



PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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HINGHAM REPORTS SECOND QUARTER 2020 RESULTS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced second quarter results for 2020.

Earnings

Net income for the quarter ended June 30, 2020 was \$16,338,000 or \$7.65 per share basic and \$7.50 per share diluted, as compared to \$8,706,000 or \$4.08 per share basic and \$3.99 per share diluted for the same period last year. The Bank's annualized return on average equity for the second quarter of 2020 was 25.28%, and the annualized return on average assets was 2.41%, as compared to 15.32% and 1.37% for the same period in 2019. Net income per share (diluted) for the second quarter of 2020 increased by 88% over the same period in 2019.

Excluding the after-tax gains and losses on securities, both realized and unrealized, core net income for the second quarter of 2020 was \$10,936,000 or \$5.12 per share basic and \$5.03 per share diluted, as compared to \$7,794,000 or \$3.65 per share basic and \$3.57 per share diluted for the same period last year. The Bank's annualized core return on average equity for the second quarter of 2020 was 16.92%, and the annualized core return on average assets was 1.61%, as compared to 13.71% and 1.23% for the same period in 2019. Core net income per share (diluted) for the second quarter of 2020 increased by 41% over the same period in 2019.

Net income for the six months ended June 30, 2020 was \$18,523,000 or \$8.67 per share basic and \$8.50 per share diluted, as compared to \$18,530,000 or \$8.69 per share basic and \$8.49 per share diluted for the same period last year. The Bank's annualized return on average equity for the first six months of 2020 was 14.50%, and the annualized return on average assets was 1.39%, as compared to 16.62% and 1.50% for the same period in 2019. Net income per share (diluted) for the first six months of 2020 was stable when compared to the same period in 2019.

Excluding the after-tax gains on securities, both realized and unrealized, core net income for the six months ended June 30, 2020 was \$19,415,000 or \$9.09 per share basic and \$8.91 per share diluted, as compared to \$15,381,000 or \$7.21 per share basic and \$7.05 per share diluted for the same period last

year. The Bank's annualized core return on average equity for the first six months of 2020 was 15.20%, and the annualized core return on average assets was 1.46%, as compared to 13.80% and 1.25% for the same period in 2019. Core net income per share (diluted) for the first six months of 2020 increased by 26% over the same period in 2019.

See page 10 for a Non-GAAP reconciliation between net income and core net income. In calculating core net income, the Bank does not make any adjustments other than those relating to after-tax gains and losses on securities, realized and unrealized.

Balance Sheet

Balance sheet growth was strong, as total assets increased to \$2.724 billion, representing 10% annualized growth year-to-date and 4% growth from June 30, 2019. Asset growth was below loan growth in both periods as the Bank continued to manage the balance sheet to minimize the carrying cost of its on-balance sheet liquidity.

Net loans increased to \$2.382 billion, representing 14% annualized growth year-to-date and 10% growth from June 30, 2019. Growth was concentrated in the Bank's commercial real estate portfolio. The Bank participated in the Small Business Administration's Paycheck Protection Program during the quarter and originated 48 loans to a mix of new and existing customers for a total of \$9.3 million. The Bank does not anticipate any additional originations under the Paycheck Protection Program and does not plan to participate in the Federal Reserve's Main Street Lending Program.

Total deposits, including wholesale deposits, increased to \$2.054 billion at June 30, 2020, representing 26% annualized growth year-to-date and 24% growth from June 30, 2019. Total retail and business deposits increased to \$1.571 billion at June 30, 2020, representing 20% annualized growth year-to-date and 21% growth from June 30, 2019. Non-interest bearing deposits, included in retail and business deposits, increased to \$289.6 million at June 30, 2020, representing 44% annualized growth year-to-date and 27% growth from June 30, 2019. During the first six months of 2020, the Bank reallocated its wholesale funding mix between wholesale time deposits and Federal Home Loan Bank advances in order to reduce the cost of funds.

