



PRESS RELEASE

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

DATE: January 16, 2020

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

HINGHAM REPORTS 2019 RESULTS

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

Net income for the year ended December 31, 2019 was \$38,927,000 or \$18.24 per share basic and \$17.83 per share diluted, as compared to \$30,399,000 or \$14.25 per share basic and \$13.90 per share diluted for the same period last year. The Bank's return on average equity for the year ended December 31, 2019 was 16.82%, and the return on average assets was 1.55%, as compared to 14.97% and 1.32% for the same period in 2018. Net income per share (diluted) for 2019 increased 28% over the same period in 2018.

Excluding the after-tax gains and losses on securities, both realized and unrealized, core net income for the year ended December 31, 2019 was \$32,996,000 or \$15.46 per share basic and \$15.12 per share diluted, as compared to \$32,776,000 or \$15.37 per share basic and \$14.99 per share diluted for the same period last year. The Bank's core return on average equity for the year ended December 31, 2019 was 14.26%, and the core return on average assets was 1.32%, as compared to 16.14% and 1.42% for the same period in 2018. Core net income per share (diluted) for 2019 increased by 1% over the same period in 2018.

Net income for the quarter ended December 31, 2019 was \$11,364,000 or \$5.32 per share basic and \$5.20 per share diluted, as compared to \$4,664,000 or \$2.18 per share basic and \$2.13 per share diluted for the same period last year. The Bank's annualized return on average equity for the fourth quarter of 2019 was 18.64%, and the annualized return on average assets was 1.81%, as compared to 8.78% and 0.80% for the same period last year. Net income per share (diluted) for the fourth quarter of 2019 increased by 144% 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 December 31, 2019 was \$8,814,000 or \$4.13 per share basic and \$4.04 per share diluted, as compared to \$8,046,000 or \$3.77 per share basic and \$3.68 per share diluted for the same period last year. The Bank's annualized core return on average equity for the fourth quarter of 2019 was 14.46% and the annualized core return on average assets was 1.40%, as compared to 15.14% and

1.38% for the same period last year. Core net income per share (diluted) for the fourth quarter of 2019 increased by 10% over the same period in 2018.

Balance sheet growth in 2019 was strong, as deposits increased to \$1.821 billion at December 31, 2019, representing 16% growth from 2018. This reflected strong growth in retail and business deposits of \$173.3 million, as well \$74.4 million growth in wholesale deposits. Net loans increased to \$2.227 billion, representing 11% growth from 2018. Total assets increased to \$2.590 billion, representing 8% growth from 2018. During 2019, the Bank used a portion of its cash balances to reduce outstanding Federal Home Loan Bank advances, in order to minimize the carrying cost of its on-balance sheet liquidity. Book value per share was \$115.75 as of December 31, 2019, representing 16% growth from December 31, 2018. In addition to the increase in book value per share, the Bank declared \$2.18 in dividends per share in 2019, including a special dividend of \$0.60 per share declared during the fourth quarter of 2019. The Bank announced increases in its regular quarterly dividend in March, June, September and November of 2019. The trailing five year compound annual growth rate in book value per share, an important measure of long-term value creation, was 15.2%.

Key credit and operational metrics remained strong in 2019. At December 31, 2019, non-performing assets totaled 0.22% of total assets, compared to 0.02% at December 31, 2018. Non-performing loans as a percentage of the total loan portfolio totaled 0.25% at December 31, 2019, compared to 0.02% at December 31, 2018. A single non-performing residential loan on Nantucket comprised the substantial majority of non-performing assets at year-end and the Bank is actively exercising its full range of remedies, including foreclosure proceedings against the collateral as well as direct litigation against each of the borrowers individually. The Bank recorded \$1,000 in net recoveries in both 2019 and 2018. At December 31, 2019 and 2018, the Bank did not own any foreclosed property. The efficiency ratio increased slightly to 30.26% in 2019, as compared to 29.89% in 2018. Operating expenses as a percentage of average assets improved to 0.82% in 2019, as compared to 0.87% in 2018. 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 2019, although competitive pressures remain acute. Performance in any one period, especially a period in which tailwinds are blowing strongly in our favor, should be viewed cautiously. 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 annual and quarterly financial results are summarized in this earnings release, but shareholders are encouraged to read the Bank's annual report on Form 10-K, which is generally available several weeks after the earnings release. The Bank expects to file Form 10-K for the year ended December 31, 2019 with the FDIC on or about March 4, 2020.

