



PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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HINGHAM REPORTS THIRD QUARTER 2019 RESULTS

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

Net income for the quarter ended September 30, 2019 was \$9,033,000 or \$4.23 per share basic and \$4.14 per share diluted, as compared to \$8,848,000 or \$4.15 per share basic and \$4.05 per share diluted for the same period last year. The Bank's annualized return on average equity for the third quarter of 2019 was 15.33%, and the annualized return on average assets was 1.40%, as compared to 17.06% and 1.52% for the same period in 2018. Net income per share (diluted) for the third quarter of 2019 increased by 2% over the same period of 2018.

Excluding the after-tax gains and losses on securities, both realized and unrealized, core net income for the third quarter of 2019 was \$8,801,000 or \$4.12 per share basic and \$4.03 per share diluted, as compared to \$8,424,000 or \$3.95 per share basic and \$3.85 per share diluted for the same period last year. The Bank's annualized core return on average equity for the third quarter of 2019 was 14.94%, and the annualized core return on average assets was 1.37%, as compared to 16.24% and 1.45% for the same period in 2018. Core net income per share (diluted) for the third quarter of 2019 increased by 5% over the same period in 2018.

Net income for the nine months ended September 30, 2019 was \$27,563,000 or \$12.92 per share basic and \$12.63 per share diluted, as compared to \$25,735,000 or \$12.07 per share basic and \$11.77 per share diluted for the same period last year. The Bank's annualized return on average equity for the first nine months of 2019 was 16.17%, and the annualized return on average assets was 1.47%, as compared to 17.17% and 1.49% for the same period last year. Net income per share (diluted) for the first nine months of 2019 increased by 7% over the same period in 2018.

Excluding the after-tax gains and losses on securities, both realized and unrealized, core net income for the nine months ended September 30, 2019 was \$24,182,000 or \$11.33 per share basic and \$11.08 per share diluted, as compared to \$24,729,000 or \$11.60 per share basic and \$11.31 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first nine months of 2019 was 14.19% and the annualized core return on average assets was 1.29%, as compared

to 16.50% and 1.43% for the same period last year. Core net income per share (diluted) for the first nine months of 2019 declined by 2% over the same period in 2018.

Balance sheet growth was mixed, as deposits were \$1.706 billion at September 30, 2019, representing 11% annualized growth year-to-date and 1% decline from September 30, 2018. The growth during the first nine months of 2019 reflected strong growth in retail and business deposits. The decline over the trailing year was driven by a substantial decline in wholesale deposits, offset by growth in retail and business deposits. Net loans were \$2.141 billion at September 30, 2019, representing 9% annualized growth year-to-date and 8% growth from September 30, 2018. Total assets were \$2.480 billion, representing 4% annualized growth year-to-date and 5% growth from September 30, 2018. During the third quarter of 2019, the Bank used a portion of its cash balances to reduce outstanding Federal Home Loan Bank advances and brokered time deposits, in order to minimize the carrying cost of its on-balance sheet liquidity. Book value per share was \$111.47 as of September 30, 2019, representing 16% annualized growth year-to-date and 13% growth from September 30, 2018. In addition to the increase in book value per share, the Bank declared \$2.04 in dividends per share since September 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 third quarter of 2019. At September 30, 2019, non-performing assets totaled 0.05% of total assets, compared to 0.02% at December 31, 2018 and 0.02% at September 30, 2018. Non-performing loans as a percentage of the total loan portfolio totaled 0.06% at September 30, 2019, compared to 0.02% at December 31, 2018 and 0.02% at September 30, 2018. The Bank recorded \$1,000 in net recoveries for both the first nine months of 2019 and 2018. At September 30, 2019, December 31 and September 30, 2018, the Bank did not own any foreclosed property. The efficiency ratio was 29.28% for the third quarter of 2019, as compared to 29.17% for the same period last year. Operating expenses as a percentage of average assets fell to 0.81% in the third quarter of 2019, as compared to 0.86% for the same period last year.

