



## **PRESS RELEASE**

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Hingham, MA (NASDAQ: HIFS)  
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### **8% INCREASE IN ANNUAL DILUTED EARNINGS PER SHARE, 14.73% RETURN ON EQUITY**

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced earnings for the fourth quarter and the year ended December 31, 2017.

Net income for the year ended December 31, 2017 was \$25,757,000 or \$12.08 per share basic and \$11.81 per share diluted as compared to \$23,423,000 or \$10.99 per share basic and \$10.89 per share diluted for the year ended December 31, 2016. Net income per share (diluted) for 2017 increased 8% over the same period in 2016. The Bank's return on average equity for the year ended December 31, 2017 was 14.73% and the return on average assets was 1.21%, as compared to 15.59% and 1.22% for the same period in 2016. As a result of the Tax Cut and Jobs Act enacted on December 22, 2017, the Bank was required to remeasure its deferred tax assets and liabilities. The remeasurement resulted in an additional \$218,000 in income tax expense provision for the year ended December 31, 2017. Excluding the effect of this remeasurement, net income for the year ended December 31, 2017 was \$25,975,000 or \$12.18 per share basic and \$11.91 per share diluted, representing a return on average equity of 14.85% and a return on average assets of 1.22%.

Net income for the quarter ended December 31, 2017 was \$6,691,000 or \$3.14 per share basic and \$3.06 per share diluted as compared to \$6,287,000 or \$2.95 per share basic and \$2.92 per share diluted for the fourth quarter of 2016. Net income per share (diluted) for the fourth quarter of 2017 increased 5% over the same period of 2016. The Bank's annualized return on average equity for the fourth quarter of 2017 was 14.51%, and the annualized return on average assets was 1.18%, as compared to 15.85% and 1.27% for the same period in 2016. Excluding the effect of the net deferred tax asset remeasurement discussed above, net income for the quarter ended December 31, 2017 was \$6,909,000 or \$3.24 per share basic and \$3.16 per share diluted, representing an annualized return on average equity of 14.98% and an annualized return on average assets of 1.22%.

The Bank continued to produce strong growth in deposits, loans, and book value per share in 2017. Total deposits increased by 10% to \$1.506 billion, with 25% growth in non-interest bearing deposits. Net loans increased by 14% to \$1.834 billion. Total assets increased by 13% to \$2.285 billion. Book value per share increased by 16% from \$75.50 to \$87.29. In addition to the increase in book value per share, the Bank declared \$1.66 in dividends per share since December 31, 2016, including a special dividend of \$0.34 per share declared during the fourth quarter of 2017. The trailing five year compound annual growth rate in book value per share, an important measure of value creation, rose to 14.9%.

Key credit and operational metrics improved in 2017. At December 31, 2017, non-performing assets totaled 0.07% of total assets, as compared to 0.09% at December 31, 2016. Non-performing loans as a percentage of the total loan portfolio totaled 0.09% at December 31, 2017, as compared to 0.11% at December 31, 2016. The Bank recorded \$2,000 of net recoveries in 2017, as compared to \$10,000 of net charge-offs in 2016. At December 31, 2017 and 2016, the Bank did not own any foreclosed property. The efficiency ratio improved to 30.06% in 2017, as compared to 32.15% in 2016. Non-interest expense as a percentage of average assets improved to 0.92% in 2017, as compared to 1.00% in 2016. Both the efficiency ratio and operating expenses as a percentage of average assets reached new record lows in 2017. These metrics reflect the Bank's disciplined focus on credit quality and expense management.

Net income for the years ended December 31, 2017 and 2016 included after-tax realized gains on securities of approximately \$49,000 and \$221,000 respectively. For the year ended December 31, 2017, unrealized gains on securities, net of deferred tax liabilities, were recorded in stockholders' equity through accumulated other comprehensive income. Effective January 1, 2018, changes in unrealized gains on equity securities, net of deferred tax liabilities, will be recognized through the income statement.

President Robert H. Gaughen, Jr. stated, "We are pleased to report that returns on equity and assets remain satisfactory, despite heightened competition and a flattening yield curve. At Hingham, we take seriously our role as stewards of the shareholders' capital. Our emphasis on careful capital allocation, defensive underwriting, process improvement, and disciplined cost control continues to serve our owners well. Performance in any one period, especially periods when tailwinds may be with us, should be viewed cautiously. Such periods are historically fraught with peril in our industry. The real test of performance in banking is a company's record of compounding shareholder capital over time and through all stages of the credit cycle. On this measure, our team strives to set a high bar."

