



PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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HINGHAM REPORTS SECOND QUARTER 2019 RESULTS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced second quarter results for 2019.

Net income for the quarter ended June 30, 2019 was \$8,706,000 or \$4.08 per share basic and \$3.99 per share diluted, as compared to \$7,975,000 or \$3.74 per share basic and \$3.64 per share diluted for the same period last year. The Bank's annualized return on average equity for the second quarter of 2019 was 15.32%, and the annualized return on average assets was 1.37%, as compared to 15.97% and 1.40% for the same period in 2018. Net income per share (diluted) for the second quarter of 2019 increased 10% over the same period of 2018.

Excluding the after-tax gains and losses on securities, both realized and unrealized, core net income for the second quarter of 2019 was \$7,794,000 or \$3.65 per share basic and \$3.57 per share diluted, as compared to \$8,147,000 or \$3.82 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 second quarter of 2019 was 13.71%, and the annualized core return on average assets was 1.23%, as compared to 16.31% and 1.43% for the same period in 2018. Core net income per share (diluted) for the second quarter of 2019 declined by 4% over the same period in 2018.

Net income for the six months ended June 30, 2019 was \$18,530,000 or \$8.69 per share basic and \$8.49 per share diluted, as compared to \$16,887,000 or \$7.92 per share basic and \$7.72 per share diluted for the same period last year. The Bank's annualized return on average equity for the first six months of 2019 was 16.62%, and the annualized return on average assets was 1.50%, as compared to 17.24% and 1.48% for the same period last year. Net income per share (diluted) for the first six months of 2019 increased 10% over the same period in 2018.

Excluding the after-tax gains on securities, both realized and unrealized, core net income for the six months ended June 30, 2019 was \$15,381,000 or \$7.21 per share basic and \$7.05 per share diluted, as compared to \$16,305,000 or \$7.65 per share basic and \$7.46 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first six months of 2019 was 13.80% and the annualized core return on average assets was 1.25%, as compared to 16.64% and 1.43% for the

same period last year. Core net income per share (diluted) for the first six months of 2019 declined by 5% over the same period in 2018.

Balance sheet growth was mixed, as deposits increased to \$1.658 billion at June 30, 2019, representing 11% annualized growth year-to-date and 1% growth from June 30, 2018. The growth during the first half of 2019 reflected moderate growth in retail and business deposits as well as the use of wholesale deposits to fund balance sheet growth. Net loans increased to \$2.171 billion, representing 16% annualized growth year-to-date and 12% growth from June 30, 2018. Total assets increased to \$2.614 billion, representing 17% annualized growth year-to-date and 13% growth from June 30, 2018. Book value per share was \$107.59 as of June 30, 2019, representing 16% annualized growth year-to-date and 14% growth from June 30, 2018. In addition to the increase in book value per share, the Bank declared \$2.00 in dividends per share since June 30, 2018, including a special dividend of \$0.50 per share declared during the fourth quarter of 2018.

Key credit and operational metrics remained strong in the second quarter. At June 30, 2019, non-performing assets totaled 0.02% of total assets, compared to 0.02% at December 31, 2018 and 0.05% at June 30, 2018. Non-performing loans as a percentage of the total loan portfolio totaled 0.03% at June 30, 2019, compared to 0.02% at December 31, 2018 and 0.06% at June 30, 2018. The Bank recorded \$1,000 in net charge-offs for the first six months of 2019, as compared to zero net charge-offs for the same period last year. At June 30, 2019, December 31 and June 30, 2018, the Bank did not own any foreclosed property. The efficiency ratio was 31.10% for the second quarter of 2019, as compared to 29.95% for the same period last year. Operating expenses as a percentage of average assets fell to 0.82% in the second quarter of 2019, as compared to 0.88% for the same period last year.

Chairman Robert H. Gaughen Jr. stated, “Although returns on equity and assets were adequate in the second quarter of 2019, we continue to face significant headwinds from a now-inverted yield curve and an extraordinarily competitive market for both high-quality lending and deposit relationships. Given the unique structure and composition of our balance sheet, this is a particularly challenging environment. 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.”

The Bank’s quarterly financial results are summarized in the earnings release, but shareholders are encouraged to read the Bank’s quarterly reports on Form 10-Q, which are generally available several weeks after the earnings release. The Bank expects to file Form 10-Q for the second quarter of 2019 with the FDIC on or about August 7th, 2019.

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 maintains a commercial lending office in Washington, D.C.

