



PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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HINGHAM REPORTS FIRST QUARTER 2019 RESULTS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced earnings for the quarter ended March 31, 2019.

Net income for the quarter ended March 31, 2019 was \$9,824,000 or \$4.61 per share basic and \$4.50 per share diluted, as compared to \$8,912,000 or \$4.18 per share basic and \$4.08 per share diluted for the same period last year. The Bank's annualized return on average equity for the first quarter of 2019 was 17.98%, and the annualized return on average assets was 1.64%, as compared to 18.56% and 1.56% for the same period last year. Net income per share (diluted) for the first quarter of 2019 increased by 10% compared to the same period in 2018.

Excluding the after-tax gains and losses on securities, both realized and unrealized, core net income for the quarter ended March 31, 2019 was \$7,587,000 or \$3.56 per share basic and \$3.48 per share diluted, as compared to \$8,159,000 or \$3.83 per share basic and \$3.73 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first quarter of 2019 was 13.89% and the annualized core return on average assets was 1.26%, as compared to 16.99% and 1.43% for the same period last year. Core net income per share (diluted) for the first quarter of 2019 decreased by 7% over the same period in 2018.

Growth in the first quarter of 2019 was mixed, with a decline in total deposits combined with strong loan growth. Deposits decreased to \$1.555 billion at March 31, 2019, representing a 5% annualized decline year-to-date and 2% growth from March 31, 2018. This reflected a decline in wholesale deposits and retail interest-bearing deposits, partially offset by growth in non-interest-bearing business deposits. Net loans increased to \$2.092 billion, representing 17% annualized growth year-to-date and 12% growth from March 31, 2018. Total assets increased to \$2.497 billion, representing 15% annualized growth year-to-date and 11% growth from March 31, 2018. Book value per share was \$103.89 as of March 31, 2019, representing 17% annualized growth year-to-date and 14% growth from March 31, 2018. In addition to the increase in book value per share, the Bank declared \$1.96 in dividends per share since March 31, 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 each of the last four quarters.

Key credit and operational metrics remained strong in the first quarter. At March 31, 2019, non-performing assets totaled 0.02% of total assets, compared to 0.02% at December 31, 2018 and 0.08% at March 31, 2018. Non-performing loans as a percentage of the total loan portfolio totaled 0.03% at March 31, 2019, compared to 0.02% at December 31, 2018 and 0.10% at March 31, 2018. The Bank recorded \$1,000 of net charge-offs for the first three months of 2019, as compared to \$1,000 of net recoveries for the same period last year. At March 31, 2019, December 31, 2018, and March 31, 2018 the Bank did not own any foreclosed property. The efficiency ratio increased to 31.86% for the first quarter of 2019, as compared to 30.41% for the same period last year. Operating expenses as a percentage of average assets fell to 0.86% in the first quarter of 2019, as compared to 0.89% for the same period last year. These metrics reflect the Bank's disciplined focus on credit quality and expense management.

Chairman Robert H. Gaughen Jr. stated, "Although returns on equity and assets were adequate in the first quarter of 2019, we continue to face significant headwinds from a flattening yield curve and an extraordinarily competitive market for both high-quality lending and deposit relationships. There is a natural temptation in our industry to compromise on credit quality to obtain higher yields and achieve growth. We must continue to resist this temptation. As always, we remain focused on careful capital allocation, defensive underwriting, and disciplined cost control - the keys to compounding shareholder capital through all stages of the credit cycle.

We also are devoting increased focus to our commercial deposit business through our Specialized Deposit Group, which provides our commercial, institutional, and nonprofit customers with dedicated single point-of-contact relationship managers to handle all of their deposit needs. This relationship business offsets our traditional reliance on Federal Home Loan Bank and wholesale funding."

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

<i>(Unaudited)</i>	Three Months Ended	
	March 31,	
	2018	2019
Key Performance Ratios		
Return on average assets (1)	1.56 %	1.64 %
Return on average equity (1)	18.56	17.98
Core return on average assets (1) (5)	1.43	1.26
Core return on average equity (1) (5)	16.99	13.89
Interest rate spread (1) (2)	2.75	2.36
Net interest margin (1) (3)	2.93	2.68
Operating expenses to average assets (1)	0.89	0.86
Efficiency ratio (4)	30.41	31.86
Average equity to average assets	8.41	9.10
Average interest-earning assets to average interest bearing liabilities	117.83	120.54

<i>(Unaudited)</i>	March 31, 2018	December 31, 2018	March 31, 2019	
	Asset Quality Ratios			
	Allowance for loan losses/total loans	0.68 %	0.68 %	0.68 %
Allowance for loan losses/non-performing loans	691.27	2,852.89	2,280.77	
Non-performing loans/total loans	0.10	0.02	0.03	
Non-performing loans/total assets	0.08	0.02	0.02	
Non-performing assets/total assets	0.08	0.02	0.02	
Share Related				
Book value per share	\$ 91.14	\$ 99.67	\$ 103.89	
Market value per share	\$ 206.00	\$ 197.74	\$ 172.01	
Shares outstanding at end of period	2,132,750	2,132,750	2,133,750	