Book value per share was \$123.57 as of June 30, 2020, representing 14% annualized growth year-to-date and 15% growth from June 30, 2019. In addition to the increase in book value per share, the Bank has declared \$2.26 in dividends per share since June 30, 2019, including a special dividend of \$0.60 per share declared during the fourth quarter of 2019.

Operational Performance Metrics

The net interest margin for the quarter ended June 30, 2020 increased 53 basis points to 3.15%, as compared to 2.62% for the same period last year. The Bank has benefited from a sharp decline in the cost of interest-bearing liabilities, including both interest-bearing retail and commercial deposits, as well as wholesale funding from the Federal Home Loan Bank, brokered time deposits and listing services time deposits. This benefit was partially offset by a decline in the yield on interest-earning assets, driven primarily by the decline in the interest on excess reserves held at the Federal Reserve Bank of Boston and a lower yield on loans during the same period.

Key credit and operational metrics remained strong in the second quarter. At June 30, 2020,

non-performing assets totaled 0.24% of total assets, compared to 0.22% at December 31, 2019 and 0.02% at June 30, 2019. Non-performing loans as a percentage of the total loan portfolio totaled 0.11% at June 30, 2020, compared to 0.25% at December 31, 2019 and 0.03% at June 30, 2019.

In the first quarter of 2020, the Bank foreclosed on a residential property on Nantucket and purchased it at auction for \$3.6 million. This collateral secured a non-performing loan which comprised the substantial majority of non-performing assets at December 31, 2019. At June 30, 2020, the Bank owned \$3.8 million in foreclosed property, consisting entirely of this property, including repairs and improvements completed by the Bank following acquisition. The Bank has listed the property located at 14 Orange Street for sale. Potential buyers are encouraged to contact our broker Ms. Gloria Grimshaw of Jordan Real Estate at 508-228-4449 (extension 109) or at gloria@jordanre.com directly. At December 31, 2019 and June 30, 2019, the Bank did not own any foreclosed property.

The Bank recorded \$681,000 of net charge-offs for the first six months of 2020, composed entirely of the charge-off related to the Nantucket property mentioned above, as compared to \$1,000 in 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. The Bank has litigation pending in state court with respect to this matter, including a motion for summary judgement, but the Massachusetts Supreme Judicial Court has imposed certain tolling periods as a result of COVID-19 which have delayed our recovery efforts.

At June 30, 2020, the Bank had modified 1% of the Bank's total loan portfolio by number and less than 3% by dollar in response to COVID-19. The table presented on page 10 categorizes these modifications, by number and dollar volume, with respect to the residential real estate, commercial real estate and construction loan portfolios. With respect to the commercial real estate portfolio, the Bank has modified a limited number of loans from amortizing to interest-only for a limited period and has generally required the borrowers to pre-fund all interest payments for the period of modification. The Bank has not deferred interest payments on any commercial mortgages. The Bank has not modified any construction loans as a result of COVID-19. To the extent required by law in the Commonwealth of Massachusetts, the Bank has granted short-term interest-only modifications to a limited number of residential mortgage customers that have been impacted by COVID-19. The Bank has also deferred the collection of interest on 4 residential loans, with total outstanding loan balances of \$504,000. One of these loans has subsequently resumed full contractual payments.

The efficiency ratio was 25.28% for the second quarter of 2020, as compared to 31.10% for the same period last year. Operating expenses as a percentage of average assets fell to 0.79% in the second quarter of 2020, as compared to 0.82% for the same period last year. The Bank remains focused on reducing waste through an ongoing process of continuous improvement.

Chairman Robert H. Gaughen Jr. stated, "During this rapidly developing period of economic uncertainty, there may be unusual opportunities - to deploy capital on attractive terms, to develop new relationships with strong customers, to recruit talented staff, and to invest in digital tools to reduce costs and deliver more value for our customers. We plan to capitalize on these opportunities. In doing so, we remain focused on careful capital allocation, defensive underwriting and disciplined cost control - the building blocks for compounding shareholder capital through all stages of the economic cycle. These remain constant, regardless of the macroeconomic environment in which we operate."

