



PRESS RELEASE

FROM: Robert H. Gaughen, Jr., Chairman and Chief Executive Officer
Hingham Institution for Savings
Hingham, MA (NASDAQ: HIFS)

DATE: January 17, 2019

CONTACT: Patrick R. Gaughen, President and Chief Operating Officer (781) 783-1761

HINGHAM REPORTS 2018 RESULTS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced earnings for the fourth quarter and the year ended December 31, 2018.

Net income for the year ended December 31, 2018 was \$30,399,000 or \$14.25 per share basic and \$13.90 per share diluted, as compared to \$25,757,000 or \$12.08 per share basic and \$11.81 per share diluted for the same period last year. The Bank's return on average equity for the year ended December 31, 2018 was 14.97%, and the return on average assets was 1.32%, as compared to 14.73% and 1.21% for the same period in 2017. Net income per share (diluted) for 2018 increased 18% over the same period in 2017. Net income for the year ended December 31, 2017 included an additional \$218,000 in income tax provision as a result of the Tax Cut and Jobs Act enacted in December 2017, which required the Bank to remeasure its deferred tax assets and liabilities.

Excluding the after-tax gains and losses on securities, both realized and unrealized, core net income for the year ended December 31, 2018 was \$32,776,000 or \$15.37 per share basic and \$14.99 per share diluted, as compared to \$25,708,000 or \$12.05 per share basic and \$11.79 per share diluted for the same period last year. The Bank's core return on average equity for the year ended December 31, 2018 was 16.14%, and the core return on average assets was 1.42%, as compared to 14.70% and 1.21% for the same period in 2017. Core net income per share (diluted) for 2018 increased by 27% over the same period in 2017.

Net income for the quarter ended December 31, 2018 was \$4,664,000 or \$2.18 per share basic and \$2.13 per share diluted, as compared to \$6,691,000 or \$3.14 per share basic and \$3.06 per share diluted for the same period last year. The Bank's annualized return on average equity for the fourth quarter of 2018 was 8.78%, and the annualized return on average assets was 0.80%, as compared to 14.51% and 1.18% for the same period last year. Net income per share (diluted) for the fourth quarter of 2018 decreased 30% compared to the same period in 2017.

Excluding the after-tax gains and losses on securities, both realized and unrealized, core net income for the quarter ended December 31, 2018 was \$8,046,000 or \$3.77 per share basic and \$3.68 per share diluted, as compared to \$6,691,000 or \$3.14 per share basic and \$3.06 per share diluted for the same

period last year. The Bank's annualized core return on average equity for the fourth quarter of 2018 was 15.14% and the annualized core return on average assets was 1.38%, as compared to 14.51% and 1.18% for the same period last year. Core net income per share (diluted) for the fourth quarter of 2018 increased by 20% over the same period in 2017.

Growth in 2018 was modest, as deposits increased to \$1.573 billion at December 31, 2018, representing 4% growth from 2017. This growth reflected modest growth in retail and business deposits. Net loans increased to \$2.009 billion, representing 10% growth from 2017. Total assets increased to \$2.409 billion, representing 5% growth from 2017. During 2018, the Bank reduced the balance of excess reserves held at the Federal Reserve Bank, in order to minimize the carrying cost of its on-balance sheet liquidity. Book value per share was \$99.67 as of December 31, 2018, representing 14% growth from December 31, 2017. In addition to the increase in book value per share, the Bank declared \$1.92 in dividends per share in 2018, including a special dividend of \$0.50 per share declared during the fourth quarter of 2018. The Bank announced increases in its regular quarterly dividend in June, September and November of 2018. The trailing five year compound annual growth rate in book value per share, an important measure of long-term value creation, rose to 15.5%.

Key credit and operational metrics remained strong in 2018. At December 31, 2018, non-performing assets totaled 0.02% of total assets, compared to 0.07% at December 31, 2017. Non-performing loans as a percentage of the total loan portfolio totaled 0.02% at December 31, 2018, compared to 0.09% at December 31, 2017. The Bank recorded \$1,000 in net recoveries in 2018 and \$2,000 in net recoveries in 2017. At December 31, 2018 and 2017, the Bank did not own any foreclosed property. The efficiency ratio fell slightly to 29.89% in 2018, as compared to 30.06% in 2017. Operating expenses as a percentage of average assets improved to 0.87% in 2018, as compared to 0.92% in 2017. These metrics reflect the Bank's disciplined focus on credit quality and expense management.

Chairman Robert H. Gaughen, Jr. stated, "Returns on equity and assets were adequate in 2018, although competitive pressure remains acute. The real test of performance in banking is a company's record of compounding shareholder capital over time through the disciplined management of credit risk and operational expense. On this measure, our team strives to set a high bar.

