



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 SECOND QUARTER 2021 RESULTS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced second quarter results for 2021.

Earnings

Net income for the quarter ended June 30, 2021 was \$20,422,000 or \$9.54 per share basic and \$9.28 per share diluted, as compared to \$16,338,000 or \$7.65 per share basic and \$7.50 per share diluted for the same period last year. The Bank's annualized return on average equity for the second quarter of 2021 was 25.51%, and the annualized return on average assets was 2.83%, as compared to 25.28% and 2.41% for the same period in 2020. Net income per share (diluted) for the second quarter of 2021 increased by 24% over the same period in 2020.

Core net income for the quarter ended June 30, 2021, which represents net income excluding the after-tax gains and losses on securities, both realized and unrealized, and the after-tax gains on the disposal of fixed assets, was \$13,795,000 or \$6.44 per share basic and \$6.27 per share diluted, as compared to \$10,936,000 or \$5.12 per share basic and \$5.03 per share diluted for the same period last year. The Bank's annualized core return on average equity for the second quarter of 2021 was 17.24%, and the annualized core return on average assets was 1.91%, as compared to 16.92% and 1.61% for the same period in 2020. Core net income per share (diluted) for the second quarter of 2021 increased by 25% over the same period in 2020.

Net income for the six months ended June 30, 2021 was \$36,772,000 or \$17.18 per share basic and \$16.73 per share diluted, as compared to \$18,523,000 or \$8.67 per share basic and \$8.50 per share diluted for the same period last year. The Bank's annualized return on average equity for the first six months of 2021 was 23.67%, and the annualized return on average assets was 2.58%, as compared to 14.50% and 1.39% for the same period in 2020. Net income per share (diluted) for the first six months of 2021 increased by 97% over the same period in 2020.

Core net income for the six months ended June 30, 2021, which represents net income excluding the after-tax gains and losses on securities, both realized and unrealized, and the after-tax gains on the disposal of fixed assets, was \$27,520,000 or \$12.86 per share basic and \$12.52 per share diluted, as

compared to \$19,258,000 or \$9.01 per share basic and \$8.83 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first six months of 2021 was 17.72%, and the annualized core return on average assets was 1.93%, as compared to 15.08% and 1.45% for the same period in 2020. Core net income per share (diluted) for the first six months of 2021 increased by 42% over the same period in 2020.

In calculating core net income, the Bank has not traditionally made any adjustments other than those relating to after-tax gains and losses on securities, both realized and unrealized. However, net income for the three and six months ended June 30, 2021 included a \$2.3 million pre-tax gain on the sale of the Bank's former branch properties located in Weymouth and South Hingham, included in gain on disposal of fixed assets. This compares to a \$218,000 pre-tax gain recorded in the first six months of 2020, related to the sale of the Bank's former branch property in Scituate. Given the significant gains on disposal of fixed assets, the Bank has excluded these gains from the calculation of core net income. The prior year core net income, core net income per share basic and diluted, core return on average assets and core return on average equity figures have been adjusted accordingly to exclude such gains. See Page 10 for a Non-GAAP reconciliation between net income and core net income.

The Bank continues to optimize its branch footprint and has recently announced its intention to close its Norwell branch in September 2021, subject to regulatory approvals.

Balance Sheet

Balance sheet growth was satisfactory, as total assets increased to \$2.974 billion at June 30, 2021, representing 8% annualized growth year-to-date and 9% growth from June 30, 2020. Asset growth, as a percentage, 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 \$2.630 billion at June 30, 2021, representing 11% annualized growth year-to-date and 10% growth from June 30, 2020. Growth was concentrated in the Bank's commercial real estate portfolio.

Total deposits, including wholesale deposits, increased to \$2.344 billion at June 30, 2021, representing 19% annualized growth year-to-date and 14% growth from June 30, 2020. Total retail and business deposits increased to \$1.640 billion at June 30, 2021, representing 6% annualized growth year-to-date and 4% growth from June 30, 2020. Retail and business deposit growth was partially offset by a continuous decline in retail time deposits, as the Bank allowed higher rate maturing time deposits to roll off. Non-interest-bearing deposits, included in retail and business deposits, increased to \$358.2 million at June 30, 2021, representing 29% annualized growth year-to-date and 24% growth from June 30, 2020. During the first half 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 \$153.02 as of June 30, 2021, representing 23% annualized growth year-to-date and 24% growth from June 30, 2020. In addition to the increase in book value per share, the Bank has declared \$2.62 in dividends per share since June 30, 2020, including a special dividend of \$0.70 per share declared during the fourth quarter of 2020. The Bank increased its regular quarterly dividend in each of the last four quarters.

