



## PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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### **HINGHAM REPORTS FIRST QUARTER 2021 RESULTS**

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced results for the quarter ended March 31, 2021.

#### **Earnings**

Net income for the quarter ended March 31, 2021 was \$16,350,000 or \$7.65 per share basic and \$7.45 per share diluted, as compared to \$2,185,000 or \$1.02 per share basic and \$1.00 per share diluted for the same period last year. The Bank's annualized return on average equity for the first quarter of 2021 was 21.72%, and the annualized return on average assets was 2.32%, as compared to 3.46% and 0.33% for the same period last year. Net income per share (diluted) for the first quarter of 2021 increased by 645% compared to the same period in 2020.

Core net income for the quarter ended March 31, 2021, which represents net income excluding the after-tax gains and losses on securities, both realized and unrealized, was \$13,725,000 or \$6.42 per share basic and \$6.25 per share diluted, as compared to \$8,479,000 or \$3.97 per share basic and \$3.88 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first quarter of 2021 was 18.23% and the annualized core return on average assets was 1.95%, as compared to 13.44% and 1.30% for the same period last year. Core net income per share (diluted) for the first quarter of 2021 increased by 61% over the same period in 2020.

See Page 8 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 and Capital Management**

Total assets were \$2.844 billion at March 31, 2021, representing a 2% annualized decline year-to-date and 7% growth from March 31, 2020. 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 \$2.508 billion at March 31, 2021, representing 2% annualized growth year-to-date and 8% growth from March 31, 2020. Growth was concentrated in the Bank's commercial real estate portfolio.

Total deposits, including wholesale deposits, increased to \$2.274 billion at March 31, 2021, representing 25% annualized growth year-to-date and 33% growth from March 31, 2020. Total retail and business deposits increased to \$1.621 billion at March 31, 2021, representing 8% annualized growth year-to-date and 9% growth from March 31, 2020. Non-interest-bearing deposits, included in retail and business deposits, increased to \$327.3 million at March 31, 2021, representing 18% annualized growth year-to-date and 34% growth from March 31, 2020. During the first quarter of 2021, the Bank continued to manage 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 \$144.12 as of March 31, 2021, representing 21% annualized growth year-to-date and 24% growth from March 31, 2020. In addition to the increase in book value per share, the Bank declared \$2.54 in dividends per share since March 31, 2020, including a special dividend of \$0.70 per share declared during the fourth quarter of 2020. The Bank announced increases in its regular quarterly dividend in each of the last four quarters.

In March 2021, the Bank declared a regular cash dividend of \$0.49 per share. This represented an increase of 4% over the previous regular quarterly dividend of \$0.47 per share. This dividend will be paid on April 21, 2021 to stockholders of record as of April 12, 2021. This was the Bank's 109th consecutive quarterly dividend and the Bank has consistently increased regular quarterly cash dividends over the last twenty-six years. The Bank has also declared special cash dividends in each of the last twenty-six years, typically in the fourth quarter.

The Bank sets the level of the special dividend based on the Bank's capital requirements and the prospective return on other capital allocation options. This may result in special dividends, if any, significantly above or below the regular quarterly dividend. Future regular and special dividends will be considered by the Board of Directors on a quarterly basis.

The Bank has previously communicated the declaration of the regular dividend via a separate press release. Going forward, the announcement of regular and special dividends, if any, will be communicated along with the quarterly results to simplify our internal process and reduce our costs.

### **Operational Performance Metrics**

The net interest margin for the quarter ended March 31, 2021 increased 72 basis points to 3.54%, as compared to 2.82% 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 period.

Key credit and operational metrics remained strong in the first quarter. At March 31, 2021, non-performing assets totaled 0.02% of total assets, compared to 0.27% at December 31, 2020 and 0.19% at March 31, 2020. Non-performing loans as a percentage of the total loan portfolio totaled 0.02% at March 31, 2021, compared to 0.16% at December 31, 2020 and 0.06% at March 31, 2020.

The Bank recorded \$1,000 in net charge-offs in the first three months of 2021, as compared to \$681,000 in net charge-offs for the same period last year. The prior year charge-off related exclusively to the foreclosed property discussed below.

At March 31, 2021, the Bank did not own any foreclosed property, as compared to \$3.6 million and \$3.8 million at March 31, 2020 and December 31, 2020, respectively. This prior holding consisted exclusively of a single residential property that was purchased at auction in January 2020. The balance at December 31, 2020 included the capitalization of repairs and improvements completed by the Bank following acquisition, net of a writedown of \$100,000 recorded in the fourth quarter of 2020. The property was sold during the first quarter of 2021 and the Bank recorded a \$68,000 loss on disposal, included in foreclosure and related expenses.

