



## PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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### **HINGHAM REPORTS THIRD QUARTER 2020 RESULTS**

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

#### **Earnings**

Net income for the quarter ended September 30, 2020 was \$15,206,000 or \$7.12 per share basic and \$6.96 per share diluted, as compared to \$9,033,000 or \$4.23 per share basic and \$4.14 per share diluted for the same period last year. The Bank's annualized return on average equity for the third quarter of 2020 was 22.23%, and the annualized return on average assets was 2.26%, as compared to 15.33% and 1.40% for the same period in 2019. Net income per share (diluted) for the third quarter of 2020 increased by 68% over the same period in 2019.

Core net income for the third quarter of 2020, which represents net income excluding the after-tax gains and losses on securities, both realized and unrealized, was \$12,394,000 or \$5.80 per share basic and \$5.68 per share diluted, as compared to \$8,801,000 or \$4.12 per share basic and \$4.03 per share diluted for the same period last year. The Bank's annualized core return on average equity for the third quarter of 2020 was 18.12%, and the annualized core return on average assets was 1.84%, as compared to 14.94% and 1.37% for the same period in 2019. Core net income per share (diluted) for the third quarter of 2020 increased by 41% over the same period in 2019.

Net income for the nine months ended September 30, 2020 was \$33,729,000 or \$15.79 per share basic and \$15.46 per share diluted, as compared to \$27,563,000 or \$12.92 per share basic and \$12.63 per share diluted for the same period last year. The Bank's annualized return on average equity for the first nine months of 2020 was 17.19%, and the annualized return on average assets was 1.68%, as compared to 16.17% and 1.47% for the same period in 2019. Net income per share (diluted) for the first nine months of 2020 increased by 22% over the same period in 2019.

Core net income for the nine months ended September 30, 2020 was \$31,809,000 or \$14.89 per share basic and \$14.58 per share diluted, as compared to \$24,182,000 or \$11.33 per share basic and \$11.08 per share diluted for the same period last year. The Bank's annualized core return on average equity

for the first nine months of 2020 was 16.21%, and the annualized core return on average assets was 1.59%, as compared to 14.19% and 1.29% for the same period in 2019. Core net income per share (diluted) for the first nine months of 2020 increased by 32% over the same period in 2019.

See page 9 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**

Total assets increased to \$2.719 billion at September 30, 2020, representing 7% annualized growth year-to-date and 10% growth from September 30, 2019.

Net loans totaled \$2.359 billion at September 30, 2020, representing 8% annualized growth year-to-date and 10% growth from September 30, 2019. Growth was concentrated in the Bank's commercial real estate portfolio.

Total deposits, including wholesale deposits, increased to \$2.027 billion at September 30, 2020, representing 15% annualized growth year-to-date and 19% growth from September 30, 2019. Total retail and business deposits increased to \$1.532 billion at September 30, 2020, representing 10% annualized growth year-to-date and 8% growth from September 30, 2019. Non-interest bearing deposits, included in retail and business deposits, increased to \$303.8 million at September 30, 2020, representing 37% annualized growth year-to-date and 31% growth from September 30, 2019. During the first nine months of 2020, the Bank continued to reduce the balance of excess reserves held at the Federal Reserve Bank and 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 \$130.24 as of September 30, 2020, representing 17% annualized growth year-to-date and 17% growth from September 30, 2019. In addition to the increase in book value per share, the Bank has declared \$2.31 in dividends per share since September 30, 2019, including a special dividend of \$0.60 per share declared during the fourth quarter of 2019. The Bank increased its regular dividend per share in each of the last four quarters.

## **Operational Performance Metrics**

The net interest margin for the quarter ended September 30, 2020 increased 69 basis points to 3.46%, as compared to 2.77% 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 third quarter. At September 30, 2020, non-performing assets totaled 0.23% of total assets, compared to 0.22% at December 31, 2019 and 0.05% at September 30, 2019. Non-performing loans as a percentage of the total loan portfolio totaled 0.10% at September 30, 2020, compared to 0.25% at December 31, 2019 and 0.06% at September 30, 2019.

