



PRESS RELEASE

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

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

HINGHAM REPORTS 2020 RESULTS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced earnings for the fourth quarter and the year ended December 31, 2020.

Earnings

Net income for the year ended December 31, 2020 was \$50,771,000 or \$23.76 per share basic and \$23.25 per share diluted, as compared to \$38,927,000 or \$18.24 per share basic and \$17.83 per share diluted for the same period last year. The Bank's return on average equity for the year ended December 31, 2020 was 18.96%, and the return on average assets was 1.88%, as compared to 16.82% and 1.55% for the same period in 2019. Net income per share (diluted) for 2020 increased by 30% over the same period in 2019.

Core net income for the year ended December 31, 2020, which represents net income excluding the after-tax gains and losses on securities, both realized and unrealized, was \$44,600,000 or \$20.87 per share basic and \$20.43 per share diluted, as compared to \$32,996,000 or \$15.46 per share basic and \$15.12 per share diluted for the same period last year. The Bank's core return on average equity for the year ended December 31, 2020 was 16.66%, and the core return on average assets was 1.65%, as compared to 14.26% and 1.32% for the same period in 2019. Core net income per share (diluted) for 2020 increased by 35% over the same period in 2019.

Net income for the quarter ended December 31, 2020 was \$17,042,000 or \$7.97 per share basic and \$7.78 per share diluted, as compared to \$11,364,000 or \$5.32 per share basic and \$5.20 per share diluted for the same period last year. The Bank's annualized return on average equity for the fourth quarter of 2020 was 23.83%, and the annualized return on average assets was 2.46%, as compared to 18.64% and 1.81% for the same period in 2019. Net income per share (diluted) for the fourth quarter of 2020 increased by 50% over the same period in 2019.

Core net income for the quarter ended December 31, 2020, which represents net income excluding the after-tax gains and losses on securities, both realized and unrealized, was \$12,791,000 or \$5.99 per share basic and \$5.84 per share diluted, as compared to \$8,814,000 or \$4.13 per share basic and \$4.04

per share diluted for the same period last year. The Bank's annualized core return on average equity for the fourth quarter of 2020 was 17.89%, and the annualized core return on average assets was 1.85%, as compared to 14.46% and 1.40% for the same period in 2019. Core net income per share (diluted) for the fourth quarter of 2020 increased by 45% 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 \$2.857 billion at December 31, 2020, representing 10% growth from December 31, 2019.

Net loans totaled \$2.495 billion at December 31, 2020, representing 12% growth from December 31, 2019. Growth was concentrated in the Bank's commercial real estate portfolio.

Total deposits, including wholesale deposits, increased to \$2.139 billion at December 31, 2020, representing 17% growth from December 31, 2019. Total retail and business deposits increased to \$1.592 billion at December 31, 2020, representing 11% growth from December 31, 2019. Non-interest bearing deposits, included in retail and business deposits, increased to \$313.5 million at December 31, 2020, representing 32% growth from December 31, 2019. During 2020, the Bank continued to reduce the balance of excess reserves held at the Federal Reserve Bank and managed 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 \$137.02 as of December 31, 2020, representing 18.4% growth from December 31, 2019. In addition to the increase in book value per share, the Bank has declared \$2.47 in dividends per share since December 31, 2019, including a special dividend of \$0.70 per share declared during the fourth quarter of 2020. The Bank increased its regular dividend per share in each of the last four quarters. The trailing five year compound annual growth rate in book value per share, an important measure of long-term value creation, was 16.1%.

Operational Performance Metrics

The net interest margin for the year ended December 31, 2020 increased 50 basis points to 3.22%, as compared to 2.72% in the prior year. The net interest margin for the quarter ended December 31, 2020 increased 64 basis points to 3.43%, as compared to 2.79% for the same period last year. The Bank has benefited from a sharp decline in the cost of interest-bearing liabilities, including retail and commercial deposits and wholesale funding. The Bank has also benefited from continued growth in non-interest bearing deposit balances. These benefits were 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 periods.

