



PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

DATE: April 13, 2020

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HINGHAM REPORTS FIRST QUARTER 2020 RESULTS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced results for the quarter ended March 31, 2020.

Earnings

Net income for the quarter ended March 31, 2020 was \$2,185,000 or \$1.02 per share basic and \$1.00 per share diluted, as compared to \$9,824,000 or \$4.61 per share basic and \$4.50 per share diluted for the same period last year. The Bank's annualized return on average equity for the first quarter of 2020 was 3.46%, and the annualized return on average assets was 0.33%, as compared to 17.98% and 1.64% for the same period last year. Net income per share (diluted) for the first quarter of 2020 decreased by 78% compared to the same period in 2019.

Excluding the after-tax gains and losses on equity securities, both realized and unrealized, core net income for the quarter ended March 31, 2020 was \$8,479,000 or \$3.97 per share basic and \$3.88 per share diluted, as compared to \$7,587,000 or \$3.56 per share basic and \$3.48 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first quarter of 2020 was 13.44% and the annualized core return on average assets was 1.30%, as compared to 13.89% and 1.26% for the same period last year. Core net income per share (diluted) for the first quarter of 2020 increased by 11% over the same period in 2019. See Page 9 for a Non-GAAP reconciliation between net income and core net income.

Balance Sheet

Growth in the first quarter of 2020 was strong.

Total assets increased to \$2.655 billion, representing 10% annualized growth year-to-date and 6% growth from March 31, 2019. Asset growth was below loan growth as the Bank continued to manage the balance sheet to minimize the carrying cost of its on-balance sheet liquidity.

Net loans increased to \$2.320 billion, representing 17% annualized growth year-to-date and 11% growth from March 31, 2019. Growth was concentrated in the Bank's commercial real estate portfolio.

Total retail and business deposits increased to \$1.486 billion at March 31, 2020, representing 16% annualized growth year-to-date and 18% growth from March 31, 2019. With a combination of FDIC and Massachusetts Depositors Insurance Fund (DIF) insurance, the Bank maintains unlimited insurance for all deposits. During periods of crisis, this insurance is an important differentiator for new and prospective deposit customers. Total deposits, including wholesale deposits, decreased to \$1.713 billion at March 31, 2020, representing a 24% annualized decline year-to-date and 10% growth from March 31, 2019. During the first quarter of 2020, the Bank shifted its wholesale funding mix aggressively towards the Federal Home Loan Bank and allowed \$163.9 million in wholesale deposits to run off. This reflected increasingly attractive pricing at the Federal Home Loan Bank of Boston over the course of the quarter, particularly during March of 2020.

Book value per share was \$116.34 as of March 31, 2020, representing 2% annualized growth year-to-date and 12% growth from March 31, 2019. In addition to the increase in book value per share, the Bank declared \$2.22 in dividends per share since March 31, 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 each of the last four quarters.

Operational Performance Metrics

The net interest margin for the quarter ended March 31, 2020 increased 14 basis points to 2.82%, as compared to 2.68% for the same period last year. The Bank has benefited from the decrease in the cost of interest-bearing liabilities, including both interest-bearing deposits and wholesale funding from the Federal Home Loan Bank, particularly in March 2020. This was partially offset by a decline in the yield on earning assets, driven primarily by the decline in the interest on excess reserves held at the Federal Reserve Bank of Boston during the same period.

Key credit and operational metrics remained strong in the first quarter. At March 31, 2020, non-performing assets totaled 0.19% of total assets, compared to 0.22% at December 31, 2019 and 0.02% at March 31, 2019. A single non-performing residential loan on Nantucket comprised the substantial majority of non-performing assets at December 31, 2019. In the first quarter of 2020, the Bank foreclosed on this property and purchased it at auction for \$3.6 million. The Bank has begun light renovation work to reposition the property and plans to list it for sale in late spring 2020. Non-performing loans as a percentage of the total loan portfolio totaled 0.06% at March 31, 2020, compared to 0.25% at December 31, 2019 and 0.03% at March 31, 2019. The Bank recorded \$681,000 of net charge-offs for the first three months of 2020, composed fully of the charge-off related to this Nantucket property, as compared to \$1,000 of net charge-offs for the same period last year. The Bank is pursuing litigation against the borrowers for breach of contract and bank fraud in an attempt to collect on the deficiency owed. At March 31, 2020, the Bank owned \$3.6 million in foreclosed property consisting entirely of the Nantucket property mentioned above. At December 31, 2019 and March 31, 2019, the Bank did not own any foreclosed property.