On June 23, 2021, the Bank's Board of Directors declared a regular cash dividend of \$0.51 per share.

This represents an increase of 4% over the previous regular quarterly dividend of \$0.49 per share. The dividend will be paid on August 11, 2021 to stockholders of record as of August 2, 2021. This will be the Bank's 110th 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.

Operational Performance Metrics

The net interest margin for the quarter ended June 30, 2021 increased 31 basis points to 3.46%, as compared to 3.15% for the same period last year. The net interest margin for the six months ended June 30, 2021 increased 51 basis points to 3.50%, as compared to 2.99% 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 second quarter. At June 30, 2021, non-performing assets totaled 0.01% of total assets, compared to 0.27% at December 31, 2020 and 0.24% at June 30, 2020. Non-performing loans as a percentage of the total loan portfolio totaled 0.01% at June 30, 2021, compared to 0.16% at December 31, 2020 and 0.11% at June 30, 2020.

The Bank recorded \$1,000 in net charge-offs in the first six 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 June 30, 2021, the Bank did not own any foreclosed property, as compared to \$3.8 million at both June 30, 2020 and December 31, 2020. The property was sold during the first quarter of 2021.

The efficiency ratio fell to 21.37% for the second quarter of 2021, as compared to 25.28% for the same period last year. Operating expenses as a percentage of average assets fell to 0.74% in the second quarter of 2021, as compared to 0.79% 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.

Chairman Robert H. Gaughen Jr. stated, "Returns on equity and assets were strong in the second quarter of 2021, although such performance should always be viewed cautiously, especially when tailwinds are blowing strongly in our favor. 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, 2021 with the FDIC on or about August 4, 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., and provides commercial mortgage and banking services in the San Francisco Bay Area.

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,	
	2020	2021	2020	2021
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	2.41 %	2.83 %	1.39 %	2.58 %
Return on average equity (1)	25.28	25.51	14.50	23.67
Core return on average assets (1) (5)	1.61	1.91	1.45	1.93
Core return on average equity (1) (5)	16.92	17.24	15.08	17.72
Interest rate spread (1) (2)	2.97	3.39	2.74	3.42
Net interest margin (1) (3)	3.15	3.46	2.99	3.50
Operating expenses to average assets (1)	0.79	0.74	0.83	0.75
Efficiency ratio (4)	25.28	21.37	27.76	21.70
Average equity to average assets	9.52	11.08	9.59	10.89
Average interest-earning assets to average interest-bearing liabilities	122.79	127.44	122.09	126.78

	June 30,	December 31,	June 30,
	2020	2020	2021
	(Unaudited)		
Asset Quality Ratios			
Allowance for loan losses/total loans	0.69 %	0.69 %	0.69 %
Allowance for loan losses/non-performing loans	615.21	438.28	6,159.12
Non-performing loans/total loans	0.11	0.16	0.01
Non-performing loans/total assets	0.10	0.14	0.01
Non-performing assets/total assets	0.24	0.27	0.01
Share Related			
Book value per share	\$ 123.57	\$ 137.02	\$ 153.02
Market value per share	\$ 167.78	\$ 216.00	\$ 290.50
Shares outstanding at end of period	2,136,900	2,137,900	2,142,400

(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 six months ended June 30, 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, and the after-tax gain on disposal of fixed assets. Core return on average assets and core return on average equity for the six months ended June 30, 2020 have been recalculated accordingly.

