



PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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HINGHAM REPORTS THIRD QUARTER 2021 RESULTS

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

Earnings

Net income for the quarter ended September 30, 2021 was \$14,012,000 or \$6.54 per share basic and \$6.36 per share diluted, as compared to \$15,206,000 or \$7.12 per share basic and \$6.96 per share diluted for the same period last year. The Bank's annualized return on average equity for the third quarter of 2021 was 16.57%, and the annualized return on average assets was 1.85%, as compared to 22.23% and 2.26% for the same period in 2020. Net income per share (diluted) for the third quarter of 2021 decreased by 9% over the same period in 2020.

Core net income for the quarter ended September 30, 2021, which represents net income excluding the after-tax gains and losses on securities, both realized and unrealized, was \$14,010,000 or \$6.54 per share basic and \$6.36 per share diluted, as compared to \$12,394,000 or \$5.80 per share basic and \$5.68 per share diluted for the same period last year. The Bank's annualized core return on average equity for the third quarter of 2021 was 16.56%, and the annualized core return on average assets was 1.85%, as compared to 18.12% and 1.84% for the same period in 2020. Core net income per share (diluted) for the third quarter of 2021 increased by 12% over the same period in 2020.

Net income for the nine months ended September 30, 2021 was \$50,784,000 or \$23.72 per share basic and \$23.09 per share diluted, as compared to \$33,729,000 or \$15.79 per share basic and \$15.46 per share diluted for the same period last year. The Bank's annualized return on average equity for the first nine months of 2021 was 21.16%, and the annualized return on average assets was 2.33%, as compared to 17.19% and 1.68% for the same period in 2020. Net income per share (diluted) for the first nine months of 2021 increased by 49% over the same period in 2020.

Core net income for the nine months ended September 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 \$41,530,000 or \$19.40 per share basic and \$18.88 per share diluted, as compared to \$31,652,000 or \$14.81 per share basic and \$14.51 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first nine months of

2021 was 17.31%, and the annualized core return on average assets was 1.90%, as compared to 16.13% and 1.58% for the same period in 2020. Core net income per share (diluted) for the first nine months of 2021 increased by 30% 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 nine months ended September 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 nine 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 recorded in the current year, 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.

Balance Sheet

Total assets increased to \$3.165 billion at September 30, 2021, representing 14% annualized growth year-to-date and 16% growth from September 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 \$2.800 billion at September 30, 2021, representing 16% annualized growth year-to-date and 19% growth from September 30, 2020. Growth was concentrated in the Bank's commercial real estate portfolio.

Total deposits, including wholesale deposits, increased to \$2.416 billion at September 30, 2021, representing 17% annualized growth year-to-date and 19% growth from September 30, 2020. Total retail and business deposits increased to \$1.691 billion at September 30, 2021, representing 8% annualized growth year-to-date and 10% growth from September 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 \$366.4 million at September 30, 2021, representing 22% annualized growth year-to-date and 21% growth from September 30, 2020. During the first nine months 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 \$159.03 as of September 30, 2021, representing 21% annualized growth year-to-date and 22% growth from September 30, 2020. In addition to the increase in book value per share, the Bank has declared \$2.70 in dividends per share since September 30, 2020, 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.

On September 29, 2021, the Bank's Board of Directors declared a regular cash dividend of \$0.53 per share. This represents an increase of 4% over the previous regular quarterly dividend of \$0.51 per share. The dividend will be paid on November 10, 2021 to stockholders of record as of November 1, 2021. This will be the Bank's 111th 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 September 30, 2021 increased 2 basis points to 3.48%, as compared to 3.46% for the same period last year. The net interest margin for the nine months ended September 30, 2021 increased 34 basis points to 3.49%, as compared to 3.15% for the same period last year. In the nine months ended September 30, 2021, and to a lesser extent, in the quarter ended September 30, 2021, the Bank benefited from a sharp decline in the cost of interest-bearing liabilities, including retail and commercial deposits and wholesale funding, when compared to the same periods in the prior year. The Bank 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 satisfactory in the third quarter. At September 30, 2021, non-performing assets totaled 0.01% of total assets, compared to 0.27% at December 31, 2020 and 0.23% at September 30, 2020. Non-performing loans as a percentage of the total loan portfolio totaled 0.01% at September 30, 2021, compared to 0.16% at December 31, 2020 and 0.10% at September 30, 2020.