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 banking 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		Twelve Months Ended	
	December 31,		December 31,	
	2018	2019	2018	2019
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	0.80 %	1.81 %	1.32 %	1.55 %
Return on average equity (1)	8.78	18.64	14.97	16.82
Core return on average assets (1) (5)	1.38	1.40	1.42	1.32
Core return on average equity (1) (5)	15.14	14.46	16.14	14.26
Interest rate spread (1) (2)	2.48	2.45	2.66	2.38
Net interest margin (1) (3)	2.79	2.79	2.90	2.72
Operating expenses to average assets (1)	0.84	0.81	0.87	0.82
Efficiency ratio (4)	30.07	29.00	29.89	30.26
Average equity to average assets	9.09	9.70	8.80	9.24
Average interest-earning assets to average interest-bearing liabilities	121.08	122.02	119.23	120.74

	December 31, 2018	December 31, 2019
<i>(Unaudited)</i>		
Asset Quality Ratios		
Allowance for loan losses/total loans	0.68 %	0.69 %
Allowance for loan losses/non-performing loans	2,852.89	274.57
Non-performing loans/total loans	0.02	0.25
Non-performing loans/total assets	0.02	0.22
Non-performing assets/total assets	0.02	0.22
Share Related		
Book value per share	\$ 99.67	\$ 115.75
Market value per share	\$ 197.74	\$ 210.20
Shares outstanding at end of period	2,132,750	2,135,750

(1) Annualized for the three months ended December 31, 2018 and 2019.

(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 (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 share amounts)</i> <i>(Unaudited)</i>	December 31, 2018	December 31, 2019
ASSETS		
Cash and due from banks	\$ 8,004	\$ 9,057
Federal Reserve and other short-term investments	287,971	243,090
Cash and cash equivalents	295,975	252,147
CRA investment	7,680	7,910
Debt securities available for sale	14	11
Other marketable equity securities	30,766	39,265
Securities, at fair value	38,460	47,186
Federal Home Loan Bank stock, at cost	28,696	24,890
Loans, net of allowance for loan losses of \$13,808 at December 31, 2018 and \$15,376 at December 31, 2019	2,009,288	2,227,062
Foreclosed assets	—	—
Bank-owned life insurance	12,476	12,727
Premises and equipment, net	14,553	14,548
Accrued interest receivable	4,581	4,926
Deferred income tax asset, net	2,258	1,213
Other assets	2,300	5,647
Total assets	\$ 2,408,587	\$ 2,590,346
LIABILITIES AND STOCKHOLDERS' EQUITY		
Interest-bearing deposits	\$ 1,359,581	\$ 1,583,280
Non-interest-bearing deposits	213,573	237,554
Total deposits	1,573,154	1,820,834
Federal Home Loan Bank advances	606,600	505,200
Mortgage payable	751	687
Mortgagors' escrow accounts	7,402	7,815
Accrued interest payable	2,187	960
Other liabilities	5,917	7,627
Total liabilities	2,196,011	2,343,123
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 December 31, 2018 and 2,135,750 shares issued and outstanding at December 31, 2019	2,133	2,136
Additional paid-in capital	11,863	12,234
Undivided profits	198,580	232,853
Accumulated other comprehensive income	—	—
Total stockholders' equity	212,576	247,223
Total liabilities and stockholders' equity	\$ 2,408,587	\$ 2,590,346