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,	
	2018	2019	2018	2019
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.40 %	1.37 %	1.48 %	1.50 %
Return on average equity (1)	15.97	15.32	17.24	16.62
Core return on average assets (1) (5)	1.43	1.23	1.43	1.25
Core return on average equity (1) (5)	16.31	13.71	16.64	13.80
Interest rate spread (1) (2)	2.72	2.28	2.74	2.32
Net interest margin (1) (3)	2.94	2.62	2.94	2.65
Operating expenses to average assets (1)	0.88	0.82	0.89	0.84
Efficiency ratio (4)	29.95	31.10	30.18	31.47
Average equity to average assets	8.74	8.97	8.58	9.03
Average interest-earning assets to average interest-bearing liabilities	118.57	119.92	118.20	120.22

	June 30,	December 31,	June 30,
	2018	2018	2019
	<i>(Unaudited)</i>		
Asset Quality Ratios			
Allowance for loan losses/total loans	0.68 %	0.68 %	0.68
Allowance for loan losses/non-performing loans	1,064.92	2,852.89	2,130.47
Non-performing loans/total loans	0.06	0.02	0.03
Non-performing loans/total assets	0.05	0.02	0.02
Non-performing assets/total assets	0.05	0.02	0.02

Share Related			
Book value per share	\$ 94.55	\$ 99.67	\$ 107.59
Market value per share	\$ 219.70	\$ 197.74	\$ 198.01
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 (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>(In thousands, except share amounts)</i> <i>(Unaudited)</i>	<u>June 30, 2018</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>
ASSETS			
Cash and due from banks	\$ 9,342	\$ 8,004	\$ 9,951
Federal Reserve and other short-term investments	265,695	287,971	318,356
Cash and cash equivalents	<u>275,037</u>	<u>295,975</u>	<u>328,307</u>
CRA investment	7,665	7,680	7,888
Debt securities available for sale	16	14	12
Other marketable equity securities	30,328	30,766	36,960
Securities, at fair value	<u>38,009</u>	<u>38,460</u>	<u>44,860</u>
Federal Home Loan Bank stock, at cost	24,530	28,696	31,231
Loans, net of allowance for loan losses of \$13,237 at June 30, 2018, \$13,808 at December 31, 2018 and \$14,787 at June 30, 2019	1,933,915	2,009,288	2,171,130
Foreclosed assets	—	—	—
Bank-owned life insurance	12,349	12,476	12,600
Premises and equipment, net	14,479	14,553	14,410
Accrued interest receivable	4,630	4,581	5,691
Deferred income tax asset, net	1,165	2,258	1,368
Other assets	3,505	2,300	4,874
Total assets	<u>\$ 2,307,619</u>	<u>\$ 2,408,587</u>	<u>\$ 2,614,471</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits	\$ 1,453,401	\$ 1,359,581	\$ 1,429,998
Non-interest-bearing deposits	192,918	213,573	228,306
Total deposits	<u>1,646,319</u>	<u>1,573,154</u>	<u>1,658,304</u>
Federal Home Loan Bank advances	446,283	606,600	710,300
Mortgage payable	782	751	720
Mortgagors' escrow accounts	6,659	7,402	7,274
Accrued interest payable	1,233	2,187	1,991
Other liabilities	4,697	5,917	6,302
Total liabilities	<u>2,105,973</u>	<u>2,196,011</u>	<u>2,384,891</u>
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 June 30 and December 31, 2018 and 2,133,750 shares issued and outstanding at June 30, 2019	2,133	2,133	2,134
Additional paid-in capital	11,822	11,863	11,980
Undivided profits	187,691	198,580	215,466
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	<u>201,646</u>	<u>212,576</u>	<u>229,580</u>
Total liabilities and stockholders' equity	<u>\$ 2,307,619</u>	<u>\$ 2,408,587</u>	<u>\$ 2,614,471</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2019	2018	2019
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 21,366	\$ 24,816	\$ 41,783	\$ 47,896
Equity securities	505	496	984	985
Federal Reserve and other short-term investments	1,256	1,629	2,497	3,189
Total interest and dividend income	23,127	26,941	45,264	52,070
Interest expense:				
Deposits	4,344	7,074	7,911	13,220
Federal Home Loan Bank advances	2,266	3,539	4,359	6,667
Mortgage payable	12	11	24	22
Total interest expense	6,622	10,624	12,294	19,909
Net interest income	16,505	16,317	32,970	32,161
Provision for loan losses	415	555	700	980
Net interest income, after provision for loan losses	16,090	15,762	32,270	31,181
Other income:				
Customer service fees on deposits	216	199	422	385
Increase in bank-owned life insurance	60	57	128	124
Gain (loss) on equity securities, net	(220)	1,170	746	4,039
Miscellaneous	43	43	87	83
Total other income	99	1,469	1,383	4,631
Operating expenses:				
Salaries and employee benefits	3,176	3,177	6,388	6,324
Occupancy and equipment	426	447	892	901
Data processing	348	301	689	735
Deposit insurance	226	265	499	508
Foreclosure	(13)	44	(8)	67
Marketing	182	177	349	309
Other general and administrative	694	756	1,333	1,465
Total operating expenses	5,039	5,167	10,142	10,309
Income before income taxes	11,150	12,064	23,511	25,503
Income tax provision	3,175	3,358	6,624	6,973
Net income	\$ 7,975	\$ 8,706	\$ 16,887	\$ 18,530
Cash dividends declared per share	\$ 0.35	\$ 0.39	\$ 0.69	\$ 0.77
Weighted average shares outstanding:				
Basic	2,133	2,134	2,133	2,133
Diluted	2,187	2,182	2,186	2,182
Earnings per share:				
Basic	\$ 3.74	\$ 4.08	\$ 7.92	\$ 8.69
Diluted	\$ 3.64	\$ 3.99	\$ 7.72	\$ 8.49

