



## **PRESS RELEASE**

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

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### **HINGHAM REPORTS THIRD QUARTER 2018 RESULTS**

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

Net income for the quarter ended September 30, 2018 was \$8,848,000 or \$4.15 per share basic and \$4.05 per share diluted, as compared to \$6,484,000 or \$3.04 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 third quarter of 2018 was 17.06%, and the annualized return on average assets was 1.52%, as compared to 14.60% and 1.21% for the same period in 2017. Net income per share (diluted) for the third quarter of 2018 increased 36% over the same period of 2017.

Excluding the after-tax gains and losses on securities, both realized and unrealized, core net income for the third quarter of 2018 was \$8,424,000 or \$3.95 per share basic and \$3.85 per share diluted, as compared to \$6,484,000 or \$3.04 per share basic and \$2.97 per share diluted for the same period last year. The Bank's annualized core return on average equity for the third quarter of 2018 was 16.24%, and the annualized core return on average assets was 1.45%, as compared to 14.60% and 1.21% for the same period in 2017. Core net income per share (diluted) for the third quarter of 2018 increased by 30% over the same period in 2017.

Net income for the nine months ended September 30, 2018 was \$25,735,000 or \$12.07 per share basic and \$11.77 per share diluted, as compared to \$19,066,000 or \$8.94 per share basic and \$8.75 per share diluted for the same period last year. The Bank's annualized return on average equity for the first nine months of 2018 was 17.17%, and the annualized return on average assets was 1.49%, as compared to 14.81% and 1.22% for the same period last year. Net income per share (diluted) for the first nine months of 2018 increased 35% over the same period in 2017.

Excluding the after-tax gains and losses on securities, both realized and unrealized, core net income for the nine months ended September 30, 2018 was \$24,729,000 or \$11.60 per share basic and \$11.31 per share diluted, as compared to \$19,017,000 or \$8.92 per share basic and \$8.72 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first nine months of 2018 was 16.50% and the annualized core return on average assets was 1.43%, as compared to 14.77%

and 1.22% for the same period last year. Core net income per share (diluted) for the first nine months of 2018 increased by 30% over the same period in 2017.

Growth in the first nine months of 2018 was generally satisfactory, as deposits increased to \$1.715 billion at September 30, 2018, representing 19% annualized growth year-to-date and 18% growth from September 30, 2017. This growth reflected modest growth in retail and business deposits as well as the increasing use of more attractively priced wholesale deposits in lieu of comparable Federal Home Loan Bank advances. Net loans increased to \$1.976 billion, representing 10% annualized growth year-to-date and 12% growth from September 30, 2017. Total assets increased to \$2.370 billion, representing 5% annualized growth year-to-date and 7% growth from September 30, 2017. During the first nine months 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 \$98.35 as of September 30, 2018, representing 17% annualized growth year-to-date and 17% growth from September 30, 2017. In addition to the increase in book value per share, the Bank declared \$1.73 in dividends per share since September 30, 2017, including a special dividend of \$0.34 per share declared during the fourth quarter of 2017. The Bank announced increases in its regular quarterly dividend in both June and September 2018.

Key credit and operational metrics remained strong in the third quarter of 2018. At September 30, 2018, non-performing assets totaled 0.02% of total assets, compared to 0.07% at December 31, 2017 and 0.05% at September 30, 2017. Non-performing loans as a percentage of the total loan portfolio totaled 0.02% at September 30, 2018, compared to 0.09% at December 31, 2017 and 0.06% at September 30, 2017. The Bank recorded \$1,000 in net recoveries for the first nine months of 2018 and 2017. At September 30, 2018, December 31 and September 30, 2017, the Bank did not own any foreclosed property. The efficiency ratio was 29.17% for the third quarter of 2018, as compared to 29.37% for the same period last year. Non-interest expense as a percentage of average assets fell to 0.86% in the third quarter of 2018, as compared to 0.90% for the same period last year.

Chairman Robert H. Gaughen, Jr. stated, “We are pleased to report that returns on equity and assets remained satisfactory in the third quarter of 2018, although balance sheet growth was modest relative to capital generation. We remain focused on careful capital allocation, defensive underwriting and disciplined cost control - we believe these are the keys to generating sustained value for our ownership.”