- (1) Annualized.
- (2) Interest rate spread represents the difference between the yield on interest-earning assets and the 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, 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>(In thousands, except share amounts)</i> <i>(Unaudited)</i>	March 31, 2018	December 31, 2018	March 31, 2019
ASSETS			
Cash and due from banks	\$ 8,901	\$ 8,004	\$ 7,433
Federal Reserve and other short-term investments	262,367	287,971	286,333
Cash and cash equivalents	271,268	295,975	293,766
CRA investment	7,724	7,680	7,776
Debt securities available for sale	17	14	13
Other marketable equity securities	30,089	30,766	34,935
Securities, at fair value	37,830	38,460	42,724
Federal Home Loan Bank stock, at cost	24,530	28,696	30,617
Loans, net of allowance for loan losses of \$12,823 at March 31, 2018, \$13,808 at December 31, 2018 and \$14,232 at March 31, 2019	1,872,114	2,009,288	2,092,313
Foreclosed assets	—	—	—
Bank-owned life insurance	12,289	12,476	12,542
Premises and equipment, net	13,947	14,553	14,388
Accrued interest receivable	4,240	4,581	5,180
Deferred income tax asset, net	1,103	2,258	1,626
Other assets	2,816	2,300	4,233
Total assets	\$ 2,240,137	\$ 2,408,587	\$ 2,497,389
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits	\$ 1,345,639	\$ 1,359,581	\$ 1,327,451
Non-interest-bearing deposits	186,169	213,573	227,872
Total deposits	1,531,808	1,573,154	1,555,323
Federal Home Loan Bank advances	499,124	606,600	702,100
Mortgage payable	797	751	735
Mortgagors' escrow accounts	6,551	7,402	7,201
Accrued interest payable	774	2,187	2,086
Other liabilities	6,695	5,917	8,263
Total liabilities	2,045,749	2,196,011	2,275,708
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 at March 31 and December 31, 2018 and 2,133,750 shares issued and outstanding at March 31, 2019	2,133	2,133	2,134
Additional paid-in capital	11,794	11,863	11,954
Undivided profits	180,461	198,580	207,593
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	194,388	212,576	221,681
Total liabilities and stockholders' equity	\$ 2,240,137	\$ 2,408,587	\$ 2,497,389

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended March 31,	
	2018	2019
<i>(In thousands, except per share amounts)</i>		
<i>(Unaudited)</i>		
Interest and dividend income:		
Loans	\$ 20,417	\$ 23,080
Equity securities	479	489
Federal Reserve and other short-term investments	1,241	1,560
Total interest and dividend income	22,137	25,129
Interest expense:		
Deposits	3,567	6,146
Federal Home Loan Bank advances	2,093	3,128
Mortgage payable	12	11
Total interest expense	5,672	9,285
Net interest income	16,465	15,844
Provision for loan losses	285	425
Net interest income, after provision for loan losses	16,180	15,419
Other income:		
Customer service fees on deposits	206	186
Increase in cash surrender value of bank-owned life insurance	68	67
Gain on equity securities, net	966	2,869
Miscellaneous	44	40
Total other income	1,284	3,162
Operating expenses:		
Salaries and employee benefits	3,212	3,147
Occupancy and equipment	466	454
Data processing	341	434
Deposit insurance	273	243
Foreclosure	5	23
Marketing	167	132
Other general and administrative	639	709
Total operating expenses	5,103	5,142
Income before income taxes	12,361	13,439
Income tax provision	3,449	3,615
Net income	\$ 8,912	\$ 9,824
Cash dividends declared per common share	\$ 0.34	\$ 0.38
Weighted average shares outstanding:		
Basic	2,133	2,133
Diluted	2,186	2,182
Earnings per share:		
Basic	\$ 4.18	\$ 4.61
Diluted	\$ 4.08	\$ 4.50

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

Three Months Ended March 31,

	2018			2019		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,866,138	\$ 20,417	4.38 %	\$ 2,048,387	\$ 23,080	4.51 %
Securities (3) (4)	53,517	479	3.58	54,873	489	3.56
Federal Reserve and other short-term investments	326,375	1,241	1.52	260,176	1,560	2.40
Total interest-earning assets	2,246,030	22,137	3.94	2,363,436	25,129	4.25
Other assets	38,003			39,122		
Total assets	<u>\$ 2,284,033</u>			<u>\$ 2,402,558</u>		
Interest-bearing deposits (5)	\$ 1,362,569	3,567	1.05	\$ 1,485,540	6,146	1.65
Borrowed funds	543,607	2,105	1.55	475,213	3,139	2.64
Total interest-bearing liabilities	1,906,176	5,672	1.19	1,960,753	9,285	1.89
Demand deposits	180,375			215,115		
Other liabilities	5,381			8,128		
Total liabilities	2,091,932			2,183,996		
Stockholders' equity	192,101			218,562		
Total liabilities and stockholders' equity	<u>\$ 2,284,033</u>			<u>\$ 2,402,558</u>		
Net interest income		<u>\$ 16,465</u>			<u>\$ 15,844</u>	
Weighted average spread			<u>2.75 %</u>			<u>2.36 %</u>
Net interest margin (6)			<u>2.93 %</u>			<u>2.68 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)		<u>117.83 %</u>			<u>120.54 %</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.