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 quarter ended June 30, 2020 with the FDIC on or about August 5th, 2020.

Hingham Institution for Savings is a Massachusetts-chartered savings bank headquartered 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,	
	2019	2020	2019	2020
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.37 %	2.41 %	1.50 %	1.39 %
Return on average equity (1)	15.32	25.28	16.62	14.50
Core return on average assets (1) (5)	1.23	1.61	1.25	1.46
Core return on average equity (1) (5)	13.71	16.92	13.80	15.20
Interest rate spread (1) (2)	2.28	2.97	2.32	2.74
Net interest margin (1) (3)	2.62	3.15	2.65	2.99
Operating expenses to average assets (1)	0.82	0.79	0.84	0.83
Efficiency ratio (4)	31.10	25.28	31.47	27.61
Average equity to average assets	8.97	9.52	9.03	9.59
Average interest-earning assets to average interest-bearing liabilities	119.92	122.79	120.22	122.09

	June 30,	December 31,	June 30,
	2019	2019	2020
<i>(Unaudited)</i>			
Asset Quality Ratios			
Allowance for loan losses/total loans	0.68 %	0.69 %	0.69
Allowance for loan losses/non-performing loans	2,130.47	274.57	615.21
Non-performing loans/total loans	0.03	0.25	0.11
Non-performing loans/total assets	0.02	0.22	0.10
Non-performing assets/total assets	0.02	0.22	0.24
Share Related			
Book value per share	\$ 107.59	\$ 115.75	\$ 123.57
Market value per share	\$ 198.01	\$ 210.20	\$ 167.78
Shares outstanding at end of period	2,133,750	2,135,750	2,136,900

(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>(In thousands, except share amounts)</i> <i>(Unaudited)</i>	June 30, 2019	December 31, 2019	June 30, 2020
ASSETS			
Cash and due from banks	\$ 9,951	\$ 9,057	\$ 7,365
Federal Reserve and other short-term investments	318,356	243,090	214,489
Cash and cash equivalents	328,307	252,147	221,854
CRA investment	7,888	7,910	8,604
Debt securities available for sale	12	11	9
Other marketable equity securities	36,960	39,265	46,191
Securities, at fair value	44,860	47,186	54,804
Federal Home Loan Bank stock, at cost	31,231	24,890	20,390
Loans, net of allowance for loan losses of \$14,787 at June 30, 2019, \$15,376 at December 31, 2019 and \$16,458 at June 30, 2020	2,171,130	2,227,062	2,381,780
Foreclosed assets	—	—	3,811
Bank-owned life insurance	12,600	12,727	12,844
Premises and equipment, net	14,410	14,548	15,358
Accrued interest receivable	5,691	4,926	5,054
Deferred income tax asset, net	1,368	1,213	1,729
Other assets	4,874	5,647	6,215
Total assets	\$ 2,614,471	\$ 2,590,346	\$ 2,723,839
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits	\$ 1,429,998	\$ 1,583,280	\$ 1,764,714
Non-interest-bearing deposits	228,306	237,554	289,574
Total deposits	1,658,304	1,820,834	2,054,288
Federal Home Loan Bank and Federal Reserve Bank advances	710,300	505,200	385,431
Mortgage payable	720	687	—
Mortgagors' escrow accounts	7,274	7,815	8,185
Accrued interest payable	1,991	960	282
Other liabilities	6,302	7,627	11,605
Total liabilities	2,384,891	2,343,123	2,459,791
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 June 30, 2019, 2,135,750 shares issued and outstanding and December 31, 2019 and 2,136,900 shares issued and outstanding at June 30, 2020	2,134	2,136	2,137
Additional paid-in capital	11,980	12,234	12,352
Undivided profits	215,466	232,853	249,559
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	229,580	247,223	264,048
Total liabilities and stockholders' equity	\$ 2,614,471	\$ 2,590,346	\$ 2,723,839