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		Nine Months Ended	
	September 30,		September 30,	
	2017	2018	2017	2018
<i>(Unaudited)</i>				
<b>Key Performance Ratios</b>				
Return on average assets (1)	1.21 %	<b>1.52 %</b>	1.22 %	<b>1.49 %</b>
Return on average equity (1)	14.60	<b>17.06</b>	14.81	<b>17.17</b>
Core return on average assets (1) (5)	1.21	<b>1.45</b>	1.22	<b>1.43</b>
Core return on average equity (1) (5)	14.60	<b>16.24</b>	14.77	<b>16.50</b>
Interest rate spread (1) (2)	2.89	<b>2.67</b>	2.93	<b>2.72</b>
Net interest margin (1) (3)	3.04	<b>2.93</b>	3.08	<b>2.93</b>
Non-interest expense to average assets (1)	0.90	<b>0.86</b>	0.94	<b>0.88</b>
Efficiency ratio (4)	29.37	<b>29.17</b>	30.58	<b>29.84</b>
Average equity to average assets	8.26	<b>8.91</b>	8.25	<b>8.69</b>
Average interest-earning assets to average interest-bearing liabilities	117.69	<b>119.39</b>	117.32	<b>118.61</b>

	September 30, 2017	December 31, 2017	September 30, 2018
<i>(Unaudited)</i>			
<b>Asset Quality Ratios</b>			
Allowance for loan losses/total loans	0.68 %	0.68 %	<b>0.68 %</b>
Allowance for loan losses/non-performing loans	1,078.04	735.74	<b>2,807.44</b>
Non-performing loans/total loans	0.06	0.09	<b>0.02</b>
Non-performing loans/total assets	0.05	0.07	<b>0.02</b>
Non-performing assets/total assets	0.05	0.07	<b>0.02</b>
<b>Share Related</b>			
Book value per share	\$ 84.27	\$ 87.29	<b>\$ 98.35</b>
Market value per share	\$ 190.27	\$ 207.00	<b>\$ 219.81</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 on equity securities, net.

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

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

<i>(Dollars in thousands, except per share data)</i> <i>(Unaudited)</i>	<b>September 30, 2017</b>	<b>December 31, 2017</b>	<b>September 30, 2018</b>
<b>ASSETS</b>			
Cash and due from banks	\$ 9,792	\$ 10,852	\$ 10,043
Federal Reserve and other short-term investments	341,294	344,377	286,449
Cash and cash equivalents	351,086	355,229	296,492
CRA investment	7,390	7,341	7,605
Debt securities available for sale	19	17	15
Other marketable equity securities	24,892	26,946	32,099
Securities, at fair value	32,301	34,304	39,719
Federal Home Loan Bank stock, at cost	26,863	27,102	21,682
Loans, net of allowance for loan losses of \$12,128 at September 30, 2017, \$12,537 at December 31, 2017 and \$13,588 at September 30, 2018	1,769,830	1,833,987	1,976,422
Foreclosed assets	—	—	—
Bank-owned life insurance	12,158	12,221	12,414
Premises and equipment, net	14,049	14,068	14,458
Accrued interest receivable	4,079	4,398	5,066
Deferred income tax asset, net	1,601	1,301	1,128
Other assets	2,973	1,989	2,981
Total assets	\$ 2,214,940	\$ 2,284,599	\$ 2,370,362
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Interest-bearing deposits	\$ 1,277,157	\$ 1,320,487	\$ 1,494,193
Non-interest-bearing deposits	171,382	185,375	220,943
Total deposits	1,448,539	1,505,862	1,715,136
Federal Home Loan Bank advances	574,395	579,164	431,242
Mortgage payable	826	812	766
Mortgagors' escrow accounts	6,228	6,424	6,901
Accrued interest payable	457	575	1,687
Other liabilities	4,777	5,604	4,883
Total liabilities	2,035,222	2,098,441	2,160,615
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	11,706	11,750	11,843
Undivided profits	161,554	165,596	195,771
Accumulated other comprehensive income	4,325	6,679	—
Total stockholders' equity	179,718	186,158	209,747
Total liabilities and stockholders' equity	\$ 2,214,940	\$ 2,284,599	\$ 2,370,362