Key credit and operational metrics remained strong in the fourth quarter. At December 31, 2020, non-performing assets totaled 0.27% of total assets, as compared to 0.22% at December 31, 2019. Non-performing loans as a percentage of the total loan portfolio totaled 0.16% at December 31, 2020, as compared to 0.25% at December 31, 2019. At December 31, 2020, the Bank did not have any

material exposure to loans modified as a result of the COVID-19 pandemic. As indicated in prior quarters, the Bank did not defer the collection of interest due on any commercial loans in response to COVID-19. See “COVID-19 Modifications Table” in Page 9 for a summary of modified loans still outstanding at December 31, 2020. Although the Bank’s litigation activities were slowed by pandemic-related operational challenges in both state and federal courts early in 2020, we continue to pursue delinquencies vigorously.

At December 31, 2020, the Bank owned \$3.8 million in foreclosed property, consisting exclusively of a residential property on Nantucket that was purchased at auction in January 2020. This balance includes the capitalization of repairs and improvements completed by the Bank following acquisition, net of a valuation allowance of \$100,000 recorded in the fourth quarter of 2020 to reflect the property’s fair value. This property had originally secured a non-performing loan which comprised the substantial majority of non-performing assets at December 31, 2019. This property is currently under contract pending closing in the first quarter of 2021. At December 31, 2019, the Bank did not own any foreclosed property.

The Bank recorded \$260,000 of net charge-offs in 2020, as compared to \$1,000 in net recoveries in 2019. This was the product of \$712,000 in gross charge-offs, primarily associated with two residential mortgage loans subject to foreclosure, partially offset by \$452,000 in recoveries from ongoing litigation and insurance claims related to the same residential loans. The Bank continues to pursue remaining deficiencies via litigation.

The efficiency ratio, as defined on page 4 below, fell to 25.41% in 2020, as compared to 30.26% in 2019. Operating expenses as a percentage of average assets were 0.82% in both 2020 and 2019. The Bank remains focused on reducing waste through an ongoing process of continuous improvement.

Chairman and Chief Executive Officer Robert H. Gaughen Jr. stated, “Returns on equity and assets were satisfactory in 2020, although performance in any one period should always be viewed cautiously, especially when tailwinds are blowing strongly in our favor. These tailwinds will not blow forever and we must be prepared for environments in which headwinds prevail. 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 annual financial results are summarized in the 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, 2020 with the Federal Deposit Insurance Corporation (FDIC) on or about March 3, 2021.

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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2020	2019	2020
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.81 %	2.46 %	1.55 %	1.88 %
Return on average equity (1)	18.64	23.83	16.82	18.96
Core return on average assets (1) (5)	1.40	1.85	1.32	1.65
Core return on average equity (1) (5)	14.46	17.89	14.26	16.66
Interest rate spread (1) (2)	2.45	3.31	2.38	3.03
Net interest margin (1) (3)	2.79	3.43	2.72	3.22
Operating expenses to average assets (1)	0.81	0.80	0.82	0.82
Efficiency ratio (4)	29.00	23.57	30.26	25.41
Average equity to average assets	9.70	10.34	9.24	9.93
Average interest-earning assets to average interest-bearing liabilities	122.02	125.62	120.74	123.64

	December 31,	December 31,
	2019	2020
<i>(Unaudited)</i>		
Asset Quality Ratios		
Allowance for loan losses/total loans	0.69 %	0.69 %
Allowance for loan losses/non-performing loans	274.57	438.28
Non-performing loans/total loans	0.25	0.16
Non-performing loans/total assets	0.22	0.14
Non-performing assets/total assets	0.22	0.27
Share Related		
Book value per share	\$ 115.75	\$ 137.02
Market value per share	\$ 210.20	\$ 216.00
Shares outstanding at end of period	2,135,750	2,137,900

(1) Annualized for the three months ended December 31, 2019 and 2020.