The efficiency ratio decreased to 30.28% for the first quarter of 2020, as compared to 31.86% for the same period last year. Operating expenses as a percentage of average assets remained stable at 0.86% for the first quarter of 2020, as compared to the same period last year.

These operational metrics reflect the Bank's disciplined focus on credit quality and expense

management.

Operational and Investment Updates

- **Impact of COVID-19 on Bank Operations:** In early March 2020, the Bank began moving its key staff to remote operations, including both client-facing teams (Commercial Lending and Specialized Deposit Groups) as well as operational groups critical to the Bank's business operations (Finance and Digital Banking Teams). Virtually all corporate staff are now working remotely. This move leveraged longstanding investments in cloud-based systems at Google and the transition has not had a material impact on the Bank's operations or our ability to serve customers. The Bank has modified the operating hours of its retail branch network and shifted to drive-up only service in most locations to reduce the risk to our customers and staff.
- **Impact of COVID-19 on the Loan Portfolio:** The full impact of the damage wrought by COVID-19 and the offsetting fiscal and monetary relief programs is beyond our ability to forecast at this time. The Bank operates in two geographic markets - eastern Massachusetts and greater Washington, D.C. - and both of these markets are experiencing widespread outbreaks of COVID-19. The Bank also has an office on Nantucket, where the local economy is unusually reliant on travel. These markets are all operating under modified stay-at-home orders with a broad impact on the local economies. Fortunately, the Bank has no first order exposure to those credit assets that appear to be most directly impacted, including commercial and industrial lending, small business credit, consumer credit, and unsecured credit. The Bank also has no exposure to fee businesses with direct exposure to the capital markets such as wealth management. The Bank has minimal exposure to commercial real estate loans secured by restaurants or hospitality properties. The second order impact on other assets, including the Bank's commercial real estate mortgage and residential mortgage portfolios, will likely depend on the length and depth of the current shutdown. The Bank's commercial real estate mortgage portfolio is primarily composed of multifamily properties and mixed-use properties in which apartment units are the primary source of cash flow. This portfolio is concentrated in Boston, Cambridge, Somerville, and Brookline in Massachusetts. The Bank's portfolio in Washington, D.C. has a mix of multifamily, office, and retail properties. Some of these multifamily assets are located near colleges and universities and may be impacted in the event of an extended shutdown. Since the onset of the crisis, we have had a limited number of requests for loan modifications and we have worked to assist those residential borrowers suffering from extraordinary economic hardships.
- **Investment Portfolio:** The Bank maintains a longstanding portfolio of marketable equity investments, concentrated primarily in financial services (banks, insurers, payment companies, ratings agencies, and financial technology). The market volatility in the first quarter of 2020 had a substantial negative impact on the fair value of this portfolio. We continue to believe that these investments have and will continue to generate substantial value for the Bank over time. The Bank's process remains focused on identifying businesses with strong returns on capital, owner-oriented management teams, good investment opportunities or capital discipline, and reasonable valuations. To the extent that such volatility may provide opportunities to make additional investments in such businesses, we will continue to do so.
- **Bank Real Estate Transactions:** In February 2020, the Bank acquired a property in the Georgetown neighborhood of Washington, D.C. and has started working with its architects to renovate the property in anticipation of opening this new commercial banking office in early

2021. In the interim, the Bank will continue to operate from our leased offices near Thomas Circle. The acquisition was completed via a reverse 1031 vehicle, the proceeds for which came partially from the sale of the Bank's former North Scituate location. The Bank continues to market its former South Weymouth property for sale. If possible, the Bank will utilize the same vehicle to shield any proceeds from the sale of this property from income tax.

- **Annual Meeting:** The Bank's Annual Meeting of Shareholders is currently scheduled for 4:00PM on Thursday, April 30th at Old Derby Academy in Hingham, MA. We anticipate holding the formal portion of the meeting in person with a handful of Bank staff required to satisfy the legal requirements for the meeting. We strongly encourage all shareholders to vote by proxy rather than in-person. Afterwards we plan to conduct the informal portion of the meeting on Zoom beginning 4:30PM and we will discuss the 2019 results and the state of the business. Registration information is available at <https://www.hinghamavings.com/investor-materials>.