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2018	2017	2018
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 19,211	\$ 22,523	\$ 55,663	\$ 64,306
Equity securities	396	503	1,116	1,487
Federal Reserve and other short-term investments	1,079	1,317	2,515	3,814
Total interest and dividend income	<u>20,686</u>	<u>24,343</u>	<u>59,294</u>	<u>69,607</u>
Interest expense:				
Deposits	2,854	5,291	8,084	13,202
Federal Home Loan Bank advances	1,742	2,294	3,979	6,653
Mortgage payable	12	12	38	36
Total interest expense	<u>4,608</u>	<u>7,597</u>	<u>12,101</u>	<u>19,891</u>
Net interest income	<u>16,078</u>	<u>16,746</u>	<u>47,193</u>	<u>49,716</u>
Provision for loan losses	558	350	1,098	1,050
Net interest income, after provision for loan losses	<u>15,520</u>	<u>16,396</u>	<u>46,095</u>	<u>48,666</u>
Other income:				
Customer service fees on deposits	216	216	662	638
Increase in bank-owned life insurance	67	65	196	193
Gain on equity securities, net	—	544	77	1,290
Miscellaneous	44	42	136	129
Total other income	<u>327</u>	<u>867</u>	<u>1,071</u>	<u>2,250</u>
Operating expenses:				
Salaries and employee benefits	3,008	3,146	9,245	9,534
Occupancy and equipment	422	421	1,305	1,313
Data processing	321	353	929	1,042
Deposit insurance	279	258	795	757
Foreclosure	11	(33)	14	(41)
Marketing	85	136	325	428
Other general and administrative	692	698	2,121	2,088
Total operating expenses	<u>4,818</u>	<u>4,979</u>	<u>14,734</u>	<u>15,121</u>
Income before income taxes	11,029	12,284	32,432	35,795
Income tax provision	4,545	3,436	13,366	10,060
Net income	<u>\$ 6,484</u>	<u>\$ 8,848</u>	<u>\$ 19,066</u>	<u>\$ 25,735</u>
Cash dividends declared per share	<u>\$ 0.34</u>	<u>\$ 0.36</u>	<u>\$ 0.98</u>	<u>\$ 1.05</u>
Weighted average shares outstanding:				
Basic	<u>2,133</u>	<u>2,133</u>	<u>2,133</u>	<u>2,133</u>
Diluted	<u>2,180</u>	<u>2,188</u>	<u>2,180</u>	<u>2,187</u>
Earnings per share:				
Basic	<u>\$ 3.04</u>	<u>\$ 4.15</u>	<u>\$ 8.94</u>	<u>\$ 12.07</u>
Diluted	<u>\$ 2.97</u>	<u>\$ 4.05</u>	<u>\$ 8.75</u>	<u>\$ 11.77</u>

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

	Three Months Ended September 30,					
	2017			2018		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,733,650	\$ 19,211	4.43 %	\$ 1,973,987	\$ 22,523	4.56 %
Securities (3) (4)	50,696	396	3.12	52,166	503	3.86
Federal Reserve and other short-term investments	<u>332,367</u>	<u>1,079</u>	<u>1.30</u>	<u>262,943</u>	<u>1,317</u>	<u>2.00</u>
Total interest-earning assets	2,116,713	<u>20,686</u>	<u>3.91</u>	2,289,096	<u>24,343</u>	<u>4.25</u>
Other assets	<u>35,471</u>			<u>38,380</u>		
Total assets	<u>\$ 2,152,184</u>			<u>\$ 2,327,476</u>		
Interest-bearing deposits (5)	\$ 1,265,731	2,854	0.90	\$ 1,503,771	5,291	1.41
Borrowed funds	<u>532,836</u>	<u>1,754</u>	<u>1.32</u>	<u>413,497</u>	<u>2,306</u>	<u>2.23</u>
Total interest-bearing liabilities	1,798,567	<u>4,608</u>	<u>1.02</u>	1,917,268	<u>7,597</u>	<u>1.58</u>
Demand deposits	171,680			197,838		
Other liabilities	<u>4,242</u>			<u>4,927</u>		
Total liabilities	1,974,489			2,120,033		
Stockholders' equity	<u>177,695</u>			<u>207,443</u>		
Total liabilities and stockholders' equity	<u>\$ 2,152,184</u>			<u>\$ 2,327,476</u>		
Net interest income		<u>\$ 16,078</u>			<u>\$ 16,746</u>	
Weighted average spread			<u>2.89 %</u>			<u>2.67 %</u>
Net interest margin (6)			<u>3.04 %</u>			<u>2.93 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>117.69 %</u>			<u>119.39 %</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**

	Nine Months Ended September 30,					
	2017			2018		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,675,563	\$ 55,663	4.43 %	\$ 1,918,239	\$ 64,306	4.47 %
Securities (3) (4)	49,202	1,116	3.02	52,870	1,487	3.75
Federal Reserve and other short-term investments	321,335	2,515	1.04	289,018	3,814	1.76
Total interest-earning assets	2,046,100	59,294	3.86	2,260,127	69,607	4.11
Other assets	35,261			38,668		
Total assets	\$ 2,081,361			\$ 2,298,795		
Interest-bearing deposits (5)	\$ 1,252,938	8,084	0.86	\$ 1,430,524	13,202	1.23
Borrowed funds	491,114	4,017	1.09	475,050	6,689	1.88
Total interest-bearing liabilities	1,744,052	12,101	0.93	1,905,574	19,891	1.39
Demand deposits	161,037			188,441		
Other liabilities	4,613			4,954		
Total liabilities	1,909,702			2,098,969		
Stockholders' equity	171,659			199,826		
Total liabilities and stockholders' equity	\$ 2,081,361			\$ 2,298,795		
Net interest income		\$ 47,193			\$ 49,716	
Weighted average spread			2.93 %			2.72 %
Net interest margin (6)			3.08 %			2.93 %
Average interest-earning assets to average interest-bearing liabilities (7)			117.32 %			118.61 %

- (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.