Chairman Robert H. Gaughen, Jr. stated, “Although returns on equity and assets were adequate in the third 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 third quarter of 2019 with the FDIC on or about November 5, 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		Nine Months Ended	
	September 30,		September 30,	
	2018	2019	2018	2019
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.52 %	1.40 %	1.49 %	1.47 %
Return on average equity (1)	17.06	15.33	17.17	16.17
Core return on average assets (1) (5)	1.45	1.37	1.43	1.29
Core return on average equity (1) (5)	16.24	14.94	16.50	14.19
Interest rate spread (1) (2)	2.67	2.42	2.72	2.36
Net interest margin (1) (3)	2.93	2.77	2.93	2.69
Operating expenses to average assets (1)	0.86	0.81	0.88	0.83
Efficiency ratio (4)	29.17	29.28	29.84	30.70
Average equity to average assets	8.91	9.16	8.69	9.08
Average interest-earning assets to average interest-bearing liabilities	119.39	120.49	118.61	120.31

	September 30,	December 31,	September 30,
	2018	2018	2019
<i>(Unaudited)</i>			
Asset Quality Ratios			
Allowance for loan losses/total loans	0.68 %	0.68 %	0.70 %
Allowance for loan losses/non-performing loans	2,807.44	2,852.89	1,138.01
Non-performing loans/total loans	0.02	0.02	0.06
Non-performing loans/total assets	0.02	0.02	0.05
Non-performing assets/total assets	0.02	0.02	0.05
Share Related			
Book value per share	\$ 98.35	\$ 99.67	\$ 111.47
Market value per share	\$ 219.81	\$ 197.74	\$ 189.00
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>	<u>September 30, 2018</u>	<u>December 31, 2018</u>	<u>September 30, 2019</u>
ASSETS			
Cash and due from banks	\$ 10,043	\$ 8,004	\$ 10,233
Federal Reserve and other short-term investments	286,449	287,971	221,022
Cash and cash equivalents	<u>296,492</u>	<u>295,975</u>	<u>231,255</u>
CRA investment	7,605	7,680	7,948
Debt securities available for sale	15	14	11
Other marketable equity securities	32,099	30,766	38,981
Securities, at fair value	<u>39,719</u>	<u>38,460</u>	<u>46,940</u>
Federal Home Loan Bank stock, at cost	21,682	28,696	23,615
Loans, net of allowance for loan losses of \$13,588 at September 30, 2018, \$13,808 at December 31, 2018 and \$15,090 at September 30, 2019	1,976,422	2,009,288	2,140,514
Foreclosed assets	—	—	—
Bank-owned life insurance	12,414	12,476	12,661
Premises and equipment, net	14,458	14,553	14,339
Accrued interest receivable	5,066	4,581	4,912
Deferred income tax asset, net	1,128	2,258	1,303
Other assets	2,981	2,300	4,833
Total assets	<u>\$ 2,370,362</u>	<u>\$ 2,408,587</u>	<u>\$ 2,480,372</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits	\$ 1,494,193	\$ 1,359,581	\$ 1,474,113
Non-interest-bearing deposits	220,943	213,573	231,616
Total deposits	<u>1,715,136</u>	<u>1,573,154</u>	<u>1,705,729</u>
Federal Home Loan Bank advances	431,242	606,600	519,900
Mortgage payable	766	751	703
Mortgagors' escrow accounts	6,901	7,402	7,544
Accrued interest payable	1,687	2,187	2,198
Other liabilities	4,883	5,917	6,445
Total liabilities	<u>2,160,615</u>	<u>2,196,011</u>	<u>2,242,519</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 September 30 and December 31, 2018 and 2,133,750 shares issued and outstanding at September 30, 2019	2,133	2,133	2,134
Additional paid-in capital	11,843	11,863	12,073
Undivided profits	195,771	198,580	223,646
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	<u>209,747</u>	<u>212,576</u>	<u>237,853</u>
Total liabilities and stockholders' equity	<u>\$ 2,370,362</u>	<u>\$ 2,408,587</u>	<u>\$ 2,480,372</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2019	2018	2019
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 22,523	\$ 26,153	\$ 64,306	\$ 74,049
Equity securities	503	518	1,487	1,503
Federal Reserve and other short-term investments	1,317	1,527	3,814	4,716
Total interest and dividend income	<u>24,343</u>	<u>28,198</u>	<u>69,607</u>	<u>80,268</u>
Interest expense:				
Deposits	5,291	7,585	13,202	20,805
Federal Home Loan Bank advances	2,294	3,099	6,653	9,766
Mortgage payable	12	11	36	33
Total interest expense	<u>7,597</u>	<u>10,695</u>	<u>19,891</u>	<u>30,604</u>
Net interest income	16,746	17,503	49,716	49,664
Provision for loan losses	350	302	1,050	1,282
Net interest income, after provision for loan losses	<u>16,396</u>	<u>17,201</u>	<u>48,666</u>	<u>48,382</u>
Other income:				
Customer service fees on deposits	216	213	638	598
Increase in bank-owned life insurance	65	61	193	185
Gain on equity securities, net	544	298	1,290	4,337
Miscellaneous	42	42	129	125
Total other income	<u>867</u>	<u>614</u>	<u>2,250</u>	<u>5,245</u>
Operating expenses:				
Salaries and employee benefits	3,146	3,290	9,534	9,614
Occupancy and equipment	421	453	1,313	1,354
Data processing	353	419	1,042	1,154
Deposit insurance	258	22	757	530
Foreclosure	(33)	34	(41)	101
Marketing	139	188	488	497
Other general and administrative	695	811	2,028	2,276
Total operating expenses	<u>4,979</u>	<u>5,217</u>	<u>15,121</u>	<u>15,526</u>
Income before income taxes	12,284	12,598	35,795	38,101
Income tax provision	3,436	3,565	10,060	10,538
Net income	<u>\$ 8,848</u>	<u>\$ 9,033</u>	<u>\$ 25,735</u>	<u>\$ 27,563</u>
Cash dividends declared per share	<u>\$ 0.36</u>	<u>\$ 0.40</u>	<u>\$ 1.05</u>	<u>\$ 1.17</u>
Weighted average shares outstanding:				
Basic	<u>2,133</u>	<u>2,134</u>	<u>2,133</u>	<u>2,133</u>
Diluted	<u>2,188</u>	<u>2,183</u>	<u>2,187</u>	<u>2,182</u>
Earnings per share:				
Basic	<u>\$ 4.15</u>	<u>\$ 4.23</u>	<u>\$ 12.07</u>	<u>\$ 12.92</u>
Diluted	<u>\$ 4.05</u>	<u>\$ 4.14</u>	<u>\$ 11.77</u>	<u>\$ 12.63</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended September 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)	\$ 1,973,987	\$ 22,523	4.56 %	\$ 2,191,324	\$ 26,153	4.77 %
Securities (3) (4)	52,166	503	3.86	58,133	518	3.56
Federal Reserve and other short-term investments	262,943	1,317	2.00	279,802	1,527	2.18
Total interest-earning assets	2,289,096	24,343	4.25	2,529,259	28,198	4.46
Other assets	38,380			43,578		
Total assets	\$ 2,327,476			\$ 2,572,837		
Interest-bearing deposits (5)	\$ 1,503,771	5,291	1.41	\$ 1,616,151	7,585	1.88
Borrowed funds	413,497	2,306	2.23	482,975	3,110	2.58
Total interest-bearing liabilities	1,917,268	7,597	1.58	2,099,126	10,695	2.04
Demand deposits	197,838			230,505		
Other liabilities	4,927			7,514		
Total liabilities	2,120,033			2,337,145		
Stockholders' equity	207,443			235,692		
Total liabilities and stockholders' equity	\$ 2,327,476			\$ 2,572,837		
Net interest income		\$ 16,746			\$ 17,503	
Weighted average spread			2.67 %			2.42 %
Net interest margin (6)			2.93 %			2.77 %
Average interest-earning assets to average interest-bearing liabilities (7)	119.39 %			120.49 %		

