



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 2021 RESULTS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced earnings for the fourth quarter and the year ended December 31, 2021.

Earnings

Net income for the year ended December 31, 2021 was \$67,458,000 or \$31.50 per share basic and \$30.65 per share diluted, as compared to \$50,771,000 or \$23.76 per share basic and \$23.25 per share diluted for the same period last year. The Bank's return on average equity for the year ended December 31, 2021 was 20.62%, and the return on average assets was 2.25%, as compared to 18.96% and 1.88% for the same period in 2020. Net income per share (diluted) for 2021 increased by 32% over the same period in 2020.

Core net income for the year ended December 31, 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 \$56,563,000 or \$26.42 per share basic and \$25.70 per share diluted, as compared to \$44,443,000 or \$20.80 per share basic and \$20.36 per share diluted for the same period last year. The Bank's core return on average equity for the year ended December 31, 2021 was 17.29%, and the core return on average assets was 1.89%, as compared to 16.60% and 1.65% for the same period in 2020. Core net income per share (diluted) for 2021 increased by 26% over the same period in 2020.

Net income for the quarter ended December 31, 2021 was \$16,674,000 or \$7.78 per share basic and \$7.56 per share diluted, as compared to \$17,042,000 or \$7.97 per share basic and \$7.78 per share diluted for the same period last year. The Bank's annualized return on average equity for the fourth quarter of 2021 was 19.14%, and the annualized return on average assets was 2.05%, as compared to 23.83% and 2.46% for the same period in 2020. Net income per share (diluted) for the fourth quarter of 2021 decreased by 3% over the same period in 2020.

Core net income for the quarter ended December 31, 2021, which represents net income excluding the after-tax gains and losses on securities, both realized and unrealized, was \$15,033,000 or \$7.02 per

share basic and \$6.81 per share diluted, as compared to \$12,791,000 or \$5.99 per share basic and \$5.84 per share diluted for the same period last year. The Bank's annualized core return on average equity for the fourth quarter of 2021 was 17.26%, and the annualized core return on average assets was 1.85%, as compared to 17.89% and 1.85% for the same period in 2020. Core net income per share (diluted) for the fourth quarter of 2021 increased by 17% 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 year ended December 31, 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 year ended December 31, 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 also 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 9 for a Non-GAAP reconciliation between net income and core net income.

Balance Sheet

Total assets increased to \$3.431 billion at December 31, 2021, representing 20% growth from December 31, 2020.

Net loans totaled \$2.999 billion at December 31, 2021, representing 20% growth from December 31, 2020. Growth was concentrated in the Bank's commercial real estate portfolio.

Total deposits, including wholesale deposits, increased to \$2.393 billion at December 31, 2021, representing 12% growth from December 31, 2020. Total retail and business deposits increased to \$1.709 billion at December 31, 2021, representing 7% growth from December 31, 2020. Non-interest bearing deposits, included in retail and business deposits, increased to \$389.1 million at December 31, 2021, representing 24% growth from December 31, 2020. This growth was offset by a significant decline in retail time deposits, as the Bank allowed higher rate maturing time deposits to roll off. In 2021, the Bank continued to reduce the balance of excess reserves held at the Federal Reserve Bank as a percentage of assets 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 \$165.52 as of December 31, 2021, representing 21% growth from December 31, 2020. In addition to the increase in book value per share, the Bank has declared \$2.83 in dividends per share since December 31, 2020, including a special dividend of \$0.75 per share declared during the fourth quarter of 2021. 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 17%.

Operational Performance Metrics

The net interest margin for the year ended December 31, 2021 increased 26 basis points to 3.48%, as compared to 3.22% in the prior year. The net interest margin for the quarter ended December 31, 2021 increased 3 basis points to 3.46%, as compared to 3.43% for the same period last year. In the year

ended December 31, 2021, and to a lesser extent, in the quarter ended December 31, 2021, the Bank benefited from a 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 consistent 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 a lower yield on loans and a decrease in Federal Home Loan Bank stock dividends declared during the same periods.

Key credit and operational metrics remained satisfactory in the fourth quarter. At December 31, 2021, non-performing assets totaled 0.01% of total assets, as compared to 0.27% at December 31, 2020. Non-performing loans as a percentage of the total loan portfolio totaled 0.01% at December 31, 2021, as compared to 0.16% at December 31, 2020.

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

The Bank recorded \$1,000 of net charge-offs in 2021, as compared to \$260,000 in 2020. The prior year net charge-off related primarily to the foreclosed property discussed above.

The efficiency ratio, as defined on page 4 below, fell to 21.31% in 2021, as compared to 25.48% in 2020. Operating expenses as a percentage of average assets fell to 0.74% in 2021, as compared to 0.82% in 2020. 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 strong in 2021, although such performance must be viewed cautiously, especially when tailwinds have blown strongly in our favor. We must be prepared for considerably more adverse conditions in the future. 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, 2021 with the Federal Deposit Insurance Corporation (FDIC) on or about March 9, 2022.

