



PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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HINGHAM REPORTS FIRST QUARTER 2022 RESULTS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced results for the quarter ended March 31, 2022.

Earnings

Net income for the quarter ended March 31, 2022 was \$11,864,000 or \$5.54 per share basic and \$5.38 per share diluted, as compared to \$16,350,000 or \$7.65 per share basic and \$7.45 per share diluted for the same period last year. The Bank's annualized return on average equity for the first quarter of 2022 was 13.10%, and the annualized return on average assets was 1.37%, as compared to 21.72% and 2.32% for the same period last year. Net income per share (diluted) for the first quarter of 2022 decreased by 28% compared to the same period in 2021.

Core net income for the quarter ended March 31, 2022, which represents net income excluding the after-tax gains and losses on equity securities, both realized and unrealized, was \$15,105,000 or \$7.05 per share basic and \$6.85 per share diluted, as compared to \$13,725,000 or \$6.42 per share basic and \$6.25 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first quarter of 2022 was 16.68% and the annualized core return on average assets was 1.74%, as compared to 18.23% and 1.95% for the same period last year. Core net income per share (diluted) for the first quarter of 2022 increased by 10% over the same period in 2021.

See Page 8 for a Non-GAAP reconciliation between net income and core net income. In calculating core net income, the Bank did not make any adjustments other than those relating to after-tax gains and losses on equity securities, realized and unrealized.

Balance Sheet and Capital Management

Total assets were \$3.647 billion at March 31, 2022, representing 25% annualized growth year-to-date and 28% growth from March 31, 2021.

Net loans increased to \$3.177 billion at March 31, 2022, representing 24% annualized growth year-to-date and 27% growth from March 31, 2021. Growth was concentrated in the Bank's commercial real estate portfolio.

Total deposits, including wholesale deposits, were \$2.395 billion at March 31, 2022, in line with December 31, 2021 and 5% higher than March 31, 2021. Total retail and business deposits increased to \$1.797 billion at March 31, 2022, representing 21% annualized growth year-to-date and 11% growth from March 31, 2021. Non-interest-bearing deposits, included in retail and business deposits, increased to \$404.0 million at March 31, 2022, representing 15% annualized growth year-to-date and 23% growth from March 31, 2021. Total retail and business deposits growth was impacted by a continued decline in retail time deposits, as the Bank allowed higher rate maturing time deposits to roll off. In 2022, the Bank continued to carefully monitor 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 achieve a lower cost of funds.

Book value per share was \$170.49 as of March 31, 2022, representing 12% annualized growth year-to-date and 18% growth from March 31, 2021. In addition to the increase in book value per share, the Bank declared \$2.91 in dividends per share since March 31, 2021, including a special dividend of \$0.75 per share declared during the fourth quarter of 2021. The Bank announced increases in its regular quarterly dividend in each of the last four quarters.

On March 30, 2022, the Bank declared a regular cash dividend of \$0.57 per share. This represented an increase of 4% over the previous regular quarterly dividend of \$0.55 per share. This dividend will be paid on May 11, 2022 to stockholders of record as of May 2, 2022. This was the Bank's 113th consecutive quarterly dividend and the Bank has consistently increased regular quarterly cash dividends over the last twenty-seven years. The Bank has also declared special cash dividends in each of the last twenty-seven 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 March 31, 2022 decreased 24 basis points to 3.30%, as compared to 3.54% for the same period last year. This decline was driven by a declining yield on interest-earning assets, resulting primarily from a lower yield on loans, partially offset by a lower cost of interest-bearing liabilities.

Key credit and operational metrics remained strong in the first quarter. At March 31, 2022, non-performing assets totaled 0.00% of total assets, compared to 0.01% at December 31, 2021 and 0.02% at March 31, 2021. Non-performing loans as a percentage of the total loan portfolio totaled 0.00% at March 31, 2022, compared to 0.01% at December 31, 2021 and 0.02% at March 31, 2021. The Bank did not record any charge-offs in the first three months of 2022, as compared to \$1,000 in net charge-offs for the same period last year.

The Bank did not own any foreclosed property at March 31, 2022, December 31, 2021 and March 31, 2021.