The Bank recorded \$1,000 of net charge-offs for the nine months ended September 30, 2021, as compared to \$709,000 of net charge-offs for the same period last year. The prior year charge-off related primarily to the foreclosed property discussed below.

At September 30, 2021, the Bank did not own any foreclosed property, as compared to \$3.9 million and \$3.8 million at September 30, 2020 and December 31, 2020, respectively. This balance consisted of a single residential property which was sold during the first quarter of 2021.

The efficiency ratio fell to 21.29% for the third quarter of 2021, as compared to 23.50% for the same period last year. Operating expenses as a percentage of average assets fell to 0.74% in the third quarter of 2021, as compared to 0.81% for the same period last year. The Bank remains focused on reducing waste through an ongoing process of continuous improvement.

The Bank completed the previously announced closure of its Norwell branch in September 2021. The Bank will explore options to maximize the long-term value of the property whether through sale or lease.

Chairman Robert H. Gaughen Jr. stated, "Returns on equity and assets were strong in the third 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 September 30, 2021 with the FDIC on or about November 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., 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 September 30,		Nine Months Ended September 30,	
	2020	2021	2020	2021
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	2.26 %	1.85 %	1.68 %	2.33 %
Return on average equity (1)	22.23	16.57	17.19	21.16
Core return on average assets (1) (5)	1.84	1.85	1.58	1.90
Core return on average equity (1) (5)	18.12	16.56	16.13	17.31
Interest rate spread (1) (2)	3.31	3.42	2.93	3.41
Net interest margin (1) (3)	3.46	3.48	3.15	3.49
Operating expenses to average assets (1)	0.81	0.74	0.82	0.75
Efficiency ratio (4)	23.50	21.29	26.19	21.56
Average equity to average assets	10.18	11.20	9.79	11.00
Average interest-earning assets to average interest-bearing liabilities	124.72	128.29	122.96	127.30

	September 30, 2020	December 31, 2020	September 30, 2021
<i>(Unaudited)</i>			
Asset Quality Ratios			
Allowance for loan losses/total loans	0.71 %	0.69 %	0.68 %
Allowance for loan losses/non-performing loans	699.75	438.28	5,297.80
Non-performing loans/total loans	0.10	0.16	0.01
Non-performing loans/total assets	0.09	0.14	0.01
Non-performing assets/total assets	0.23	0.27	0.01
Share Related			
Book value per share	\$ 130.24	\$ 137.02	\$ 159.03
Market value per share	\$ 184.00	\$ 216.00	\$ 336.70
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, excluding gain 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 nine months ended September 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 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 nine months ended September 30, 2020 have been recalculated accordingly.