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2018	2019	2018	2019
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 22,716	\$ 25,330	\$ 87,022	\$ 99,379
Debt securities	1	1	1	1
Equity securities	498	493	1,985	1,996
Federal Reserve and other short-term investments	1,347	860	5,161	5,576
Total interest and dividend income	<u>24,562</u>	<u>26,684</u>	<u>94,169</u>	<u>106,952</u>
Interest expense:				
Deposits	5,777	6,014	18,979	26,819
Federal Home Loan Bank advances	2,705	3,422	9,358	13,188
Mortgage payable	11	10	47	43
Total interest expense	<u>8,493</u>	<u>9,446</u>	<u>28,384</u>	<u>40,050</u>
Net interest income	16,069	17,238	65,785	66,902
Provision for loan losses	220	285	1,270	1,567
Net interest income, after provision for loan losses	<u>15,849</u>	<u>16,953</u>	<u>64,515</u>	<u>65,335</u>
Other income (loss):				
Customer service fees on deposits	222	205	860	803
Increase in bank-owned life insurance	62	66	255	251
Gain (loss) on equity securities, net	(4,313)	3,271	(3,023)	7,608
Miscellaneous	44	41	173	166
Total other income (loss)	<u>(3,985)</u>	<u>3,583</u>	<u>(1,735)</u>	<u>8,828</u>
Operating expenses:				
Salaries and employee benefits	3,124	3,212	12,658	12,826
Occupancy and equipment	461	459	1,774	1,813
Data processing	360	432	1,402	1,586
Deposit insurance	220	4	977	534
Foreclosure	9	16	(32)	117
Marketing	137	198	625	695
Other general and administrative	619	768	2,647	3,044
Total operating expenses	<u>4,930</u>	<u>5,089</u>	<u>20,051</u>	<u>20,615</u>
Income before income taxes	6,934	15,447	42,729	53,548
Income tax provision	2,270	4,083	12,330	14,621
Net income	<u>\$ 4,664</u>	<u>\$ 11,364</u>	<u>\$ 30,399</u>	<u>\$ 38,927</u>
Cash dividends declared per share	<u>\$ 0.87</u>	<u>\$ 1.01</u>	<u>\$ 1.92</u>	<u>\$ 2.18</u>
Weighted average shares outstanding:				
Basic	<u>2,133</u>	<u>2,134</u>	<u>2,133</u>	<u>2,134</u>
Diluted	<u>2,186</u>	<u>2,183</u>	<u>2,187</u>	<u>2,183</u>
Earnings per share:				
Basic	<u>\$ 2.18</u>	<u>\$ 5.32</u>	<u>\$ 14.25</u>	<u>\$ 18.24</u>
Diluted	<u>\$ 2.13</u>	<u>\$ 5.20</u>	<u>\$ 13.90</u>	<u>\$ 17.83</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended December 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)	\$ 2,009,174	\$ 22,716	4.52 %	\$ 2,198,689	\$ 25,330	4.61 %
Securities (3) (4)	53,603	499	3.72	62,938	494	3.14
Federal Reserve and other short-term investments	237,371	1,347	2.27	208,197	860	1.65
Total interest-earning assets	2,300,148	24,562	4.27	2,469,824	26,684	4.32
Other assets	37,433			42,766		
Total assets	\$ 2,337,581			\$ 2,512,590		
Interest-bearing deposits (5)	\$ 1,469,637	5,777	1.57	\$ 1,425,114	6,014	1.69
Borrowed funds	430,121	2,716	2.53	599,025	3,432	2.29
Total interest-bearing liabilities	1,899,758	8,493	1.79	2,024,139	9,446	1.87
Non-interest-bearing deposits	218,621			237,039		
Other liabilities	6,606			7,594		
Total liabilities	2,124,985			2,268,772		
Stockholders' equity	212,596			243,818		
Total liabilities and stockholders' equity	\$ 2,337,581			\$ 2,512,590		
Net interest income		\$ 16,069			\$ 17,238	
Weighted average spread			2.48 %			2.45 %
Net interest margin (6)			2.79 %			2.79 %
Average interest-earning assets to average interest-bearing liabilities (7)	121.08 %			122.02 %		

- (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,					
	2018			2019		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,941,159	\$ 87,022	4.48 %	\$ 2,150,445	\$ 99,379	4.62 %
Securities (3) (4)	53,055	1,986	3.74	58,585	1,997	3.41
Federal Reserve and other short-term investments	276,000	5,161	1.87	255,082	5,576	2.19
Total interest-earning assets	2,270,214	94,169	4.15	2,464,112	106,952	4.34
Other assets	38,357			41,806		
Total assets	\$ 2,308,571			\$ 2,505,918		
Interest-bearing deposits (5)	\$ 1,440,383	18,979	1.32	\$ 1,517,625	26,819	1.77
Borrowed funds	463,726	9,405	2.03	523,235	13,231	2.53
Total interest-bearing liabilities	1,904,109	28,384	1.49	2,040,860	40,050	1.96
Non-interest-bearing deposits	196,048			225,999		
Other liabilities	5,369			7,619		
Total liabilities	2,105,526			2,274,478		
Stockholders' equity	203,045			231,440		
Total liabilities and stockholders' equity	\$ 2,308,571			\$ 2,505,918		
Net interest income		\$ 65,785			\$ 66,902	
Weighted average spread			2.66 %			2.38 %
Net interest margin (6)			2.90 %			2.72 %
Average interest-earning assets to average interest-bearing liabilities (7)	119.23 %			120.74 %		

- (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.