The efficiency ratio, as defined on page 4 below, fell to 21.82% for the first quarter of 2022, as

compared to 22.02% for the same period last year. Operating expenses as a percentage of average assets fell to 0.72% for the first quarter of 2022, as compared to 0.77% for the same period last year. The Bank remains focused on reducing waste through an ongoing process of continuous improvement and standard work that supports operational leverage.

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 (the "Meeting") at 2:00PM EST on Thursday, April 28, 2022 at the Old Derby Academy, located at 34 Main Street, Hingham, Massachusetts. Stockholders may also attend the Meeting by means of remote communication via a video conference. 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 question 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 website (click [here](#)). In addition to participating in the meeting itself, we also encourage shareholders to submit questions in writing in advance using the form on the Bank's website.

Chairman Robert H. Gaughen Jr. stated, "Returns on equity and assets were adequate in the first quarter of 2022. 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, 2022 with the Federal Deposit Insurance Corporation (FDIC) on or about May 6, 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

<i>(Unaudited)</i>	Three Months Ended	
	March 31,	
	2021	2022
Key Performance Ratios		
Return on average assets (1)	2.32 %	1.37 %
Return on average equity (1)	21.72	13.10
Core return on average assets (1) (5)	1.95	1.74
Core return on average equity (1) (5)	18.23	16.68
Interest rate spread (1) (2)	3.44	3.24
Net interest margin (1) (3)	3.54	3.30
Operating expenses to average assets (1)	0.77	0.72
Efficiency ratio (4)	22.02	21.82
Average equity to average assets	10.70	10.45
Average interest-earning assets to average interest bearing liabilities	126.10	125.86

<i>(Unaudited)</i>	March 31, 2021	December 31, 2021	March 31, 2022	
	Asset Quality Ratios			
	Allowance for loan losses/total loans	0.70 %	0.68 %	0.68 %
Allowance for loan losses/non-performing loans	2,870.29	4,784.78	16,606.92	
Non-performing loans/total loans	0.02	0.01	—	
Non-performing loans/total assets	0.02	0.01	—	
Non-performing assets/total assets	0.02	0.01	—	
Share Related				
Book value per share	\$ 144.12	\$ 165.52	\$ 170.49	
Market value per share	\$ 283.76	\$ 419.88	\$ 343.20	
Shares outstanding at end of period	2,139,400	2,142,400	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.

(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>2021</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2022</u>
ASSETS			
Cash and due from banks	\$ 6,267	\$ 5,428	\$ 5,371
Federal Reserve and other short-term investments	208,206	265,733	291,497
Cash and cash equivalents	<u>214,473</u>	<u>271,161</u>	<u>296,868</u>
CRA investment	9,412	9,306	8,874
Other marketable equity securities	59,448	79,167	83,190
Securities, at fair value	<u>68,865</u>	<u>88,473</u>	<u>92,064</u>
Securities available for sale, at fair value	5	—	—
Securities held to maturity, at amortized cost	—	3,500	3,500
Federal Home Loan Bank stock, at cost	14,185	29,908	35,508
Loans, net of allowance for loan losses of \$17,681 at March 31, 2021, \$20,431 at December 31, 2021 and \$21,589 at March 31, 2022	2,507,873	2,999,096	3,176,975
Bank-owned life insurance	12,738	12,980	13,073
Premises and equipment, net	15,247	15,825	16,210
Accrued interest receivable	5,109	5,467	5,887
Deferred income tax asset, net	203	—	387
Other assets	5,421	4,755	6,394
Total assets	<u>\$ 2,844,114</u>	<u>\$ 3,431,165</u>	<u>\$ 3,646,866</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits	\$ 1,946,327	\$ 2,003,717	\$ 1,990,848
Non-interest-bearing deposits	327,279	389,148	404,045
Total deposits	<u>2,273,606</u>	<u>2,392,865</u>	<u>2,394,893</u>
Federal Home Loan Bank advances	246,200	665,000	865,000
Mortgagors' escrow accounts	9,052	9,183	9,646
Accrued interest payable	154	198	298
Deferred income tax liability, net	—	536	—
Other liabilities	6,761	8,771	11,768
Total liabilities	<u>2,535,773</u>	<u>3,076,553</u>	<u>3,281,605</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; 2,139,400 shares issued and outstanding at March 31, 2021, 2,142,400 shares issued and outstanding at December 31, 2021 and March 31, 2022	2,139	2,142	2,142
Additional paid-in capital	12,556	12,728	12,735
Undivided profits	293,646	339,742	350,384
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	<u>308,341</u>	<u>354,612</u>	<u>365,261</u>
Total liabilities and stockholders' equity	<u>\$ 2,844,114</u>	<u>\$ 3,431,165</u>	<u>\$ 3,646,866</u>