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Balance Sheets

<i>(In thousands, except share amounts)</i> <i>(Unaudited)</i>	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2021</u>
ASSETS			
Cash and due from banks	\$ 9,816	\$ 6,798	\$ 5,711
Federal Reserve and other short-term investments	229,555	227,188	213,442
Cash and cash equivalents	<u>239,371</u>	<u>233,986</u>	<u>219,153</u>
CRA investment	8,604	9,580	9,395
Other marketable equity securities	48,744	56,282	72,702
Equity securities, at fair value	<u>57,348</u>	<u>65,862</u>	<u>82,097</u>
Securities available for sale, at fair value	6	6	5
Securities held to maturity, at amortized cost	—	—	3,500
Federal Home Loan Bank stock, at cost	18,985	19,345	18,908
Loans, net of allowance for loan losses of \$16,780 at September 30, 2020, \$17,404 at December 31, 2020 and \$19,231 at September 30, 2021	2,358,983	2,495,331	2,800,477
Foreclosed assets	3,926	3,826	—
Bank-owned life insurance	12,895	12,657	12,901
Premises and equipment, net	15,294	15,248	15,476
Accrued interest receivable	5,116	5,267	5,270
Deferred income tax asset, net	1,176	763	—
Other assets	6,045	4,802	7,042
Total assets	<u>\$ 2,719,145</u>	<u>\$ 2,857,093</u>	<u>\$ 3,164,829</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits	\$ 1,722,970	\$ 1,825,700	\$ 2,049,930
Non-interest-bearing deposits	303,774	313,497	366,398
Total deposits	<u>2,026,744</u>	<u>2,139,197</u>	<u>2,416,328</u>
Federal Home Loan Bank advances	399,031	408,031	390,000
Mortgagors' escrow accounts	8,105	8,770	8,683
Accrued interest payable	274	252	179
Deferred income tax liability, net	—	—	1,206
Other liabilities	6,679	7,900	7,717
Total liabilities	<u>2,440,833</u>	<u>2,564,150</u>	<u>2,824,113</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; 2,136,900 shares issued and outstanding at September 30, 2020, 2,137,900 shares issued and outstanding and December 31, 2020 and 2,142,400 shares issued and outstanding at September 30, 2021	2,137	2,138	2,142
Additional paid-in capital	12,371	12,460	12,722
Undivided profits	263,804	278,345	325,852
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	<u>278,312</u>	<u>292,943</u>	<u>340,716</u>
Total liabilities and stockholders' equity	<u>\$ 2,719,145</u>	<u>\$ 2,857,093</u>	<u>\$ 3,164,829</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2021	2020	2021
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 26,193	\$ 27,303	\$ 77,759	\$ 80,267
Debt securities	—	33	—	51
Equity securities	441	171	1,402	562
Federal Reserve and other short-term investments	47	78	844	184
Total interest and dividend income	26,681	27,585	80,005	81,064
Interest expense:				
Deposits	3,285	1,551	13,618	5,350
Federal Home Loan Bank and Federal Reserve Bank advances	567	202	4,456	858
Mortgage payable	—	—	3	—
Total interest expense	3,852	1,753	18,077	6,208
Net interest income	22,829	25,832	61,928	74,856
Provision for loan losses	350	1,000	2,113	1,828
Net interest income, after provision for loan losses	22,479	24,832	59,815	73,028
Other income:				
Customer service fees on deposits	181	181	501	554
Increase in cash surrender value of bank-owned life insurance	51	79	168	244
Gain on equity securities, net	3,607	2	2,463	9,715
Gain on disposal of fixed assets	—	—	218	2,337
Miscellaneous	33	24	114	60
Total other income	3,872	286	3,464	12,910
Operating expenses:				
Salaries and employee benefits	3,210	3,437	9,877	10,422
Occupancy and equipment	503	351	1,432	1,082
Data processing	502	489	1,466	1,432
Deposit insurance	212	231	649	681
Foreclosure and related	167	24	321	(51)
Marketing	116	195	400	423
Other general and administrative	718	833	2,281	2,333
Total operating expenses	5,428	5,560	16,426	16,322
Income before income taxes	20,923	19,558	46,853	69,616
Income tax provision	5,717	5,546	13,124	18,832
Net income	\$ 15,206	\$ 14,012	\$ 33,729	\$ 50,784
Cash dividends declared per share	\$ 0.45	\$ 0.53	\$ 1.30	\$ 1.53
Weighted average shares outstanding:				
Basic	2,137	2,142	2,137	2,141
Diluted	2,183	2,202	2,181	2,199
Earnings per share:				
Basic	\$ 7.12	\$ 6.54	\$ 15.79	\$ 23.72
Diluted	\$ 6.96	\$ 6.36	\$ 15.46	\$ 23.09

