% over the same period in 2017.

Net income for the six months ended June 30, 2018 was \$16,887,000 or \$7.92 per share basic and \$7.72 per share diluted, as compared to \$12,582,000 or \$5.90 per share basic and \$5.77 per share diluted for the same period last year. The Bank's annualized return on average equity for the first six months of 2018 was 17.24%, and the annualized return on average assets was 1.48%, as compared to 14.93% and 1.23% for the same period last year. Net income per share (diluted) for the first six months of 2018 increased 34% over the same period in 2017.

Excluding the after-tax gains on securities, both realized and unrealized, core net income for the six months ended June 30, 2018 was \$16,305,000 or \$7.65 per share basic and \$7.46 per share diluted, as compared to \$12,533,000 or \$5.88 per share basic and \$5.75 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first six months of 2018 was 16.64% and the annualized core return on average assets was 1.43%, as compared to 14.87% and 1.23% for the

same period last year. Core net income per share (diluted) for the first six months of 2018 increased by 30% over the same period in 2017.

Growth in the first half of 2018 was strong, as deposits increased to \$1.646 billion at June 30, 2018, representing 19% annualized growth year-to-date and 16% growth from June 30, 2017. This growth reflected strong growth in retail and business deposits as well as the use of more attractively priced wholesale deposits in lieu of comparable Federal Home Loan Bank advances. Net loans increased to \$1.934 billion, representing 11% annualized growth year-to-date and 16% growth from June 30, 2017. Total assets increased to \$2.308 billion, representing 2% annualized growth year-to-date and 9% growth from June 30, 2017. During the first half of 2018, the Bank used a portion of its cash balances to reduce outstanding Federal Home Loan Bank advances and listing services time deposits, in order to minimize the carrying cost of its on-balance sheet liquidity. Book value per share was \$94.55 as of June 30, 2018, representing 17% annualized growth year-to-date and 17% growth from June 30, 2017. In addition to the increase in book value per share, the Bank declared \$1.71 in dividends per share since June 30, 2017, including a special dividend of \$0.34 per share declared during the fourth quarter of 2017.

Key credit and operational metrics remained strong in the second quarter. At June 30, 2018, non-performing assets totaled 0.05% of total assets, compared to 0.07% at December 31, 2017 and 0.18% at June 30, 2017. Non-performing loans as a percentage of the total loan portfolio totaled 0.06% at June 30, 2018, compared to 0.09% at December 31, 2017 and 0.22% at June 30, 2017. The Bank recorded zero net charge-offs for the first six months of 2018, as compared to \$1,000 net recoveries for the same period last year. At June 30, 2018, December 31 and June 30, 2017, the Bank did not own any foreclosed property. The efficiency ratio was 29.95% for the second quarter of 2018, as compared to 29.97% for the same period last year. Non-interest expense as a percentage of average assets fell to 0.88% in the second quarter of 2018, as compared to 0.93% for the same period last year.

Chairman Robert H. Gaughen, Jr. stated, “During the second quarter, we announced our intention to close our North Scituate branch in September 2018 and consolidate our client service for this market in our branch in historic Cohasset Village. We also completed the acquisition of 85A Main Street in Hingham Square - a parcel of land that will facilitate growth in our Main Office well into the future. We continue to balance our emphasis on thrift with a willingness to invest aggressively if long-term returns on capital are likely to be satisfactory. The most important test of performance in banking is whether a firm can generate sustained high returns on equity capital through all stages of the credit cycle. This is the standard against which we measure all of our capital allocation, lending, and operational decisions. 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 one of America’s oldest banks. The Bank’s Main Office is located in Hingham and the Bank maintains offices on the South Shore, in Boston (South End and Beacon Hill), and on the island of Nantucket. The Bank also provides commercial mortgage lending and private banking services in the Greater Washington D.C. metropolitan area.

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		Six Months Ended	
	June 30,		June 30,	
	2017	2018	2017	2018
<i>(Unaudited)</i>				
<b>Key Performance Ratios</b>				
Return on average assets (1)	1.25 %	<b>1.40 %</b>	1.23 %	<b>1.48 %</b>
Return on average equity (1)	15.08	<b>15.97</b>	14.93	<b>17.24</b>
Core return on average assets (1) (5)	1.24	<b>1.43</b>	1.23	<b>1.43</b>
Core return on average equity (1) (5)	14.97	<b>16.31</b>	14.87	<b>16.64</b>
Interest rate spread (1) (2)	2.94	<b>2.72</b>	2.97	<b>2.74</b>
Net interest margin (1) (3)	3.08	<b>2.94</b>	3.10	<b>2.94</b>
Non-interest expense to average assets (1)	0.93	<b>0.88</b>	0.97	<b>0.89</b>
Efficiency ratio (4)	29.97	<b>29.95</b>	31.20	<b>30.18</b>
Average equity to average assets	8.27	<b>8.74</b>	8.24	<b>8.58</b>
Average interest-earning assets to average interest-bearing liabilities	117.45	<b>118.57</b>	117.12	<b>118.20</b>