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 is also an active commercial real estate lender 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 December 31,		Twelve Months Ended December 31,	
	2016	2017	2016	2017
<i>(Unaudited)</i>				
<b>Key Performance Ratios</b>				
Return on average assets (1)	1.27 %	<b>1.18 %</b>	1.22 %	<b>1.21 %</b>
Return on average equity (1)	15.85	<b>14.51</b>	15.59	<b>14.73</b>
Interest rate spread (1) (2)	3.03	<b>2.83</b>	2.99	<b>2.91</b>
Net interest margin (1) (3)	3.15	<b>2.99</b>	3.10	<b>3.05</b>
Non-interest expense to average assets (1)	0.95	<b>0.86</b>	1.00	<b>0.92</b>
Efficiency ratio (4)	29.93	<b>28.58</b>	32.15	<b>30.06</b>
Average equity to average assets	7.98	<b>8.16</b>	7.85	<b>8.22</b>
Average interest-earning assets to average interest-bearing liabilities	116.65	<b>117.59</b>	116.19	<b>117.39</b>

	December 31, 2016	December 31, 2017
<i>(Unaudited)</i>		
<b>Asset Quality Ratios</b>		
Allowance for loan losses/total loans	0.68 %	<b>0.68 %</b>
Allowance for loan losses/non-performing loans	614.43	<b>735.74</b>
Non-performing loans/total loans	0.11	<b>0.09</b>
Non-performing loans/total assets	0.09	<b>0.07</b>
Non-performing assets/total assets	0.09	<b>0.07</b>
<b>Share Related</b>		
Book value per share	\$ 75.50	<b>\$ 87.29</b>
Market value per share	\$ 196.78	<b>\$ 207.00</b>
Shares outstanding at end of period	2,132,750	<b>2,132,750</b>

- (1) Annualized.
- (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 earning assets.
- (4) The efficiency ratio represents non-interest expense, divided by the sum of net interest income and non-interest income, excluding gain on sale of securities, net.

# HINGHAM INSTITUTION FOR SAVINGS

## Consolidated Balance Sheets

<i>(Dollars in thousands, except per share data)</i> <i>(Unaudited)</i>	<b>December 31, 2016</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 7,816	\$ 10,852
Federal Reserve and other short-term investments	315,116	344,377
Cash and cash equivalents	322,932	355,229
CRA investment	6,839	7,341
Other securities available for sale	20,329	26,963
Securities available for sale, at fair value	27,168	34,304
Federal Home Loan Bank stock, at cost	24,472	27,102
Loans, net of allowance for loan losses of \$11,030 at December 31, 2016 and \$12,537 at December 31, 2017	1,605,647	1,833,987
Foreclosed assets	—	—
Bank-owned life insurance	11,962	12,221
Premises and equipment, net	14,462	14,068
Accrued interest receivable	3,529	4,398
Deferred income tax asset, net	2,489	1,301
Other assets	1,938	1,989
Total assets	\$ 2,014,599	\$ 2,284,599
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Interest-bearing deposits	\$ 1,218,360	\$ 1,320,487
Non-interest-bearing deposits	147,749	185,375
Total deposits	1,366,109	1,505,862
Federal Home Loan Bank advances	475,318	579,164
Mortgage payable	868	812
Mortgagors' escrow accounts	5,585	6,424
Accrued interest payable	400	575
Other liabilities	5,295	5,604
Total liabilities	1,853,575	2,098,441
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, 2016 and 2017, respectively	2,133	2,133
Additional paid-in capital	11,575	11,750
Undivided profits	144,580	166,796
Accumulated other comprehensive income	2,736	5,479
Total stockholders' equity	161,024	186,158
Total liabilities and stockholders' equity	\$ 2,014,599	\$ 2,284,599