At September 30, 2020, the Bank owned \$3.9 million in foreclosed property, consisting exclusively of a residential property on Nantucket that was purchased at auction in January 2020 for \$3.6 million. This balance includes the capitalization of repairs and improvements completed by the Bank following acquisition. This collateral secured a non-performing loan which comprised the substantial majority of non-performing assets at December 31, 2019. The Bank listed the property located at 14 Orange Street for sale in July 2020. 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](mailto:gloria@jordanre.com) directly. At December 31, 2019 and September 30, 2019, the Bank did not own any foreclosed property.

The Bank recorded \$709,000 of net charge-offs for the first nine months of 2020, composed of four charge-offs offset by minor recoveries, as compared to \$1,000 in net recoveries for the same period last year. These charge-offs were primarily associated with residential mortgage loans subject to foreclosure. The Bank continues to pursue recovery of these deficiencies via litigation.

At September 30, 2020, the Bank had modified less than 1% of the Bank's total loan portfolio by number and less than 3% by dollar in response to COVID-19. The nature of these modifications was described in the Bank's Form 10-Q for the second quarter of 2020 and, with de minimis exceptions, all such modifications were completed in the first and second quarters. All such modifications are performing in accordance with their modified terms or have returned to their original contractual terms. The Bank has not extended and does not plan to extend further forbearance other than as may be required by law. As previously noted, the Bank did not defer the collection of interest on any commercial mortgages.

The efficiency ratio, as defined on page 4 below, was 23.50% for the third quarter of 2020, as compared to 29.28% for the same period last year. Operating expenses as a percentage of average assets remained stable at 0.81% in the third quarter of 2020, the same as the comparable 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 are capitalizing 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 September 30, 2020 with the FDIC on or about November 4, 2020.

Incorporated in 1834, Hingham Institution for Savings is one of America's oldest banks. The Bank maintains offices in Boston, Nantucket, and 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,	
	2019	2020	2019	2020
<i>(Unaudited)</i>				
<b>Key Performance Ratios</b>				
Return on average assets (1)	1.40 %	<b>2.26 %</b>	1.47 %	<b>1.68 %</b>
Return on average equity (1)	15.33	<b>22.23</b>	16.17	<b>17.19</b>
Core return on average assets (1) (5)	1.37	<b>1.84</b>	1.29	<b>1.59</b>
Core return on average equity (1) (5)	14.94	<b>18.12</b>	14.19	<b>16.21</b>
Interest rate spread (1) (2)	2.42	<b>3.31</b>	2.36	<b>2.93</b>
Net interest margin (1) (3)	2.77	<b>3.46</b>	2.69	<b>3.15</b>
Operating expenses to average assets (1)	0.81	<b>0.81</b>	0.83	<b>0.82</b>
Efficiency ratio (4)	29.28	<b>23.50</b>	30.70	<b>26.10</b>
Average equity to average assets	9.16	<b>10.18</b>	9.08	<b>9.79</b>
Average interest-earning assets to average interest-bearing liabilities	120.49	<b>124.72</b>	120.31	<b>122.96</b>

	September 30,	December 31,	September 30,
	2019	2019	2020
<i>(Unaudited)</i>			
<b>Asset Quality Ratios</b>			
Allowance for loan losses/total loans	0.70 %	0.69 %	<b>0.71 %</b>
Allowance for loan losses/non-performing loans	1,138.01	274.57	<b>699.75</b>
Non-performing loans/total loans	0.06	0.25	<b>0.10</b>
Non-performing loans/total assets	0.05	0.22	<b>0.09</b>
Non-performing assets/total assets	0.05	0.22	<b>0.23</b>
<b>Share Related</b>			
Book value per share	\$ 111.47	\$ 115.75	\$ <b>130.24</b>
Market value per share	\$ 189.00	\$ 210.20	\$ <b>184.00</b>
Shares outstanding at end of period	2,133,750	2,135,750	<b>2,136,900</b>