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2020	2019	2020
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 24,816	\$ 25,856	\$ 47,896	\$ 51,566
Equity securities	496	463	985	961
Federal Reserve and other short-term investments	1,629	56	3,189	797
Total interest and dividend income	<u>26,941</u>	<u>26,375</u>	<u>52,070</u>	<u>53,324</u>
Interest expense:				
Deposits	7,074	4,392	13,220	10,333
Federal Home Loan Bank advances	3,539	942	6,667	3,889
Mortgage payable	11	—	22	3
Total interest expense	<u>10,624</u>	<u>5,334</u>	<u>19,909</u>	<u>14,225</u>
Net interest income	<u>16,317</u>	<u>21,041</u>	<u>32,161</u>	<u>39,099</u>
Provision for loan losses	555	625	980	1,763
Net interest income, after provision for loan losses	<u>15,762</u>	<u>20,416</u>	<u>31,181</u>	<u>37,336</u>
Other income (loss):				
Customer service fees on deposits	199	148	385	320
Increase in cash surrender value of bank-owned life insurance	57	59	124	117
Gain (loss) on equity securities, net	1,170	6,930	4,039	(1,144)
Gain on disposal of fixed assets	—	—	—	218
Miscellaneous	43	28	83	81
Total other income (loss)	<u>1,469</u>	<u>7,165</u>	<u>4,631</u>	<u>(408)</u>
Operating expenses:				
Salaries and employee benefits	3,177	3,287	6,324	6,667
Occupancy and equipment	447	474	901	929
Data processing	301	475	735	964
Deposit insurance	265	254	508	437
Foreclosure	44	28	67	154
Marketing	177	104	309	284
Other general and administrative	756	756	1,465	1,563
Total operating expenses	<u>5,167</u>	<u>5,378</u>	<u>10,309</u>	<u>10,998</u>
Income before income taxes	12,064	22,203	25,503	25,930
Income tax provision	3,358	5,865	6,973	7,407
Net income	<u>\$ 8,706</u>	<u>\$ 16,338</u>	<u>\$ 18,530</u>	<u>\$ 18,523</u>
Cash dividends declared per share	<u>\$ 0.39</u>	<u>\$ 0.43</u>	<u>\$ 0.77</u>	<u>\$ 0.85</u>
Weighted average shares outstanding:				
Basic	<u>2,134</u>	<u>2,137</u>	<u>2,133</u>	<u>2,137</u>
Diluted	<u>2,182</u>	<u>2,176</u>	<u>2,182</u>	<u>2,180</u>
Earnings per share:				
Basic	<u>\$ 4.08</u>	<u>\$ 7.65</u>	<u>\$ 8.69</u>	<u>\$ 8.67</u>
Diluted	<u>\$ 3.99</u>	<u>\$ 7.50</u>	<u>\$ 8.49</u>	<u>\$ 8.50</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended June 30,					
	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)	\$ 2,161,278	\$ 24,816	4.59 %	\$ 2,379,132	\$ 25,856	4.35 %
Securities (3) (4)	58,311	496	3.40	69,901	463	2.65
Federal Reserve and other short-term investments	272,453	1,629	2.39	222,960	56	0.10
Total interest-earning assets	<u>2,492,042</u>	<u>26,941</u>	<u>4.32</u>	<u>2,671,993</u>	<u>26,375</u>	<u>3.95</u>
Other assets	41,700			44,066		
Total assets	<u>\$ 2,533,742</u>			<u>\$ 2,716,059</u>		
Interest-bearing deposits (5)	\$ 1,543,247	7,074	1.83	\$ 1,592,458	4,392	1.10
Borrowed funds	534,809	3,550	2.66	583,532	942	0.65
Total interest-bearing liabilities	<u>2,078,056</u>	<u>10,624</u>	<u>2.04</u>	<u>2,175,990</u>	<u>5,334</u>	<u>0.98</u>
Non-interest-bearing deposits	221,051			272,418		
Other liabilities	7,271			9,107		
Total liabilities	<u>2,306,378</u>			<u>2,457,515</u>		
Stockholders' equity	227,364			258,544		
Total liabilities and stockholders' equity	<u>\$ 2,533,742</u>			<u>\$ 2,716,059</u>		
Net interest income		<u>\$ 16,317</u>			<u>\$ 21,041</u>	
Weighted average spread			<u>2.28 %</u>			<u>2.97 %</u>
Net interest margin (6)			<u>2.62 %</u>			<u>3.15 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)	<u>119.92 %</u>			<u>122.79 %</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.