# HINGHAM INSTITUTION FOR SAVINGS

## Consolidated Statements of Income

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2017	2016	2017
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 18,027	\$ 20,180	\$ 68,917	\$ 75,843
Debt securities	—	1	52	1
Equity securities	367	414	1,248	1,530
Federal Reserve and other short-term investments	426	1,170	1,552	3,685
Total interest and dividend income	18,820	21,765	71,769	81,059
Interest expense:				
Deposits	2,474	3,282	9,599	11,366
Federal Home Loan Bank advances	950	1,866	3,732	5,845
Mortgage payable	14	12	54	50
Total interest expense	3,438	5,160	13,385	17,261
Net interest income	15,382	16,605	58,384	63,798
Provision for loan losses	325	407	1,135	1,505
Net interest income, after provision for loan losses	15,057	16,198	57,249	62,293
Other income:				
Customer service fees on deposits	237	227	928	889
Increase in bank-owned life insurance	62	63	265	259
Gain on sale of securities, net	—	—	344	77
Miscellaneous	55	49	198	185
Total other income	354	339	1,735	1,410
Operating expenses:				
Salaries and employee benefits	3,036	3,055	12,024	12,300
Occupancy and equipment	455	460	1,856	1,765
Data processing	304	341	1,230	1,270
Deposit insurance	252	285	1,023	1,080
Foreclosure	(73)	(27)	34	(13)
Marketing	74	73	403	398
Other general and administrative	662	655	2,645	2,776
Total operating expenses	4,710	4,842	19,215	19,576
Income before income taxes	10,701	11,695	39,769	44,127
Income tax provision	4,414	5,004	16,346	18,370
Net income	\$ 6,287	\$ 6,691	\$ 23,423	\$ 25,757
Cash dividends declared per share	\$ 0.64	\$ 0.68	\$ 1.56	\$ 1.66
Weighted average shares outstanding:				
Basic	2,131	2,133	2,131	2,133
Diluted	2,158	2,184	2,152	2,181
Earnings per share:				
Basic	\$ 2.95	\$ 3.14	\$ 10.99	\$ 12.08
Diluted	\$ 2.92	\$ 3.06	\$ 10.89	\$ 11.81

# HINGHAM INSTITUTION FOR SAVINGS

## Net Interest Income Analysis

Three Months Ended December 31,

	2016			2017		
	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,598,286	\$ 18,027	4.51 %	\$ 1,816,754	\$ 20,180	4.44 %
Securities (3) (4)	45,965	367	3.19	52,513	415	3.16
Federal Reserve and other short-term investments	309,043	426	0.55	353,393	1,170	1.32
Total interest-earning assets	<u>1,953,294</u>	<u>18,820</u>	<u>3.85</u>	<u>2,222,660</u>	<u>21,765</u>	<u>3.92</u>
Other assets	33,715			36,854		
Total assets	<u>\$ 1,987,009</u>			<u>\$ 2,259,514</u>		
Interest-bearing deposits (5)	\$ 1,212,674	2,474	0.82	\$ 1,334,198	3,282	0.98
Borrowed funds	461,749	964	0.84	555,953	1,878	1.35
Total interest-bearing liabilities	<u>1,674,423</u>	<u>3,438</u>	<u>0.82</u>	<u>1,890,151</u>	<u>5,160</u>	<u>1.09</u>
Demand deposits	149,352			180,088		
Other liabilities	4,579			4,819		
Total liabilities	<u>1,828,354</u>			<u>2,075,058</u>		
Stockholders' equity	158,655			184,456		
Total liabilities and stockholders' equity	<u>\$ 1,987,009</u>			<u>\$ 2,259,514</u>		
Net interest income		<u>\$ 15,382</u>			<u>\$ 16,605</u>	
Weighted average spread			<u>3.03 %</u>			<u>2.83 %</u>
Net interest margin (6)			<u>3.15 %</u>			<u>2.99 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>116.65 %</u>			<u>117.59 %</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 available for sale.
- (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,

	2016			2017		
	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE</u>	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE</u>
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 1,524,858	\$ 68,917	4.52 %	\$ 1,711,152	\$ 75,843	4.43 %
Securities (3) (4)	54,494	1,300	2.39	50,036	1,531	3.06
Federal Reserve and other short-term investments	301,322	1,552	0.52	329,415	3,685	1.12
Total interest-earning assets	1,880,674	71,769	3.82	2,090,603	81,059	3.88
Other assets	33,378			35,662		
Total assets	<u>\$ 1,914,052</u>			<u>\$ 2,126,265</u>		
Interest-bearing deposits (5)	\$ 1,176,472	9,599	0.82	\$ 1,273,420	11,366	0.89
Borrowed funds	442,134	3,786	0.86	507,457	5,895	1.16
Total interest-bearing liabilities	1,618,606	13,385	0.83	1,780,877	17,261	0.97
Demand deposits	140,758			165,839		
Other liabilities	4,456			4,665		
Total liabilities	1,763,820			1,951,381		
Stockholders' equity	150,232			174,884		
Total liabilities and stockholders' equity	<u>\$ 1,914,052</u>			<u>\$ 2,126,265</u>		
Net interest income		<u>\$ 58,384</u>			<u>\$ 63,798</u>	
Weighted average spread			<u>2.99 %</u>			<u>2.91 %</u>
Net interest margin (6)			<u>3.10 %</u>			<u>3.05 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)			<u>116.19 %</u>			<u>117.39 %</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 available for sale.

(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.