The efficiency ratio fell to 22.02% for the first quarter of 2021, as compared to 30.64% for the same period last year. Operating expenses as a percentage of average assets fell to 0.77% for the first quarter of 2021, as compared to 0.86% for the same period last year. The Bank remains focused on reducing waste through an ongoing process of continuous improvement.

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

### **Annual Meeting**

The Bank will hold its Annual Meeting of Stockholders at 3:00PM EST on Thursday, April 29th, 2021 via Zoom. Although we anticipate that a handful of Bank staff will be present at our Main Office for the business section of the meeting, we do not believe the public health environment will allow the Bank to hold a traditional in-person meeting in 2021. Immediately following the business meeting, the Bank will hold an informal meeting to discuss the results of the prior year and the operations of the Bank, as well as a questions and answers session. We strongly encourage all shareholders to vote by proxy. Electronic voting will not be available. Registration for the meeting is available on the Bank's Investor Relations website (click [here](#)).

Chairman Robert H. Gaughen Jr. stated, "Returns on equity and assets were satisfactory in the first quarter of 2021, 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 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, 2021 with the Federal Deposit Insurance Corporation (FDIC) on or about May 5, 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**

<i>(Unaudited)</i>	Three Months Ended	
	March 31,	
	2020	2021
<b>Key Performance Ratios</b>		
Return on average assets (1)	0.33 %	2.32 %
Return on average equity (1)	3.46	21.72
Core return on average assets (1) (5)	1.30	1.95
Core return on average equity (1) (5)	13.44	18.23
Interest rate spread (1) (2)	2.52	3.44
Net interest margin (1) (3)	2.82	3.54
Operating expenses to average assets (1)	0.86	0.77
Efficiency ratio (4)	30.64	22.02
Average equity to average assets	9.67	10.70
Average interest-earning assets to average interest bearing liabilities	121.37	126.10

<i>(Unaudited)</i>	March 31, 2020	December 31, 2020	March 31, 2021	
	<b>Asset Quality Ratios</b>			
	Allowance for loan losses/total loans	0.68 %	0.69 %	0.70 %
Allowance for loan losses/non-performing loans	1,099.51	438.28	2,870.29	
Non-performing loans/total loans	0.06	0.16	0.02	
Non-performing loans/total assets	0.05	0.14	0.02	
Non-performing assets/total assets	0.19	0.27	0.02	
<b>Share Related</b>				
Book value per share	\$ 116.34	\$ 137.02	\$ 144.12	
Market value per share	\$ 144.99	\$ 216.00	\$ 283.76	
Shares outstanding at end of period	2,136,750	2,137,900	2,139,400	

(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 and gain on disposal of fixed assets. Prior to the first quarter of 2021, the Bank's calculation of the efficiency ratio included gains on disposal of fixed assets. This had the impact of slightly improving the efficiency ratio in periods in which the Bank recognized gains on the sale of former branch locations. The Bank believes it is more conservative to exclude such transactions. The efficiency ratio for the first quarter of 2020 stated above has been recalculated using this method.

(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>	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2021</u>
<b>ASSETS</b>			
Cash and due from banks	\$ 7,797	\$ 6,798	\$ 6,267
Federal Reserve and other short-term investments	203,729	227,188	208,206
Cash and cash equivalents	<u>211,526</u>	<u>233,986</u>	<u>214,473</u>
CRA investment	8,532	9,580	9,412
Debt securities available for sale	10	6	5
Other marketable equity securities	<u>38,407</u>	<u>56,282</u>	<u>59,448</u>
Securities, at fair value	46,949	65,868	68,865
Federal Home Loan Bank stock, at cost	29,868	19,345	14,185
Loans, net of allowance for loan losses of \$15,833 at March 31, 2020, \$17,404 at December 31, 2020 and \$17,681 at March 31, 2021	2,320,369	2,495,331	2,507,873
Foreclosed assets	3,600	3,826	—
Bank-owned life insurance	12,785	12,657	12,738
Premises and equipment, net	15,418	15,248	15,247
Accrued interest receivable	5,183	5,267	5,109
Deferred income tax asset, net	3,153	763	203
Other assets	<u>5,720</u>	<u>4,802</u>	<u>5,421</u>
Total assets	<u>\$ 2,654,571</u>	<u>\$ 2,857,093</u>	<u>\$ 2,844,114</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Interest-bearing deposits	\$ 1,468,349	\$ 1,825,700	\$ 1,946,327
Non-interest-bearing deposits	244,546	313,497	327,279
Total deposits	<u>1,712,895</u>	<u>2,139,197</u>	<u>2,273,606</u>
Federal Home Loan Bank advances	676,231	408,031	246,200
Mortgagors' escrow accounts	7,894	8,770	9,052
Accrued interest payable	359	252	154
Other liabilities	<u>8,593</u>	<u>7,900</u>	<u>6,761</u>
Total liabilities	<u>2,405,972</u>	<u>2,564,150</u>	<u>2,535,773</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; 2,136,750 shares issued and outstanding at March 31, 2020, 2,137,900 shares issued and outstanding at December 31, 2020 and 2,139,400 shares issued and outstanding at March 31, 2021	2,137	2,138	2,139
Additional paid-in capital	12,322	12,460	12,556
Undivided profits	234,140	278,345	293,646
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	<u>248,599</u>	<u>292,943</u>	<u>308,341</u>
Total liabilities and stockholders' equity	<u>\$ 2,654,571</u>	<u>\$ 2,857,093</u>	<u>\$ 2,844,114</u>