In 2018, the decline in the market value of our equity investments, concentrated in financial services, ratings, and payments companies, was decremental to our book value per share, as opposed to prior years in which these investments were accretive to our core business. As noted before, the Bank views these equity investments as long-term partnership interests in operating companies and consequently does not view short-term fluctuation in market value, whether positive or negative, as necessarily indicative of the change in the intrinsic value of the businesses in which we invest."

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		Twelve Months Ended	
	December 31,		December 31,	
	2017	2018	2017	2018
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.18 %	0.80 %	1.21 %	1.32 %
Return on average equity (1)	14.51	8.78	14.73	14.97
Core return on average assets (1) (5)	1.18	1.38	1.21	1.42
Core return on average equity (1) (5)	14.51	15.14	14.70	16.14
Interest rate spread (1) (2)	2.83	2.48	2.91	2.66
Net interest margin (1) (3)	2.99	2.79	3.05	2.90
Operating expenses to average assets (1)	0.86	0.84	0.92	0.87
Efficiency ratio (4)	28.58	30.07	30.06	29.89
Average equity to average assets	8.16	9.09	8.22	8.80
Average interest-earning assets to average interest-bearing liabilities	117.59	121.08	117.39	119.23

	December 31, 2017	December 31, 2018
<i>(Unaudited)</i>		
Asset Quality Ratios		
Allowance for loan losses/total loans	0.68 %	0.68 %
Allowance for loan losses/non-performing loans	735.74	2,852.89
Non-performing loans/total loans	0.09	0.02
Non-performing loans/total assets	0.07	0.02
Non-performing assets/total assets	0.07	0.02
Share Related		
Book value per share	\$ 87.29	\$ 99.67
Market value per share	\$ 207.00	\$ 197.74
Shares outstanding at end of period	2,132,750	2,132,750

(1) Annualized for the three months ended December 31, 2017 and 2018.

(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 total operating expenses, divided by the sum of net interest income and total other income (loss), excluding gain (loss) on equity securities, net.

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

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Balance Sheets

<i>(Dollars in thousands, except per share data)</i> <i>(Unaudited)</i>	December 31, 2017	December 31, 2018
ASSETS		
Cash and due from banks	\$ 10,852	\$ 8,004
Federal Reserve and other short-term investments	344,377	287,971
Cash and cash equivalents	355,229	295,975
CRA investment	7,341	7,680
Debt securities available for sale	17	14
Other marketable equity securities	26,946	30,766
Securities, at fair value	34,304	38,460
Federal Home Loan Bank stock, at cost	27,102	28,696
Loans, net of allowance for loan losses of \$12,537 at December 31, 2017 and \$13,808 at December 31, 2018	1,833,987	2,009,288
Foreclosed assets	—	—
Bank-owned life insurance	12,221	12,476
Premises and equipment, net	14,068	14,553
Accrued interest receivable	4,398	4,581
Deferred income tax asset, net	1,301	2,258
Other assets	1,989	2,300
Total assets	\$ 2,284,599	\$ 2,408,587
LIABILITIES AND STOCKHOLDERS' EQUITY		
Interest-bearing deposits	\$ 1,320,487	\$ 1,359,581
Non-interest-bearing deposits	185,375	213,573
Total deposits	1,505,862	1,573,154
Federal Home Loan Bank advances	579,164	606,600
Mortgage payable	812	751
Mortgagors' escrow accounts	6,424	7,402
Accrued interest payable	575	2,187
Other liabilities	5,604	5,917
Total liabilities	2,098,441	2,196,011
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
Additional paid-in capital	11,750	11,863
Undivided profits	165,596	198,580
Accumulated other comprehensive income	6,679	—
Total stockholders' equity	186,158	212,576
Total liabilities and stockholders' equity	\$ 2,284,599	\$ 2,408,587