Chairman Robert H. Gaughen Jr. stated, "Current economic conditions are extraordinary and we cannot predict with any degree of certainty the near-term impact these conditions will have on the Bank or the markets in which we operate. We will continue to invest in relationships with new and existing customers with strong balance sheets, attractive real estate assets, and significant deposit needs and build these relationships for the long term. We remain focused - as always - on careful capital allocation, defensive underwriting, and disciplined cost control - the building blocks for compounding shareholder capital through all stages of the economic cycle."

The Bank's quarterly financial results are summarized in this earnings release, but shareholders are encouraged to read the Bank's quarterly report on Form 10-Q, which is generally available several weeks after the earnings release. The Bank expects to file Form 10-Q for the quarter ended March 31, 2020 with the FDIC on or about May 6, 2020. Consistent with recent guidance from the Securities and Exchange Commission, incorporated by reference for banks that file with the FDIC, the Bank expects to revise its Risk Factors in this document to more fully describe the potential risks from COVID-19.

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

<i>(Unaudited)</i>	Three Months Ended	
	March 31,	
	2019	2020
Key Performance Ratios		
Return on average assets (1)	1.64 %	0.33 %
Return on average equity (1)	17.98	3.46
Core return on average assets (1) (5)	1.26	1.30
Core return on average equity (1) (5)	13.89	13.44
Interest rate spread (1) (2)	2.36	2.52
Net interest margin (1) (3)	2.68	2.82
Operating expenses to average assets (1)	0.86	0.86
Efficiency ratio (4)	31.86	30.28
Average equity to average assets	9.10	9.67
Average interest-earning assets to average interest bearing liabilities	120.54	121.37

<i>(Unaudited)</i>	March 31, 2019	December 31, 2019	March 31, 2020	
	Asset Quality Ratios			
	Allowance for loan losses/total loans	0.68 %	0.69 %	0.68 %
Allowance for loan losses/non-performing loans	2,280.77	274.57	1,099.51	
Non-performing loans/total loans	0.03	0.25	0.06	
Non-performing loans/total assets	0.02	0.22	0.05	
Non-performing assets/total assets	0.02	0.22	0.19	
Share Related				
Book value per share	\$ 103.89	\$ 115.75	\$ 116.34	
Market value per share	\$ 172.01	\$ 210.20	\$ 144.99	
Shares outstanding at end of period	2,133,750	2,135,750	2,136,750	