(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>	<b>September 30, 2019</b>	<b>December 31, 2019</b>	<b>September 30, 2020</b>
<b>ASSETS</b>			
Cash and due from banks	\$ 10,233	\$ 9,057	\$ 9,816
Federal Reserve and other short-term investments	221,022	243,090	229,555
Cash and cash equivalents	231,255	252,147	239,371
CRA investment	7,948	7,910	8,604
Debt securities available for sale	11	11	6
Other marketable equity securities	38,981	39,265	48,744
Securities, at fair value	46,940	47,186	57,354
Federal Home Loan Bank stock, at cost	23,615	24,890	18,985
Loans, net of allowance for loan losses of \$15,090 at September 30, 2019, \$15,376 at December 31, 2019 and \$16,780 at September 30, 2020	2,140,514	2,227,062	2,358,983
Foreclosed assets	—	—	3,926
Bank-owned life insurance	12,661	12,727	12,895
Premises and equipment, net	14,339	14,548	15,294
Accrued interest receivable	4,912	4,926	5,116
Deferred income tax asset, net	1,303	1,213	1,176
Other assets	4,833	5,647	6,045
Total assets	\$ 2,480,372	\$ 2,590,346	\$ 2,719,145
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Interest-bearing deposits	\$ 1,474,113	\$ 1,583,280	\$ 1,722,970
Non-interest-bearing deposits	231,616	237,554	303,774
Total deposits	1,705,729	1,820,834	2,026,744
Federal Home Loan Bank advances	519,900	505,200	399,031
Mortgage payable	703	687	—
Mortgagors' escrow accounts	7,544	7,815	8,105
Accrued interest payable	2,198	960	274
Other liabilities	6,445	7,627	6,679
Total liabilities	2,242,519	2,343,123	2,440,833
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 September 30, 2019, 2,135,750 shares issued and outstanding and December 31, 2019 and 2,136,900 shares issued and outstanding at September 30, 2020	2,134	2,136	2,137
Additional paid-in capital	12,073	12,234	12,371
Undivided profits	223,646	232,853	263,804
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	237,853	247,223	278,312
Total liabilities and stockholders' equity	\$ 2,480,372	\$ 2,590,346	\$ 2,719,145

**HINGHAM INSTITUTION FOR SAVINGS**  
**Consolidated Statements of Income**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2020	2019	2020
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 26,153	\$ 26,193	\$ 74,049	\$ 77,759
Equity securities	518	441	1,503	1,402
Federal Reserve and other short-term investments	1,527	47	4,716	844
Total interest and dividend income	<u>28,198</u>	<u>26,681</u>	<u>80,268</u>	<u>80,005</u>
Interest expense:				
Deposits	7,585	3,285	20,805	13,618
Federal Home Loan Bank and Federal Reserve Bank advances	3,099	567	9,766	4,456
Mortgage payable	11	—	33	3
Total interest expense	<u>10,695</u>	<u>3,852</u>	<u>30,604</u>	<u>18,077</u>
Net interest income	<u>17,503</u>	<u>22,829</u>	<u>49,664</u>	<u>61,928</u>
Provision for loan losses	302	350	1,282	2,113
Net interest income, after provision for loan losses	<u>17,201</u>	<u>22,479</u>	<u>48,382</u>	<u>59,815</u>
Other income:				
Customer service fees on deposits	213	181	598	501
Increase in cash surrender value of bank-owned life insurance	61	51	185	168
Gain on equity securities, net	298	3,607	4,337	2,463
Gain on disposal of fixed assets	—	—	—	218
Miscellaneous	42	33	125	114
Total other income	<u>614</u>	<u>3,872</u>	<u>5,245</u>	<u>3,464</u>
Operating expenses:				
Salaries and employee benefits	3,290	3,210	9,614	9,877
Occupancy and equipment	453	503	1,354	1,432
Data processing	419	502	1,154	1,466
Deposit insurance	22	212	530	649
Foreclosure	34	167	101	321
Marketing	188	116	497	400
Other general and administrative	811	718	2,276	2,281
Total operating expenses	<u>5,217</u>	<u>5,428</u>	<u>15,526</u>	<u>16,426</u>
Income before income taxes	12,598	20,923	38,101	46,853
Income tax provision	3,565	5,717	10,538	13,124
Net income	<u>\$ 9,033</u>	<u>\$ 15,206</u>	<u>\$ 27,563</u>	<u>\$ 33,729</u>
Cash dividends declared per share	<u>\$ 0.40</u>	<u>\$ 0.45</u>	<u>\$ 1.17</u>	<u>\$ 1.30</u>
Weighted average shares outstanding:				
Basic	<u>2,134</u>	<u>2,137</u>	<u>2,133</u>	<u>2,137</u>
Diluted	<u>2,183</u>	<u>2,183</u>	<u>2,182</u>	<u>2,181</u>
Earnings per share:				
Basic	<u>\$ 4.23</u>	<u>\$ 7.12</u>	<u>\$ 12.92</u>	<u>\$ 15.79</u>
Diluted	<u>\$ 4.14</u>	<u>\$ 6.96</u>	<u>\$ 12.63</u>	<u>\$ 15.46</u>