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

	Three Months Ended March 31,	
	2020	2021
<i>(In thousands, except per share amounts)</i>		
<i>(Unaudited)</i>		
Interest and dividend income:		
Loans	\$ 25,710	\$ 26,749
Equity securities	498	218
Federal Reserve and other short-term investments	741	52
Total interest and dividend income	26,949	27,019
Interest expense:		
Deposits	5,941	2,107
Federal Home Loan Bank advances	2,947	444
Mortgage payable	3	—
Total interest expense	8,891	2,551
Net interest income	18,058	24,468
Provision for loan losses	1,138	278
Net interest income, after provision for loan losses	16,920	24,190
Other income (loss):		
Customer service fees on deposits	172	181
Increase in cash surrender value of bank-owned life insurance	58	81
Gain (loss) on equity securities, net	(8,074)	3,367
Gain on disposal of fixed assets	218	—
Miscellaneous	53	15
Total other income (loss)	(7,573)	3,644
Operating expenses:		
Salaries and employee benefits	3,380	3,526
Occupancy and equipment	455	406
Data processing	489	461
Deposit insurance	183	223
Foreclosure and related	126	(82)
Marketing	180	124
Other general and administrative	807	792
Total operating expenses	5,620	5,450
Income before income taxes	3,727	22,384
Income tax provision	1,542	6,034
Net income	\$ 2,185	\$ 16,350
Cash dividends declared per common share	\$ 0.42	\$ 0.49
Weighted average shares outstanding:		
Basic	2,136	2,138
Diluted	2,184	2,195
Earnings per share:		
Basic	\$ 1.02	\$ 7.65
Diluted	\$ 1.00	\$ 7.45

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

	Three Months Ended March 31,					
	2020			2021		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 2,271,019	\$ 25,710	4.53 %	\$ 2,497,119	\$ 26,749	4.28 %
Securities (3) (4)	65,302	498	3.05	63,927	218	1.36
Federal Reserve and other short-term investments	228,170	741	1.30	204,887	52	0.10
Total interest-earning assets	2,564,491	26,949	4.20	2,765,933	27,019	3.91
Other assets	46,536			47,705		
Total assets	\$ 2,611,027			\$ 2,813,638		
Interest-bearing deposits (5)	\$ 1,513,343	5,941	1.57	\$ 1,882,830	2,107	0.45
Borrowed funds	599,659	2,950	1.97	310,683	444	0.57
Total interest-bearing liabilities	2,113,002	8,891	1.68	2,193,513	2,551	0.47
Non-interest-bearing deposits	238,005			311,800		
Other liabilities	7,589			7,246		
Total liabilities	2,358,596			2,512,559		
Stockholders' equity	252,431			301,079		
Total liabilities and stockholders' equity	\$ 2,611,027			\$ 2,813,638		
Net interest income		\$ 18,058			\$ 24,468	
Weighted average spread			2.52 %			3.44 %
Net interest margin (6)			2.82 %			3.54 %
Average interest-earning assets to average interest-bearing liabilities (7)	121.37 %			126.10 %		

- (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>	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2021</b>
Non-GAAP reconciliation:		
Net Income	\$ 2,185	\$ 16,350
(Gain) loss on equity securities, net	8,074	(3,367)
Income tax expense (benefit) (1)	(1,780)	742
Core Net Income	\$ 8,479	\$ 13,725

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