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Balance Sheets

<i>(In thousands, except share amounts)</i> <i>(Unaudited)</i>	June 30, 2020	December 31, 2020	June 30, 2021
ASSETS			
Cash and due from banks	\$ 7,365	\$ 6,798	\$ 7,734
Federal Reserve and other short-term investments	214,489	227,188	198,590
Cash and cash equivalents	221,854	233,986	206,324
CRA investment	8,604	9,580	9,439
Other marketable equity securities	46,191	56,282	69,311
Equity securities, at fair value	54,795	65,862	78,750
Securities available for sale, at fair value	9	6	5
Securities held to maturity, at amortized cost	—	—	3,500
Federal Home Loan Bank stock, at cost	20,390	19,345	14,732
Loans, net of allowance for loan losses of \$16,458 at June 30, 2020, \$17,404 at December 31, 2020 and \$18,231 at June 30, 2021	2,381,780	2,495,331	2,630,332
Foreclosed assets	3,811	3,826	—
Bank-owned life insurance	12,844	12,657	12,822
Premises and equipment, net	15,358	15,248	15,103
Accrued interest receivable	5,054	5,267	5,158
Deferred income tax asset, net	1,729	763	—
Other assets	6,215	4,802	7,039
Total assets	\$ 2,723,839	\$ 2,857,093	\$ 2,973,765
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits	\$ 1,764,714	\$ 1,825,700	\$ 1,985,442
Non-interest-bearing deposits	289,574	313,497	358,195
Total deposits	2,054,288	2,139,197	2,343,637
Federal Home Loan Bank and Federal Reserve Bank advances	385,431	408,031	285,600
Mortgagors' escrow accounts	8,185	8,770	8,321
Accrued interest payable	282	252	158
Deferred income tax liability, net	—	—	1,201
Other liabilities	11,605	7,900	7,014
Total liabilities	2,459,791	2,564,150	2,645,931
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; 2,136,900 shares issued and outstanding at June 30, 2020, 2,137,900 shares issued and outstanding at December 31, 2020 and 2,142,400 shares issued and outstanding at June 30, 2021	2,137	2,138	2,142
Additional paid-in capital	12,352	12,460	12,715
Undivided profits	249,559	278,345	312,977
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	264,048	292,943	327,834
Total liabilities and stockholders' equity	\$ 2,723,839	\$ 2,857,093	\$ 2,973,765

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2021	2020	2021
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 25,856	\$ 26,215	\$ 51,566	\$ 52,964
Debt securities	—	18	—	18
Equity securities	463	173	961	391
Federal Reserve and other short-term investments	56	54	797	106
Total interest and dividend income	<u>26,375</u>	<u>26,460</u>	<u>53,324</u>	<u>53,479</u>
Interest expense:				
Deposits	4,392	1,692	10,333	3,799
Federal Home Loan Bank and Federal Reserve Bank advances	942	212	3,889	656
Mortgage payable	—	—	3	—
Total interest expense	<u>5,334</u>	<u>1,904</u>	<u>14,225</u>	<u>4,455</u>
Net interest income	<u>21,041</u>	<u>24,556</u>	<u>39,099</u>	<u>49,024</u>
Provision for loan losses	625	550	1,763	828
Net interest income, after provision for loan losses	<u>20,416</u>	<u>24,006</u>	<u>37,336</u>	<u>48,196</u>
Other income (loss):				
Customer service fees on deposits	148	192	320	373
Increase in cash surrender value of bank-owned life insurance	59	84	117	165
Gain (loss) on equity securities, net	6,930	6,346	(1,144)	9,713
Gain on disposal of fixed assets	—	2,337	218	2,337
Miscellaneous	28	21	81	36
Total other income (loss)	<u>7,165</u>	<u>8,980</u>	<u>(408)</u>	<u>12,624</u>
Operating expenses:				
Salaries and employee benefits	3,287	3,459	6,667	6,985
Occupancy and equipment	474	325	929	731
Data processing	475	482	964	943
Deposit insurance	254	227	437	450
Foreclosure and related	28	7	154	(75)
Marketing	104	104	284	228
Other general and administrative	756	708	1,563	1,500
Total operating expenses	<u>5,378</u>	<u>5,312</u>	<u>10,998</u>	<u>10,762</u>
Income before income taxes	22,203	27,674	25,930	50,058
Income tax provision	5,865	7,252	7,407	13,286
Net income	<u>\$ 16,338</u>	<u>\$ 20,422</u>	<u>\$ 18,523</u>	<u>\$ 36,772</u>
Cash dividends declared per share	<u>\$ 0.43</u>	<u>\$ 0.51</u>	<u>\$ 0.85</u>	<u>\$ 1.00</u>
Weighted average shares outstanding:				
Basic	<u>2,137</u>	<u>2,142</u>	<u>2,137</u>	<u>2,140</u>
Diluted	<u>2,176</u>	<u>2,200</u>	<u>2,180</u>	<u>2,198</u>
Earnings per share:				
Basic	<u>\$ 7.65</u>	<u>\$ 9.54</u>	<u>\$ 8.67</u>	<u>\$ 17.18</u>
Diluted	<u>\$ 7.50</u>	<u>\$ 9.28</u>	<u>\$ 8.50</u>	<u>\$ 16.73</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended June 30,					
	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)	\$ 2,379,132	\$ 25,856	4.35 %	\$ 2,567,437	\$ 26,215	4.08 %
Securities (3) (4)	69,901	463	2.65	65,463	191	1.17
Federal Reserve and other short-term investments	222,960	56	0.10	205,636	54	0.11
Total interest-earning assets	2,671,993	26,375	3.95	2,838,536	26,460	3.73
Other assets	44,066			51,008		
Total assets	\$ 2,716,059			\$ 2,889,544		
Interest-bearing deposits (5)	\$ 1,592,458	4,392	1.10	\$ 1,970,226	1,692	0.34
Borrowed funds	583,532	942	0.65	257,117	212	0.33
Total interest-bearing liabilities	2,175,990	5,334	0.98	2,227,343	1,904	0.34
Non-interest-bearing deposits	272,418			335,541		
Other liabilities	9,107			6,503		
Total liabilities	2,457,515			2,569,387		
Stockholders' equity	258,544			320,157		
Total liabilities and stockholders' equity	\$ 2,716,059			\$ 2,889,544		
Net interest income		\$ 21,041			\$ 24,556	
Weighted average spread			2.97 %			3.39 %
Net interest margin (6)			3.15 %			3.46 %
Average interest-earning assets to average interest-bearing liabilities (7)	122.79 %			127.44 %		