	June 30,	December 31,	June 30,
	2017	2017	2018
<i>(Unaudited)</i>			
<b>Asset Quality Ratios</b>			
Allowance for loan losses/total loans	0.69 %	0.68 %	<b>0.68 %</b>
Allowance for loan losses/non-performing loans	310.63	735.74	<b>1,064.92</b>
Non-performing loans/total loans	0.22	0.09	<b>0.06</b>
Non-performing loans/total assets	0.18	0.07	<b>0.05</b>
Non-performing assets/total assets	0.18	0.07	<b>0.05</b>
<b>Share Related</b>			
Book value per share	\$ 81.05	\$ 87.29	<b>\$ 94.55</b>
Market value per share	\$ 181.93	\$ 207.00	<b>\$ 219.70</b>
Shares outstanding at end of period	2,132,750	2,132,750	<b>2,132,750</b>

(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 interest-earning assets.

(4) The efficiency ratio represents non-interest expense, divided by the sum of net interest income and non-interest income, excluding gain (loss) on equity securities.

(5) Non-GAAP measurements that represent return on average assets and return on average equity, excluding the after-tax gain (loss) on equity securities.

**HINGHAM INSTITUTION FOR SAVINGS**  
**Consolidated Balance Sheets**

<i>(Dollars in thousands, except per share data)</i> <i>(Unaudited)</i>	<b>June 30, 2017</b>	<b>December 31, 2017</b>	<b>June 30, 2018</b>
<b>ASSETS</b>			
Cash and due from banks	\$ 8,312	\$ 10,852	\$ 9,342
Federal Reserve and other short-term investments	346,999	344,377	265,695
Cash and cash equivalents	355,311	355,229	275,037
CRA investment	7,383	7,341	7,665
Debt securities available for sale	23	17	16
Other marketable equity securities	21,951	26,946	30,328
Securities, at fair value	29,357	34,304	38,009
Federal Home Loan Bank stock, at cost	25,297	27,102	24,530
Loans, net of allowance for loan losses of \$11,571 at June 30, 2017, \$12,537 at December 31, 2017 and \$13,237 at June 30, 2018	1,666,172	1,833,987	1,933,915
Foreclosed assets	—	—	—
Bank-owned life insurance	12,091	12,221	12,349
Premises and equipment, net	14,169	14,068	14,479
Accrued interest receivable	3,645	4,398	4,630
Deferred income tax asset, net	2,190	1,301	1,165
Other assets	2,784	1,989	3,505
Total assets	\$ 2,111,016	\$ 2,284,599	\$ 2,307,619
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Interest-bearing deposits	\$ 1,263,923	\$ 1,320,487	\$ 1,453,401
Non-interest-bearing deposits	159,702	185,375	192,918
Total deposits	1,423,625	1,505,862	1,646,319
Federal Home Loan Bank advances	503,242	579,164	446,283
Mortgage payable	840	812	782
Mortgagors' escrow accounts	5,735	6,424	6,659
Accrued interest payable	531	575	1,233
Other liabilities	4,182	5,604	4,697
Total liabilities	1,938,155	2,098,441	2,105,973
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; 2,132,750 shares issued and outstanding	2,133	2,133	2,133
Additional paid-in capital	11,662	11,750	11,822
Undivided profits	155,796	165,596	187,691
Accumulated other comprehensive income	3,270	6,679	—
Total stockholders' equity	172,861	186,158	201,646
Total liabilities and stockholders' equity	\$ 2,111,016	\$ 2,284,599	\$ 2,307,619

**HINGHAM INSTITUTION FOR SAVINGS**  
**Consolidated Statements of Income**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2018	2017	2018
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 18,484	\$ 21,366	\$ 36,452	\$ 41,783
Equity securities	367	505	720	984
Federal Reserve and other short-term investments	827	1,256	1,436	2,497
Total interest and dividend income	<u>19,678</u>	<u>23,127</u>	<u>38,608</u>	<u>45,264</u>
Interest expense:				
Deposits	2,712	4,344	5,230	7,911
Federal Home Loan Bank advances	1,277	2,266	2,237	4,359
Mortgage payable	13	12	26	24
Total interest expense	<u>4,002</u>	<u>6,622</u>	<u>7,493</u>	<u>12,294</u>
Net interest income	<u>15,676</u>	<u>16,505</u>	<u>31,115</u>	<u>32,970</u>
Provision for loan losses	285	415	540	700
Net interest income, after provision for loan losses	<u>15,391</u>	<u>16,090</u>	<u>30,575</u>	<u>32,270</u>
Other income:				
Customer service fees on deposits	227	216	446	422
Increase in bank-owned life insurance	62	60	129	128
Gain (loss) on equity securities	77	(220)	77	746
Miscellaneous	47	43	92	87
Total other income	<u>413</u>	<u>99</u>	<u>744</u>	<u>1,383</u>
Operating expenses:				
Salaries and employee benefits	3,091	3,176	6,237	6,388
Occupancy and equipment	419	426	883	892
Data processing	311	348	608	689
Deposit insurance	258	226	516	499
Foreclosure	(40)	(13)	3	(8)
Marketing	116	154	240	292
Other general and administrative	643	722	1,429	1,390
Total operating expenses	<u>4,798</u>	<u>5,039</u>	<u>9,916</u>	<u>10,142</u>
Income before income taxes	11,006	11,150	21,403	23,511
Income tax provision	4,536	3,175	8,821	6,624
Net income	<u>\$ 6,470</u>	<u>\$ 7,975</u>	<u>\$ 12,582</u>	<u>\$ 16,887</u>
Cash dividends declared per share	<u>\$ 0.32</u>	<u>\$ 0.35</u>	<u>\$ 0.64</u>	<u>\$ 0.69</u>
Weighted average shares outstanding:				
Basic	<u>2,133</u>	<u>2,133</u>	<u>2,133</u>	<u>2,133</u>
Diluted	<u>2,179</u>	<u>2,187</u>	<u>2,180</u>	<u>2,186</u>
Earnings per share:				
Basic	<u>\$ 3.03</u>	<u>\$ 3.74</u>	<u>\$ 5.90</u>	<u>\$ 7.92</u>
Diluted	<u>\$ 2.97</u>	<u>\$ 3.64</u>	<u>\$ 5.77</u>	<u>\$ 7.72</u>