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Six Months Ended June 30,					
	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)	\$ 2,105,144	\$ 47,896	4.55 %	\$ 2,325,075	\$ 51,566	4.44 %
Securities (3) (4)	56,602	985	3.48	67,601	961	2.84
Federal Reserve and other short-term investments	266,348	3,189	2.39	225,565	797	0.71
Total interest-earning assets	2,428,094	52,070	4.29	2,618,241	53,324	4.07
Other assets	40,418			45,302		
Total assets	\$ 2,468,512			\$ 2,663,543		
Interest-bearing deposits (5)	\$ 1,514,553	13,220	1.75	\$ 1,552,901	10,333	1.33
Borrowed funds	505,176	6,689	2.65	591,596	3,892	1.32
Total interest-bearing liabilities	2,019,729	19,909	1.97	2,144,497	14,225	1.33
Non-interest-bearing deposits	218,099			255,212		
Other liabilities	7,697			8,347		
Total liabilities	2,245,525			2,408,056		
Stockholders' equity	222,987			255,487		
Total liabilities and stockholders' equity	\$ 2,468,512			\$ 2,663,543		
Net interest income		\$ 32,161			\$ 39,099	
Weighted average spread			2.32 %			2.74 %
Net interest margin (6)			2.65 %			2.99 %
Average interest-earning assets to average interest-bearing liabilities (7)	120.22 %			122.09 %		

- (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		Six Months Ended	
	June 30,		June 30,	
	2019	2020	2019	2020
Non-GAAP reconciliation:				
Net income	\$ 8,706	\$ 16,338	\$ 18,530	\$ 18,523
Loss (gain) on equity securities, net	(1,170)	(6,930)	(4,039)	1,144
Income tax expense (benefit) (1)	258	1,528	890	(252)
Core net income	<u>\$ 7,794</u>	<u>\$ 10,936</u>	<u>\$ 15,381</u>	<u>\$ 19,415</u>

(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.

COVID-19 Modifications Table

The table below presents the number and outstanding balances of loans that the Bank has modified as a result of COVID-19 compared as a percentage of the total number and outstanding balances of the Bank's loan portfolio as of June 30, 2020, by loan category. This table reflects all modifications in effect as of June 30, 2020 and as loans return to the original contractual terms, they will no longer be reflected on this table.

	Outstanding		Modified		% Modified	
	# of Loans	Balance (2)	# of Loans	Balance	# of Loans	Balance
<i>(In thousands, unaudited)</i>						
Residential Real Estate (1)	2,534	\$ 706,733	35	\$ 13,164	1.38 %	1.86 %
Commercial Real Estate	1,422	1,519,304	17	55,538	1.20	3.66
Construction	67	159,677	—	—	—	—
Commercial and Consumer	573	9,749	—	—	—	—
Total Loans	<u>4,596</u>	<u>\$ 2,395,463</u>	<u>52</u>	<u>\$ 68,702</u>	<u>1.13 %</u>	<u>2.87 %</u>

(1) Includes Home Equity lines of credit

(2) Gross loans, before net deferred loan origination costs and the allowance for loan losses.