**HINGHAM INSTITUTION FOR SAVINGS**  
**Net Interest Income Analysis**

	Three Months Ended September 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)	\$ 2,191,324	\$ 26,153	4.77 %	\$ 2,391,761	\$ 26,193	4.38 %
Securities (3) (4)	58,133	518	3.56	63,151	441	2.79
Federal Reserve and other short-term investments	279,802	1,527	2.18	184,710	47	0.10
Total interest-earning assets	2,529,259	28,198	4.46	2,639,622	26,681	4.04
Other assets	43,578			48,456		
Total assets	\$ 2,572,837			\$ 2,688,078		
Interest-bearing deposits (5)	\$ 1,616,151	7,585	1.88	\$ 1,756,238	3,285	0.75
Borrowed funds	482,975	3,110	2.58	360,271	567	0.63
Total interest-bearing liabilities	2,099,126	10,695	2.04	2,116,509	3,852	0.73
Non-interest-bearing deposits	230,505			290,803		
Other liabilities	7,514			7,156		
Total liabilities	2,337,145			2,414,468		
Stockholders' equity	235,692			273,610		
Total liabilities and stockholders' equity	\$ 2,572,837			\$ 2,688,078		
Net interest income		\$ 17,503			\$ 22,829	
Weighted average spread			2.42 %			3.31 %
Net interest margin (6)			2.77 %			3.46 %
Average interest-earning assets to average interest-bearing liabilities (7)	120.49 %			124.72 %		

- (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,					
	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)	\$ 2,134,186	\$ 74,049	4.63 %	\$ 2,347,466	\$ 77,759	4.42 %
Securities (3) (4)	57,118	1,503	3.51	66,107	1,402	2.83
Federal Reserve and other short-term investments	270,882	4,716	2.32	211,847	844	0.53
Total interest-earning assets	2,462,186	80,268	4.35	2,625,420	80,005	4.06
Other assets	41,483			46,361		
Total assets	\$ 2,503,669			\$ 2,671,781		
Interest-bearing deposits (5)	\$ 1,548,791	20,805	1.79	\$ 1,621,175	13,618	1.12
Borrowed funds	497,694	9,799	2.63	513,925	4,459	1.16
Total interest-bearing liabilities	2,046,485	30,604	1.99	2,135,100	18,077	1.13
Non-interest-bearing deposits	222,280			267,162		
Other liabilities	7,635			7,947		
Total liabilities	2,276,400			2,410,209		
Stockholders' equity	227,269			261,572		
Total liabilities and stockholders' equity	\$ 2,503,669			\$ 2,671,781		
Net interest income		\$ 49,664			\$ 61,928	
Weighted average spread			2.36 %			2.93 %
Net interest margin (6)			2.69 %			3.15 %
Average interest-earning assets to average interest-bearing liabilities (7)	120.31 %			122.96 %		

- (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 on equity securities, net.

<i>(In thousands, unaudited)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2020	2019	2020
Non-GAAP reconciliation:				
Net income	\$ 9,033	\$ 15,206	\$ 27,563	\$ 33,729
Gain on equity securities, net	(298)	(3,607)	(4,337)	(2,463)
Income tax expense (1)	66	795	956	543
Core net income	\$ 8,801	\$ 12,394	\$ 24,182	\$ 31,809

(1) The equity securities are held in a tax-advantaged subsidiary corporation. The income tax effect of the 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 September 30, 2020, by loan category. This table reflects all modifications in effect as of September 30, 2020 and as loans return to the original contractual terms, they are no longer 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)	2,473	\$ 688,008	24	\$ 7,815	0.97 %	1.14 %
Commercial Real Estate	1,396	1,517,821	10	48,841	0.72	3.22
Construction	64	157,333	—	—	—	—
Commercial and Consumer	551	9,729	—	—	—	—
Total Loans	4,484	\$ 2,372,891	34	\$ 56,656	0.76 %	2.39 %

(1) Includes Home Equity lines of credit

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