**HINGHAM INSTITUTION FOR SAVINGS**  
**Net Interest Income Analysis**

	<b>Three Months Ended June 30,</b>					
	<b>2017</b>			<b>2018</b>		
	<b>AVERAGE BALANCE</b>	<b>INTEREST</b>	<b>YIELD/ RATE (8)</b>	<b>AVERAGE BALANCE</b>	<b>INTEREST</b>	<b>YIELD/ RATE (8)</b>
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,666,327	\$ 18,484	4.44 %	\$ 1,913,404	\$ 21,366	4.47 %
Securities (3) (4)	49,233	367	2.98	52,941	505	3.82
Federal Reserve and other short-term investments	<u>322,239</u>	<u>827</u>	<u>1.03</u>	<u>278,434</u>	<u>1,256</u>	<u>1.80</u>
Total interest-earning assets	2,037,799	<u>19,678</u>	<u>3.86</u>	2,244,779	<u>23,127</u>	<u>4.12</u>
Other assets	<u>35,894</u>			<u>39,619</u>		
Total assets	<u>\$ 2,073,693</u>			<u>\$ 2,284,398</u>		
Interest-bearing deposits (5)	\$ 1,263,209	2,712	0.86	\$ 1,423,682	4,344	1.22
Borrowed funds	<u>471,805</u>	<u>1,290</u>	<u>1.09</u>	<u>469,476</u>	<u>2,278</u>	<u>1.94</u>
Total interest-bearing liabilities	1,735,014	<u>4,002</u>	<u>0.92</u>	1,893,158	<u>6,622</u>	<u>1.40</u>
Demand deposits	162,339			186,919		
Other liabilities	<u>4,755</u>			<u>4,555</u>		
Total liabilities	1,902,108			2,084,632		
Stockholders' equity	<u>171,585</u>			<u>199,766</u>		
Total liabilities and stockholders' equity	<u>\$ 2,073,693</u>			<u>\$ 2,284,398</u>		
Net interest income		<u>\$ 15,676</u>			<u>\$ 16,505</u>	
Weighted average spread			<u>2.94 %</u>			<u>2.72 %</u>
Net interest margin (6)			<u>3.08 %</u>			<u>2.94 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>117.45 %</u>			<u>118.57 %</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.
- (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,					
	2017			2018		
	<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)	\$ 1,646,040	\$ 36,452	4.43 %	\$ 1,889,901	\$ 41,783	4.42 %
Securities (3) (4)	48,442	720	2.97	53,228	984	3.70
Federal Reserve and other short-term investments	315,727	1,436	0.91	302,272	2,497	1.65
Total interest-earning assets	<u>2,010,209</u>	<u>38,608</u>	<u>3.84</u>	<u>2,245,401</u>	<u>45,264</u>	<u>4.03</u>
Other assets	35,153			38,815		
Total assets	<u>\$ 2,045,362</u>			<u>\$ 2,284,216</u>		
Interest-bearing deposits (5)	\$ 1,246,436	5,230	0.84	\$ 1,393,294	7,911	1.14
Borrowed funds	469,907	2,263	0.96	506,337	4,383	1.73
Total interest-bearing liabilities	<u>1,716,343</u>	<u>7,493</u>	<u>0.87</u>	<u>1,899,631</u>	<u>12,294</u>	<u>1.29</u>
Demand deposits	155,627			183,665		
Other liabilities	4,802			4,965		
Total liabilities	<u>1,876,772</u>			<u>2,088,261</u>		
Stockholders' equity	168,590			195,955		
Total liabilities and stockholders' equity	<u>\$ 2,045,362</u>			<u>\$ 2,284,216</u>		
Net interest income		<u>\$ 31,115</u>			<u>\$ 32,970</u>	
Weighted average spread			<u>2.97 %</u>			<u>2.74 %</u>
Net interest margin (6)			<u>3.10 %</u>			<u>2.94 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>117.12 %</u>			<u>118.20 %</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.
- (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.