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended March 31,	
	2021	2022
<i>(In thousands, except per share amounts)</i>		
<i>(Unaudited)</i>		
Interest and dividend income:		
Loans	\$ 26,749	\$ 29,760
Debt securities	—	33
Equity securities	218	258
Federal Reserve and other short-term investments	52	110
Total interest and dividend income	27,019	30,161
Interest expense:		
Deposits	2,107	1,504
Federal Home Loan Bank advances	444	492
Total interest expense	2,551	1,996
Net interest income	24,468	28,165
Provision for loan losses	278	1,158
Net interest income, after provision for loan losses	24,190	27,007
Other income (loss):		
Customer service fees on deposits	181	175
Increase in cash surrender value of bank-owned life insurance	81	93
Gain (loss) on equity securities, net	3,367	(4,157)
Miscellaneous	15	26
Total other income (loss)	3,644	(3,863)
Operating expenses:		
Salaries and employee benefits	3,526	3,644
Occupancy and equipment	406	374
Data processing	461	614
Deposit insurance	223	283
Foreclosure and related	(82)	(21)
Marketing	124	191
Other general and administrative	792	1,124
Total operating expenses	5,450	6,209
Income before income taxes	22,384	16,935
Income tax provision	6,034	5,071
Net income	\$ 16,350	\$ 11,864
Cash dividends declared per common share	\$ 0.49	\$ 0.57
Weighted average shares outstanding:		
Basic	2,138	2,142
Diluted	2,195	2,206
Earnings per share:		
Basic	\$ 7.65	\$ 5.54
Diluted	\$ 7.45	\$ 5.38

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended March 31,					
	2021			2022		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)	AVERAGE BALANCE	INTEREST	YIELD/ RATE (8)
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 2,497,119	\$ 26,749	4.28 %	\$ 3,077,644	\$ 29,760	3.87 %
Securities (3) (4)	63,927	218	1.36	94,899	291	1.23
Federal Reserve and other short-term investments	204,887	52	0.10	240,755	110	0.18
Total interest-earning assets	2,765,933	27,019	3.91	3,413,298	30,161	3.53
Other assets	47,705			52,987		
Total assets	\$ 2,813,638			\$ 3,466,285		
Interest-bearing deposits (5)	\$ 1,882,830	2,107	0.45	\$ 2,028,082	1,504	0.30
Borrowed funds	310,683	444	0.57	683,920	492	0.29
Total interest-bearing liabilities	2,193,513	2,551	0.47	2,712,002	1,996	0.29
Non-interest-bearing deposits	311,800			383,816		
Other liabilities	7,246			8,267		
Total liabilities	2,512,559			3,104,085		
Stockholders' equity	301,079			362,200		
Total liabilities and stockholders' equity	\$ 2,813,638			\$ 3,466,285		
Net interest income		\$ 24,468			\$ 28,165	
Weighted average spread			3.44 %			3.24 %
Net interest margin (6)			3.54 %			3.30 %
Average interest-earning assets to average interest-bearing liabilities (7)	126.10 %			125.86 %		

- (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.

<i>(In thousands, unaudited)</i>	Three Months Ended March 31,	
	2021	2022
Non-GAAP reconciliation:		
Net Income	\$ 16,350	\$ 11,864
(Gain) loss on equity securities, net	(3,367)	4,157
Income tax expense (benefit) (1)	742	(916)
Core Net Income	\$ 13,725	\$ 15,105

(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.