(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 (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>	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2020</u>
ASSETS			
Cash and due from banks	\$ 7,433	\$ 9,057	\$ 7,797
Federal Reserve and other short-term investments	286,333	243,090	203,729
Cash and cash equivalents	<u>293,766</u>	<u>252,147</u>	<u>211,526</u>
CRA investment	7,776	7,910	8,532
Debt securities available for sale	13	11	10
Other marketable equity securities	34,935	39,265	38,407
Securities, at fair value	<u>42,724</u>	<u>47,186</u>	<u>46,949</u>
Federal Home Loan Bank stock, at cost	30,617	24,890	29,868
Loans, net of allowance for loan losses of \$14,232 at March 31, 2019, \$15,376 at December 31, 2019 and \$15,833 at March 31, 2020	2,092,313	2,227,062	2,320,369
Foreclosed assets	—	—	3,600
Bank-owned life insurance	12,542	12,727	12,785
Premises and equipment, net	14,388	14,548	15,418
Accrued interest receivable	5,180	4,926	5,183
Deferred income tax asset, net	1,626	1,213	3,153
Other assets	4,233	5,647	5,720
Total assets	<u>\$ 2,497,389</u>	<u>\$ 2,590,346</u>	<u>\$ 2,654,571</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits	\$ 1,327,451	\$ 1,583,280	\$ 1,468,349
Non-interest-bearing deposits	227,872	237,554	244,546
Total deposits	<u>1,555,323</u>	<u>1,820,834</u>	<u>1,712,895</u>
Federal Home Loan Bank advances	702,100	505,200	676,231
Mortgage payable	735	687	—
Mortgagors' escrow accounts	7,201	7,815	7,894
Accrued interest payable	2,086	960	359
Other liabilities	8,263	7,627	8,593
Total liabilities	<u>2,275,708</u>	<u>2,343,123</u>	<u>2,405,972</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; 2,133,750 shares issued and outstanding at March 31, 2019, 2,135,750 shares issued and outstanding at December 31, 2019 and 2,136,750 shares issued and outstanding at March 31, 2020	2,134	2,136	2,137
Additional paid-in capital	11,954	12,234	12,322
Undivided profits	207,593	232,853	234,140
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	<u>221,681</u>	<u>247,223</u>	<u>248,599</u>
Total liabilities and stockholders' equity	<u>\$ 2,497,389</u>	<u>\$ 2,590,346</u>	<u>\$ 2,654,571</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended	
	March 31,	
	2019	2020
<i>(In thousands, except per share amounts)</i>		
<i>(Unaudited)</i>		
Interest and dividend income:		
Loans	\$ 23,080	\$ 25,710
Equity securities	489	498
Federal Reserve and other short-term investments	1,560	741
Total interest and dividend income	25,129	26,949
Interest expense:		
Deposits	6,146	5,941
Federal Home Loan Bank advances	3,128	2,947
Mortgage payable	11	3
Total interest expense	9,285	8,891
Net interest income	15,844	18,058
Provision for loan losses	425	1,138
Net interest income, after provision for loan losses	15,419	16,920
Other income (loss):		
Customer service fees on deposits	186	172
Increase in cash surrender value of bank-owned life insurance	67	58
Gain (loss) on equity securities, net	2,869	(8,074)
Gain on disposal of fixed assets	—	218
Miscellaneous	40	53
Total other income (loss)	3,162	(7,573)
Operating expenses:		
Salaries and employee benefits	3,147	3,380
Occupancy and equipment	454	455
Data processing	434	489
Deposit insurance	243	183
Foreclosure	23	126
Marketing	132	180
Other general and administrative	709	807
Total operating expenses	5,142	5,620
Income before income taxes	13,439	3,727
Income tax provision	3,615	1,542
Net income	\$ 9,824	\$ 2,185
Cash dividends declared per common share	\$ 0.38	\$ 0.42
Weighted average shares outstanding:		
Basic	2,133	2,136
Diluted	2,182	2,184
Earnings per share:		
Basic	\$ 4.61	\$ 1.02
Diluted	\$ 4.50	\$ 1.00

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended March 31,					
	2019			2020		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 2,048,387	\$ 23,080	4.51 %	\$ 2,271,019	\$ 25,710	4.53 %
Securities (3) (4)	54,873	489	3.56	65,302	498	3.05
Federal Reserve and other short-term investments	260,176	1,560	2.40	228,170	741	1.30
Total interest-earning assets	2,363,436	25,129	4.25	2,564,491	26,949	4.20
Other assets	39,122			46,536		
Total assets	\$ 2,402,558			\$ 2,611,027		
Interest-bearing deposits (5)	\$ 1,485,540	6,146	1.65	\$ 1,513,343	5,941	1.57
Borrowed funds	475,213	3,139	2.64	599,659	2,950	1.97
Total interest-bearing liabilities	1,960,753	9,285	1.89	2,113,002	8,891	1.68
Non-interest-bearing deposits	215,115			238,005		
Other liabilities	8,128			7,589		
Total liabilities	2,183,996			2,358,596		
Stockholders' equity	218,562			252,431		
Total liabilities and stockholders' equity	\$ 2,402,558			\$ 2,611,027		
Net interest income		\$ 15,844			\$ 18,058	
Weighted average spread			2.36 %			2.52 %
Net interest margin (6)			2.68 %			2.82 %
Average interest-earning assets to average interest-bearing liabilities (7)	120.54 %			121.37 %		

- (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
Non-GAAP Reconciliation

The table below presents the reconciliation between net income and core net income, a non-GAAP measurement that represents net income excluding the after-tax gain (loss) on equity securities, net.

<i>(In thousands, unaudited)</i>	Three Months Ended March 31,	
	2019	2020
Non-GAAP reconciliation:		
Net Income	\$ 9,824	\$ 2,185
Loss (gain) on equity securities, net	(2,869)	8,074
Income tax expense (benefit) (1)	632	(1,780)
Core Net Income	7,587	8,479

(1) The equity securities are held in a tax-advantaged subsidiary corporation. The income tax effect of the loss (gain) on equity securities, net, was calculated using the effective tax rate applicable to the subsidiary.