(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>	December 31, 2019	December 31, 2020
ASSETS		
Cash and due from banks	\$ 9,057	\$ 6,798
Federal Reserve and other short-term investments	243,090	227,188
Cash and cash equivalents	252,147	233,986
CRA investment	7,910	9,580
Debt securities available for sale	11	6
Other marketable equity securities	39,265	56,282
Securities, at fair value	47,186	65,868
Federal Home Loan Bank stock, at cost	24,890	19,345
Loans, net of allowance for loan losses of \$15,376 at December 31, 2019 and \$17,404 at December 31, 2020	2,227,062	2,495,331
Foreclosed assets	—	3,826
Bank-owned life insurance	12,727	12,657
Premises and equipment, net	14,548	15,248
Accrued interest receivable	4,926	5,267
Deferred income tax asset, net	1,213	763
Other assets	5,647	4,802
Total assets	\$ 2,590,346	\$ 2,857,093
LIABILITIES AND STOCKHOLDERS' EQUITY		
Interest-bearing deposits	\$ 1,583,280	\$ 1,825,700
Non-interest-bearing deposits	237,554	313,497
Total deposits	1,820,834	2,139,197
Federal Home Loan Bank advances	505,200	408,031
Mortgage payable	687	—
Mortgagors' escrow accounts	7,815	8,770
Accrued interest payable	960	252
Other liabilities	7,627	7,900
Total liabilities	2,343,123	2,564,150
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; 2,135,750 shares issued and outstanding at December 31, 2019 and 2,137,900 shares issued and outstanding at December 31, 2020	2,136	2,138
Additional paid-in capital	12,234	12,460
Undivided profits	232,853	278,345
Accumulated other comprehensive income	—	—
Total stockholders' equity	247,223	292,943
Total liabilities and stockholders' equity	\$ 2,590,346	\$ 2,857,093

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2019	2020	2019	2020
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 25,330	\$ 26,038	\$ 99,379	\$ 103,797
Debt securities	1	—	1	—
Equity securities	493	264	1,996	1,666
Federal Reserve and other short-term investments	860	55	5,576	899
Total interest and dividend income	<u>26,684</u>	<u>26,357</u>	<u>106,952</u>	<u>106,362</u>
Interest expense:				
Deposits	6,014	2,568	26,819	16,186
Federal Home Loan Bank and Federal Reserve Bank advances	3,422	513	13,188	4,969
Mortgage payable	10	—	43	3
Total interest expense	<u>9,446</u>	<u>3,081</u>	<u>40,050</u>	<u>21,158</u>
Net interest income	17,238	23,276	66,902	85,204
Provision for loan losses	285	175	1,567	2,288
Net interest income, after provision for loan losses	<u>16,953</u>	<u>23,101</u>	<u>65,335</u>	<u>82,916</u>
Other income:				
Customer service fees on deposits	205	177	803	678
Increase in cash surrender value of bank-owned life insurance	66	51	251	219
Gain on equity securities, net	3,271	5,453	7,608	7,916
Gain on disposal of fixed assets	—	—	—	218
Miscellaneous	41	47	166	161
Total other income	<u>3,583</u>	<u>5,728</u>	<u>8,828</u>	<u>9,192</u>
Operating expenses:				
Salaries and employee benefits	3,212	3,278	12,826	13,155
Occupancy and equipment	459	422	1,813	1,854
Data processing	432	443	1,586	1,909
Deposit insurance	4	211	534	860
Foreclosure and related	16	207	117	528
Marketing	198	145	695	545
Other general and administrative	768	846	3,044	3,127
Total operating expenses	<u>5,089</u>	<u>5,552</u>	<u>20,615</u>	<u>21,978</u>
Income before income taxes	15,447	23,277	53,548	70,130
Income tax provision	4,083	6,235	14,621	19,359
Net income	<u>\$ 11,364</u>	<u>\$ 17,042</u>	<u>\$ 38,927</u>	<u>\$ 50,771</u>
Cash dividends declared per share	<u>\$ 1.01</u>	<u>\$ 1.17</u>	<u>\$ 2.18</u>	<u>\$ 2.47</u>
Weighted average shares outstanding:				
Basic	2,134	2,137	2,134	2,137
Diluted	<u>2,183</u>	<u>2,189</u>	<u>2,183</u>	<u>2,183</u>
Earnings per share:				
Basic	<u>\$ 5.32</u>	<u>\$ 7.97</u>	<u>\$ 18.24</u>	<u>\$ 23.76</u>
Diluted	<u>\$ 5.20</u>	<u>\$ 7.78</u>	<u>\$ 17.83</u>	<u>\$ 23.25</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended December 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)	\$ 2,198,689	\$ 25,330	4.61 %	\$ 2,440,571	\$ 26,038	4.27 %
Securities (3) (4)	62,938	494	3.14	62,966	264	1.68
Federal Reserve and other short-term investments	208,197	860	1.65	214,403	55	0.10
Total interest-earning assets	2,469,824	26,684	4.32	2,717,940	26,357	3.88
Other assets	42,766			48,848		
Total assets	\$ 2,512,590			\$ 2,766,788		
Interest-bearing deposits (5)	\$ 1,425,114	6,014	1.69	\$ 1,843,689	2,568	0.56
Borrowed funds	599,025	3,432	2.29	319,931	513	0.64
Total interest-bearing liabilities	2,024,139	9,446	1.87	2,163,620	3,081	0.57
Non-interest-bearing deposits	237,039			309,975		
Other liabilities	7,594			7,153		
Total liabilities	2,268,772			2,480,748		
Stockholders' equity	243,818			286,040		
Total liabilities and stockholders' equity	\$ 2,512,590			\$ 2,766,788		
Net interest income		\$ 17,238			\$ 23,276	
Weighted average spread			2.45 %			3.31 %
Net interest margin (6)			2.79 %			3.43 %
Average interest-earning assets to average interest-bearing liabilities (7)	122.02 %			125.62 %		