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		Twelve Months Ended	
	December 31,		December 31,	
	2020	2021	2020	2021
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	2.46 %	2.05 %	1.88 %	2.25 %
Return on average equity (1)	23.83	19.14	18.96	20.62
Core return on average assets (1) (5)	1.85	1.85	1.65	1.89
Core return on average equity (1) (5)	17.89	17.26	16.60	17.29
Interest rate spread (1) (2)	3.31	3.39	3.03	3.40
Net interest margin (1) (3)	3.43	3.46	3.22	3.48
Operating expenses to average assets (1)	0.80	0.71	0.82	0.74
Efficiency ratio (4)	23.57	20.62	25.48	21.31
Average equity to average assets	10.34	10.73	9.93	10.93
Average interest-earning assets to average interest-bearing liabilities	125.62	127.01	123.64	127.22

	December 31,	December 31,
	2020	2021
<i>(Unaudited)</i>		
Asset Quality Ratios		
Allowance for loan losses/total loans	0.69 %	0.68 %
Allowance for loan losses/non-performing loans	438.28	4,784.78
Non-performing loans/total loans	0.16	0.01
Non-performing loans/total assets	0.14	0.01
Non-performing assets/total assets	0.27	0.01

Share Related		
Book value per share	\$ 137.02	\$ 165.52
Market value per share	\$ 216.00	\$ 419.88
Shares outstanding at end of period	2,137,900	2,142,400

(1) Annualized for the three months ended December 31, 2020 and 2021.

(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 twelve months ended December 31, 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 twelve months ended December 31, 2020 have been recalculated accordingly.

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Balance Sheets

<i>(In thousands, except share amounts)</i> <i>(Unaudited)</i>	December 31, 2020	December 31, 2021
ASSETS		
Cash and due from banks	\$ 6,798	\$ 5,428
Federal Reserve and other short-term investments	227,188	265,733
Cash and cash equivalents	233,986	271,161
CRA investment	9,580	9,306
Other marketable equity securities	56,282	79,167
Securities, at fair value	65,862	88,473
Securities available for sale, at fair value	6	—
Securities held to maturity, at amortized cost	—	3,500
Federal Home Loan Bank stock, at cost	19,345	29,908
Loans, net of allowance for loan losses of \$17,404 at December 31, 2020 and \$20,431 at December 31, 2021	2,495,331	2,999,096
Foreclosed assets	3,826	—
Bank-owned life insurance	12,657	12,980
Premises and equipment, net	15,248	15,825
Accrued interest receivable	5,267	5,467
Deferred income tax asset, net	763	—
Other assets	4,802	4,755
Total assets	\$ 2,857,093	\$ 3,431,165
LIABILITIES AND STOCKHOLDERS' EQUITY		
Interest-bearing deposits	\$ 1,825,700	\$ 2,003,717
Non-interest-bearing deposits	313,497	389,148
Total deposits	2,139,197	2,392,865
Federal Home Loan Bank advances	408,031	665,000
Mortgagors' escrow accounts	8,770	9,183
Accrued interest payable	252	198
Deferred income tax liability, net	—	536
Other liabilities	7,900	8,771
Total liabilities	2,564,150	3,076,553
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; 2,137,900 shares issued and outstanding at December 31, 2020 and 2,142,400 shares issued and outstanding at December 31, 2021	2,138	2,142
Additional paid-in capital	12,460	12,728
Undivided profits	278,345	339,742
Total stockholders' equity	292,943	354,612
Total liabilities and stockholders' equity	\$ 2,857,093	\$ 3,431,165