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended June 30,					
	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)	\$ 1,913,404	\$ 21,366	4.47 %	\$ 2,161,278	\$ 24,816	4.59 %
Securities (3) (4)	52,941	505	3.82	58,311	496	3.40
Federal Reserve and other short-term investments	278,434	1,256	1.80	272,453	1,629	2.39
Total interest-earning assets	2,244,779	23,127	4.12	2,492,042	26,941	4.32
Other assets	39,619			41,700		
Total assets	\$ 2,284,398			\$ 2,533,742		
Interest-bearing deposits (5)	\$ 1,423,682	4,344	1.22	\$ 1,543,247	7,074	1.83
Borrowed funds	469,476	2,278	1.94	534,809	3,550	2.66
Total interest-bearing liabilities	1,893,158	6,622	1.40	2,078,056	10,624	2.04
Demand deposits	186,919			221,051		
Other liabilities	4,555			7,271		
Total liabilities	2,084,632			2,306,378		
Stockholders' equity	199,766			227,364		
Total liabilities and stockholders' equity	\$ 2,284,398			\$ 2,533,742		
Net interest income		\$ 16,505			\$ 16,317	
Weighted average spread			2.72 %			2.28 %
Net interest margin (6)			2.94 %			2.62 %
Average interest-earning assets to average interest-bearing liabilities (7)	118.57 %			119.92 %		

- (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,					
	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)	\$ 1,889,901	\$ 41,783	4.42 %	\$ 2,105,144	\$ 47,896	4.55 %
Securities (3) (4)	53,228	984	3.70	56,602	985	3.48
Federal Reserve and other short-term investments	302,272	2,497	1.65	266,348	3,189	2.39
Total interest-earning assets	<u>2,245,401</u>	<u>45,264</u>	<u>4.03</u>	<u>2,428,094</u>	<u>52,070</u>	<u>4.29</u>
Other assets	38,815			40,418		
Total assets	<u>\$ 2,284,216</u>			<u>\$ 2,468,512</u>		
Interest-bearing deposits (5)	\$ 1,393,294	7,911	1.14	\$ 1,514,553	13,220	1.75
Borrowed funds	506,337	4,383	1.73	505,176	6,689	2.65
Total interest-bearing liabilities	<u>1,899,631</u>	<u>12,294</u>	<u>1.29</u>	<u>2,019,729</u>	<u>19,909</u>	<u>1.97</u>
Demand deposits	183,665			218,099		
Other liabilities	4,965			7,697		
Total liabilities	<u>2,088,261</u>			<u>2,245,525</u>		
Stockholders' equity	195,955			222,987		
Total liabilities and stockholders' equity	<u>\$ 2,284,216</u>			<u>\$ 2,468,512</u>		
Net interest income		<u>\$ 32,970</u>			<u>\$ 32,161</u>	
Weighted average spread			<u>2.74 %</u>			<u>2.32 %</u>
Net interest margin (6)			<u>2.94 %</u>			<u>2.65 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)	<u>118.20 %</u>			<u>120.22 %</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.