- (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,					
	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)	\$ 2,325,075	\$ 51,566	4.44 %	\$ 2,532,473	\$ 52,964	4.18 %
Securities (3) (4)	67,601	961	2.84	64,699	409	1.26
Federal Reserve and other short-term investments	225,565	797	0.71	205,263	106	0.10
Total interest-earning assets	2,618,241	53,324	4.07	2,802,435	53,479	3.82
Other assets	45,302			49,366		
Total assets	<u>\$ 2,663,543</u>			<u>\$ 2,851,801</u>		
Interest-bearing deposits (5)	\$ 1,552,901	10,333	1.33	\$ 1,926,769	3,799	0.39
Borrowed funds	591,596	3,892	1.32	283,752	656	0.46
Total interest-bearing liabilities	2,144,497	14,225	1.33	2,210,521	4,455	0.40
Non-interest-bearing deposits	255,212			323,736		
Other liabilities	8,347			6,873		
Total liabilities	2,408,056			2,541,130		
Stockholders' equity	255,487			310,671		
Total liabilities and stockholders' equity	<u>\$ 2,663,543</u>			<u>\$ 2,851,801</u>		
Net interest income		<u>\$ 39,099</u>			<u>\$ 49,024</u>	
Weighted average spread			<u>2.74 %</u>			<u>3.42 %</u>
Net interest margin (6)			<u>2.99 %</u>			<u>3.50 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)	<u>122.09 %</u>			<u>126.78 %</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
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, and after-tax gain on disposal of fixed assets.

<i>(In thousands, unaudited)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2021	2020	2021
Non-GAAP reconciliation:				
Net income	\$ 16,338	\$ 20,422	\$ 18,523	\$ 36,772
(Gain) loss on equity securities, net	(6,930)	(6,346)	1,144	(9,713)
Income tax expense (benefit) (1)	1,528	1,399	(252)	2,141
Gain on disposal of fixed assets	—	(2,337)	(218)	(2,337)
Income tax expense	—	657	61	657
Core net income	\$ 10,936	\$ 13,795	\$ 19,258	\$ 27,520

(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.