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Net Income

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2020	2021	2020	2021
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 26,038	\$ 29,182	\$ 103,797	\$ 109,449
Debt securities	—	33	—	84
Equity securities	264	134	1,666	696
Federal Reserve and other short-term investments	55	78	899	262
Total interest and dividend income	<u>26,357</u>	<u>29,427</u>	<u>106,362</u>	<u>110,491</u>
Interest expense:				
Deposits	2,568	1,518	16,186	6,868
Federal Home Loan Bank and Federal Reserve Bank advances	513	300	4,969	1,158
Mortgage payable	—	—	3	—
Total interest expense	<u>3,081</u>	<u>1,818</u>	<u>21,158</u>	<u>8,026</u>
Net interest income	<u>23,276</u>	<u>27,609</u>	<u>85,204</u>	<u>102,465</u>
Provision for loan losses	175	1,200	2,288	3,028
Net interest income, after provision for loan losses	<u>23,101</u>	<u>26,409</u>	<u>82,916</u>	<u>99,437</u>
Other income:				
Customer service fees on deposits	177	192	678	746
Increase in cash surrender value of bank-owned life insurance	51	79	219	323
Gain on equity securities, net	5,453	2,105	7,916	11,820
Gain on disposal of fixed assets	—	—	218	2,337
Miscellaneous	47	22	161	82
Total other income	<u>5,728</u>	<u>2,398</u>	<u>9,192</u>	<u>15,308</u>
Operating expenses:				
Salaries and employee benefits	3,278	3,566	13,155	13,988
Occupancy and equipment	422	368	1,854	1,450
Data processing	443	571	1,909	2,003
Deposit insurance	211	252	860	933
Foreclosure and related	207	2	528	(49)
Marketing	145	140	545	563
Other general and administrative	846	855	3,127	3,188
Total operating expenses	<u>5,552</u>	<u>5,754</u>	<u>21,978</u>	<u>22,076</u>
Income before income taxes	23,277	23,053	70,130	92,669
Income tax provision	6,235	6,379	19,359	25,211
Net income	<u>\$ 17,042</u>	<u>\$ 16,674</u>	<u>\$ 50,771</u>	<u>\$ 67,458</u>
Cash dividends declared per share	<u>\$ 1.17</u>	<u>\$ 1.30</u>	<u>\$ 2.47</u>	<u>\$ 2.83</u>
Weighted average shares outstanding:				
Basic	<u>2,137</u>	<u>2,142</u>	<u>2,137</u>	<u>2,141</u>
Diluted	<u>2,189</u>	<u>2,206</u>	<u>2,183</u>	<u>2,201</u>
Earnings per share:				
Basic	<u>\$ 7.97</u>	<u>\$ 7.78</u>	<u>\$ 23.76</u>	<u>\$ 31.50</u>
Diluted	<u>\$ 7.78</u>	<u>\$ 7.56</u>	<u>\$ 23.25</u>	<u>\$ 30.65</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended December 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)	\$ 2,440,571	\$ 26,038	4.27 %	\$ 2,908,433	\$ 29,182	4.01 %
Securities (3) (4)	62,966	264	1.68	82,113	167	0.81
Federal Reserve and other short-term investments	214,403	55	0.10	204,815	78	0.15
Total interest-earning assets	2,717,940	26,357	3.88	3,195,361	29,427	3.68
Other assets	48,848			52,128		
Total assets	\$ 2,766,788			\$ 3,247,489		
Interest-bearing deposits (5)	\$ 1,843,689	2,568	0.56	\$ 2,087,523	1,518	0.29
Borrowed funds	319,931	513	0.64	428,315	300	0.28
Total interest-bearing liabilities	2,163,620	3,081	0.57	2,515,838	1,818	0.29
Non-interest-bearing deposits	309,975			375,139		
Other liabilities	7,153			8,022		
Total liabilities	2,480,748			2,898,999		
Stockholders' equity	286,040			348,490		
Total liabilities and stockholders' equity	\$ 2,766,788			\$ 3,247,489		
Net interest income		\$ 23,276			\$ 27,609	
Weighted average spread			3.31 %			3.39 %
Net interest margin (6)			3.43 %			3.46 %
Average interest-earning assets to average interest-bearing liabilities (7)	125.62 %			127.01 %		

- (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,					
	2020			2021		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 2,370,869	\$ 103,797	4.38 %	\$ 2,667,812	\$ 109,449	4.10 %
Securities (3) (4)	65,318	1,666	2.55	70,419	780	1.11
Federal Reserve and other short-term investments	212,490	899	0.42	204,500	262	0.13
Total interest-earning assets	2,648,677	106,362	4.02	2,942,731	110,491	3.75
Other assets	46,986			51,635		
Total assets	\$ 2,695,663			\$ 2,994,366		
Interest-bearing deposits (5)	\$ 1,677,107	16,186	0.97	\$ 1,993,863	6,868	0.34
Borrowed funds	465,161	4,972	1.07	319,193	1,158	0.36
Total interest-bearing liabilities	2,142,268	21,158	0.99	2,313,056	8,026	0.35
Non-interest-bearing deposits	277,924			346,992		
Other liabilities	7,748			7,147		
Total liabilities	2,427,940			2,667,195		
Stockholders' equity	267,723			327,171		
Total liabilities and stockholders' equity	\$ 2,695,663			\$ 2,994,366		
Net interest income		\$ 85,204			\$ 102,465	
Weighted average spread			3.03 %			3.40 %
Net interest margin (6)			3.22 %			3.48 %
Average interest-earning assets to average interest-bearing liabilities (7)	123.64 %			127.22 %		

- (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, and after-tax gain on disposal of fixed assets.

<i>(In thousands, unaudited)</i>	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2020	2021	2020	2021
Non-GAAP reconciliation:				
Net income	\$ 17,042	\$ 16,674	\$ 50,771	\$ 67,458
Gain on equity securities, net	(5,453)	(2,105)	(7,916)	(11,820)
Income tax expense (1)	1,202	464	1,745	2,605
Gain on disposal of fixed assets	—	—	(218)	(2,337)
Income tax expense	—	—	61	657
Core net income	\$ 12,791	\$ 15,033	\$ 44,443	\$ 56,563

(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.