- (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,					
	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)	\$ 1,918,239	\$ 64,306	4.47 %	\$ 2,134,186	\$ 74,049	4.63 %
Securities (3) (4)	52,870	1,487	3.75	57,118	1,503	3.51
Federal Reserve and other short-term investments	289,018	3,814	1.76	270,882	4,716	2.32
Total interest-earning assets	<u>2,260,127</u>	<u>69,607</u>	<u>4.11</u>	<u>2,462,186</u>	<u>80,268</u>	<u>4.35</u>
Other assets	38,668			41,483		
Total assets	<u>\$ 2,298,795</u>			<u>\$ 2,503,669</u>		
Interest-bearing deposits (5)	\$ 1,430,524	13,202	1.23	\$ 1,548,791	20,805	1.79
Borrowed funds	475,050	6,689	1.88	497,694	9,799	2.63
Total interest-bearing liabilities	<u>1,905,574</u>	<u>19,891</u>	<u>1.39</u>	<u>2,046,485</u>	<u>30,604</u>	<u>1.99</u>
Demand deposits	188,441			222,280		
Other liabilities	4,954			7,635		
Total liabilities	<u>2,098,969</u>			<u>2,276,400</u>		
Stockholders' equity	199,826			227,269		
Total liabilities and stockholders' equity	<u>\$ 2,298,795</u>			<u>\$ 2,503,669</u>		
Net interest income		<u>\$ 49,716</u>			<u>\$ 49,664</u>	
Weighted average spread			<u>2.72 %</u>			<u>2.36 %</u>
Net interest margin (6)			<u>2.93 %</u>			<u>2.69 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)	<u>118.61 %</u>			<u>120.31 %</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.