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended September 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)	\$ 2,391,761	\$ 26,193	4.38 %	\$ 2,693,457	\$ 27,303	4.05 %
Securities (3) (4)	63,151	441	2.79	69,978	204	1.17
Federal Reserve and other short-term investments	184,710	47	0.10	202,685	78	0.15
Total interest-earning assets	<u>2,639,622</u>	<u>26,681</u>	<u>4.04</u>	<u>2,966,120</u>	<u>27,585</u>	<u>3.72</u>
Other assets	48,456			55,606		
Total assets	<u>\$ 2,688,078</u>			<u>\$ 3,021,726</u>		
Interest-bearing deposits (5)	\$ 1,756,238	3,285	0.75	\$ 2,032,203	1,551	0.31
Borrowed funds	360,271	567	0.63	279,796	202	0.29
Total interest-bearing liabilities	<u>2,116,509</u>	<u>3,852</u>	<u>0.73</u>	<u>2,311,999</u>	<u>1,753</u>	<u>0.30</u>
Non-interest-bearing deposits	290,803			364,599		
Other liabilities	7,156			6,812		
Total liabilities	<u>2,414,468</u>			<u>2,683,410</u>		
Stockholders' equity	273,610			338,316		
Total liabilities and stockholders' equity	<u>\$ 2,688,078</u>			<u>\$ 3,021,726</u>		
Net interest income		<u>\$ 22,829</u>			<u>\$ 25,832</u>	
Weighted average spread			<u>3.31 %</u>			<u>3.42 %</u>
Net interest margin (6)			<u>3.46 %</u>			<u>3.48 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)	<u>124.72 %</u>			<u>128.29 %</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

	Nine Months Ended September 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)	\$ 2,347,466	\$ 77,759	4.42 %	\$ 2,586,723	\$ 80,267	4.14 %
Securities (3) (4)	66,107	1,402	2.83	66,478	613	1.23
Federal Reserve and other short-term investments	211,847	844	0.53	204,395	184	0.12
Total interest-earning assets	<u>2,625,420</u>	<u>80,005</u>	<u>4.06</u>	<u>2,857,596</u>	<u>81,064</u>	<u>3.78</u>
Other assets	46,361			51,469		
Total assets	<u>\$ 2,671,781</u>			<u>\$ 2,909,065</u>		
Interest-bearing deposits (5)	\$ 1,621,175	13,618	1.12	\$ 1,962,300	5,350	0.36
Borrowed funds	513,925	4,459	1.16	282,419	858	0.41
Total interest-bearing liabilities	<u>2,135,100</u>	<u>18,077</u>	<u>1.13</u>	<u>2,244,719</u>	<u>6,208</u>	<u>0.37</u>
Non-interest-bearing deposits	267,162			337,507		
Other liabilities	7,947			6,852		
Total liabilities	<u>2,410,209</u>			<u>2,589,078</u>		
Stockholders' equity	261,572			319,987		
Total liabilities and stockholders' equity	<u>\$ 2,671,781</u>			<u>\$ 2,909,065</u>		
Net interest income		<u>\$ 61,928</u>			<u>\$ 74,856</u>	
Weighted average spread			<u>2.93 %</u>			<u>3.41 %</u>
Net interest margin (6)			<u>3.15 %</u>			<u>3.49 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)	<u>122.96 %</u>			<u>127.30 %</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 on equity securities, net, and after-tax gain on disposal of fixed assets.

<i>(In thousands, unaudited)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2021	2020	2021
Non-GAAP reconciliation:				
Net income	\$ 15,206	\$ 14,012	\$ 33,729	\$ 50,784
Gain on equity securities, net	(3,607)	(2)	(2,463)	(9,715)
Income tax expense (1)	795	—	543	2,141
Gain on disposal of fixed assets	—	—	(218)	(2,337)
Income tax expense	—	—	61	657
Core net income	\$ 12,394	\$ 14,010	\$ 31,652	\$ 41,530

(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.