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2017	2018	2017	2018
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 20,180	\$ 22,716	\$ 75,843	\$ 87,022
Debt securities	1	1	1	1
Equity securities	414	498	1,530	1,985
Federal Reserve and other short-term investments	1,170	1,347	3,685	5,161
Total interest and dividend income	<u>21,765</u>	<u>24,562</u>	<u>81,059</u>	<u>94,169</u>
Interest expense:				
Deposits	3,282	5,777	11,366	18,979
Federal Home Loan Bank advances	1,866	2,705	5,845	9,358
Mortgage payable	12	11	50	47
Total interest expense	<u>5,160</u>	<u>8,493</u>	<u>17,261</u>	<u>28,384</u>
Net interest income	<u>16,605</u>	<u>16,069</u>	<u>63,798</u>	<u>65,785</u>
Provision for loan losses	407	220	1,505	1,270
Net interest income, after provision for loan losses	<u>16,198</u>	<u>15,849</u>	<u>62,293</u>	<u>64,515</u>
Other income (loss):				
Customer service fees on deposits	227	222	889	860
Increase in bank-owned life insurance	63	62	259	255
Gain (loss) on equity securities, net	—	(4,313)	77	(3,023)
Miscellaneous	49	44	185	173
Total other income (loss)	<u>339</u>	<u>(3,985)</u>	<u>1,410</u>	<u>(1,735)</u>
Operating expenses:				
Salaries and employee benefits	3,055	3,124	12,300	12,658
Occupancy and equipment	460	461	1,765	1,774
Data processing	341	360	1,270	1,402
Deposit insurance	285	220	1,080	977
Foreclosure	(27)	9	(13)	(32)
Marketing	73	142	398	570
Other general and administrative	655	614	2,776	2,702
Total operating expenses	<u>4,842</u>	<u>4,930</u>	<u>19,576</u>	<u>20,051</u>
Income before income taxes	<u>11,695</u>	<u>6,934</u>	<u>44,127</u>	<u>42,729</u>
Income tax provision	5,004	2,270	18,370	12,330
Net income	<u>\$ 6,691</u>	<u>\$ 4,664</u>	<u>\$ 25,757</u>	<u>\$ 30,399</u>
Cash dividends declared per share	<u>\$ 0.68</u>	<u>\$ 0.87</u>	<u>\$ 1.66</u>	<u>\$ 1.92</u>
Weighted average shares outstanding:				
Basic	<u>2,133</u>	<u>2,133</u>	<u>2,133</u>	<u>2,133</u>
Diluted	<u>2,184</u>	<u>2,186</u>	<u>2,181</u>	<u>2,187</u>
Earnings per share:				
Basic	<u>\$ 3.14</u>	<u>\$ 2.18</u>	<u>\$ 12.08</u>	<u>\$ 14.25</u>
Diluted	<u>\$ 3.06</u>	<u>\$ 2.13</u>	<u>\$ 11.81</u>	<u>\$ 13.90</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended December 31,					
	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)	\$ 1,816,754	\$ 20,180	4.44 %	\$ 2,009,174	\$ 22,716	4.52 %
Securities (3) (4)	52,513	415	3.16	53,603	499	3.72
Federal Reserve and other short-term investments	353,393	1,170	1.32	237,371	1,347	2.27
Total interest-earning assets	<u>2,222,660</u>	<u>21,765</u>	<u>3.92</u>	<u>2,300,148</u>	<u>24,562</u>	<u>4.27</u>
Other assets	36,854			37,433		
Total assets	<u>\$ 2,259,514</u>			<u>\$ 2,337,581</u>		
Interest-bearing deposits (5)	\$ 1,334,198	3,282	0.98	\$ 1,469,637	5,777	1.57
Borrowed funds	555,953	1,878	1.35	430,121	2,716	2.53
Total interest-bearing liabilities	<u>1,890,151</u>	<u>5,160</u>	<u>1.09</u>	<u>1,899,758</u>	<u>8,493</u>	<u>1.79</u>
Demand deposits	180,088			218,621		
Other liabilities	4,819			6,606		
Total liabilities	<u>2,075,058</u>			<u>2,124,985</u>		
Stockholders' equity	184,456			212,596		
Total liabilities and stockholders' equity	<u>\$ 2,259,514</u>			<u>\$ 2,337,581</u>		
Net interest income		<u>\$ 16,605</u>			<u>\$ 16,069</u>	
Weighted average spread			<u>2.83 %</u>			<u>2.48 %</u>
Net interest margin (6)			<u>2.99 %</u>			<u>2.79 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>117.59 %</u>			<u>121.08 %</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

	Twelve Months Ended December 31,					
	2017			2018		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,711,152	\$ 75,843	4.43 %	\$ 1,941,159	\$ 87,022	4.48 %
Securities (3) (4)	50,036	1,531	3.06	53,055	1,986	3.74
Federal Reserve and other short-term investments	329,415	3,685	1.12	276,000	5,161	1.87
Total interest-earning assets	2,090,603	81,059	3.88	2,270,214	94,169	4.15
Other assets	35,662			38,357		
Total assets	\$ 2,126,265			\$ 2,308,571		
Interest-bearing deposits (5)	\$ 1,273,420	11,366	0.89	\$ 1,440,383	18,979	1.32
Borrowed funds	507,457	5,895	1.16	463,726	9,405	2.03
Total interest-bearing liabilities	1,780,877	17,261	0.97	1,904,109	28,384	1.49
Demand deposits	165,839			196,048		
Other liabilities	4,665			5,369		
Total liabilities	1,951,381			2,105,526		
Stockholders' equity	174,884			203,045		
Total liabilities and stockholders' equity	\$ 2,126,265			\$ 2,308,571		
Net interest income		\$ 63,798			\$ 65,785	
Weighted average spread			2.91 %			2.66 %
Net interest margin (6)			3.05 %			2.90 %
Average interest-earning assets to average interest-bearing liabilities (7)			117.39 %			119.23 %

- (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.