- (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,					
	2019			2020		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 2,150,445	\$ 99,379	4.62 %	\$ 2,370,869	\$ 103,797	4.38 %
Securities (3) (4)	58,585	1,997	3.41	65,318	1,666	2.55
Federal Reserve and other short-term investments	255,082	5,576	2.19	212,490	899	0.42
Total interest-earning assets	2,464,112	106,952	4.34	2,648,677	106,362	4.02
Other assets	41,806			46,986		
Total assets	\$ 2,505,918			\$ 2,695,663		
Interest-bearing deposits (5)	\$ 1,517,625	26,819	1.77	\$ 1,677,107	16,186	0.97
Borrowed funds	523,235	13,231	2.53	465,161	4,972	1.07
Total interest-bearing liabilities	2,040,860	40,050	1.96	2,142,268	21,158	0.99
Non-interest-bearing deposits	225,999			277,924		
Other liabilities	7,619			7,748		
Total liabilities	2,274,478			2,427,940		
Stockholders' equity	231,440			267,723		
Total liabilities and stockholders' equity	\$ 2,505,918			\$ 2,695,663		
Net interest income		\$ 66,902			\$ 85,204	
Weighted average spread			2.38 %			3.03 %
Net interest margin (6)			2.72 %			3.22 %
Average interest-earning assets to average interest-bearing liabilities (7)	120.74 %			123.64 %		

- (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.

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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2020	2019	2020
Non-GAAP reconciliation:				
Net income	\$ 11,364	\$ 17,042	\$ 38,927	\$ 50,771
Gain on equity securities, net	(3,271)	(5,453)	(7,608)	(7,916)
Income tax expense (1)	721	1,202	1,677	1,745
Core net income	\$ 8,814	\$ 12,791	\$ 32,996	\$ 44,600

(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 December 31, 2020, by loan category. This table reflects all modifications in effect as of December 31, 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>(Balances in thousands, unaudited)</i>						
Residential Real Estate (1)	2,392	\$ 656,220	5	\$ 1,394	0.21 %	0.21 %
Commercial Real Estate	1,380	1,693,215	7	21,236	0.51	1.25
Construction	65	153,020	—	—	—	—
Commercial and Consumer	529	7,438	—	—	—	—
Total Loans	4,366	\$ 2,509,893	12	\$ 22,630	0.27 %	0.90 %

(1) Includes Home Equity lines of credit.

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