



## PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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### HINGHAM REPORTS SECOND QUARTER 2022 RESULTS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced results for the quarter ended June 30, 2022.

#### Earnings

Net income for the quarter ended June 30, 2022 was \$3,191,000 or \$1.49 per share basic and \$1.45 per share diluted, as compared to \$20,422,000 or \$9.54 per share basic and \$9.28 per share diluted for the same period last year. The Bank's annualized return on average equity for the second quarter of 2022 was 3.43%, and the annualized return on average assets was 0.34%, as compared to 25.51% and 2.83% for the same period in 2021. Net income per share (diluted) for the second quarter of 2022 decreased by 84% over the same period in 2021.

Core net income for the quarter ended June 30, 2022, 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 \$15,260,000 or \$7.12 per share basic and \$6.93 per share diluted, as compared to \$13,795,000 or \$6.44 per share basic and \$6.27 per share diluted for the same period last year. The Bank's annualized core return on average equity for the second quarter of 2022 was 16.42%, and the annualized core return on average assets was 1.63%, as compared to 17.24% and 1.91% for the same period in 2021. Core net income per share (diluted) for the second quarter of 2022 increased by 11% over the same period in 2021.

Net income for the six months ended June 30, 2022 was \$15,055,000 or \$7.02 per share basic and \$6.83 per share diluted, as compared to \$36,772,000 or \$17.18 per share basic and \$16.73 per share diluted for the same period last year. The Bank's annualized return on average equity for the first six months of 2022 was 8.20%, and the annualized return on average assets was 0.83%, as compared to 23.67% and 2.58% for the same period in 2021. Net income per share (diluted) for the first six months of 2022 decreased by 59% over the same period in 2021.

Core net income for the six months ended June 30, 2022, 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 \$30,365,000 or \$14.17 per share basic and \$13.78 per share diluted, as compared to \$27,520,000 or \$12.86 per share basic and \$12.52 per share diluted for the same period

last year. The Bank's annualized core return on average equity for the first six months of 2022 was 16.55%, and the annualized core return on average assets was 1.68%, as compared to 17.72% and 1.93% for the same period in 2021. Core net income per share (diluted) for the first six months of 2022 increased by 10% over the same period in 2021.

See Page 9 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 and after-tax gains on the disposal of fixed assets.

### **Balance Sheet and Capital Management**

Total assets were \$3.996 billion at June 30, 2022, representing 33% annualized growth year-to-date and 34% growth from June 30, 2021.

Net loans increased to \$3.508 billion at June 30, 2022, representing 34% annualized growth year-to-date and 33% growth from June 30, 2021. Growth was concentrated in the Bank's commercial real estate portfolio.

Total deposits, including wholesale deposits, were \$2.468 billion at June 30, 2022, representing 6% annualized growth year-to-date and 5% growth from June 30, 2021. Total retail and business deposits increased to \$1.763 billion at June 30, 2022, representing 6% annualized growth year-to-date and 7% growth from June 30, 2021. Non-interest-bearing deposits, included in retail and business deposits, increased to \$399.5 million at June 30, 2022, representing 5% annualized growth year-to-date and 12% growth from June 30, 2021. During the first half of 2022, the Bank used wholesale funds to help fund the strong loan growth experienced during the period.

Book value per share was \$171.23 as of June 30, 2022, representing 7% annualized growth year-to-date and 12% growth from June 30, 2021. In addition to the increase in book value per share, the Bank has declared \$2.99 in dividends per share since June 30, 2021, including a special dividend of \$0.75 per share declared during the fourth quarter of 2021. The Bank increased its regular quarterly dividend in each of the last four quarters.

On June 29, 2022, the Bank's Board of Directors declared a regular cash dividend of \$0.59 per share. This represents an increase of 4% over the previous regular quarterly dividend of \$0.57 per share. The dividend will be paid on August 10, 2022 to stockholders of record as of August 1, 2022. This will be the Bank's 114th 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 June 30, 2022 decreased 25 basis points to 3.21%, as compared to 3.46% 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, combined with a higher cost of interest-bearing liabilities. The net interest margin for the six months ended June 30, 2022 decreased 25 basis points to 3.25%, as compared to 3.50% 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.

Key credit and operational metrics remained strong in the second quarter. At June 30, 2022, non-performing assets totaled 0.02% of total assets, compared to 0.01% at both December 31, 2021 and June 30, 2021. Non-performing loans as a percentage of the total loan portfolio totaled 0.03% at June 30, 2022, compared to 0.01% at both December 31, 2021 and June 30, 2021.

The Bank recorded \$50,000 in net recoveries in the first six 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 June 30, 2022, December 31, 2021 and June 30, 2021.

The efficiency ratio, as defined on page 4 below, fell slightly to 21.30% for the second quarter of 2022, as compared to 21.37% for the same period last year. Operating expenses as a percentage of average assets fell to 0.68% in the second quarter of 2022, as compared to 0.74% 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.

Chairman Robert H. Gaughen Jr. stated, "Returns on equity and assets in our core operations were adequate in the second quarter of 2022, although we face a range of headwinds, including significant near-term pressure on our net interest margin. In our business operations, we had significant growth across all three markets in our commercial real estate group with both new and existing relationship customers. We are carefully managing this growth moving forward, particularly as growth in our commercial deposits in the same period was modest by comparison. In our investment operations, we remain generally satisfied with the performance of our portfolio companies and we continue to increase our ownership of these companies as market conditions have presented opportunities to do so. As always, 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, 2022 with the FDIC on or about August 5, 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		Six Months Ended	
	June 30,		June 30,	
	2021	2022	2021	2022
<i>(Unaudited)</i>				
<b>Key Performance Ratios</b>				
Return on average assets (1)	2.83 %	<b>0.34 %</b>	2.58 %	<b>0.83 %</b>
Return on average equity (1)	25.51	<b>3.43</b>	23.67	<b>8.20</b>
Core return on average assets (1) (5)	1.91	<b>1.63</b>	1.93	<b>1.68</b>
Core return on average equity (1) (5)	17.24	<b>16.42</b>	17.72	<b>16.55</b>
Interest rate spread (1) (2)	3.39	<b>3.11</b>	3.42	<b>3.18</b>
Net interest margin (1) (3)	3.46	<b>3.21</b>	3.50	<b>3.25</b>
Operating expenses to average assets (1)	0.74	<b>0.68</b>	0.75	<b>0.70</b>
Efficiency ratio (4)	21.37	<b>21.30</b>	21.70	<b>21.55</b>
Average equity to average assets	11.08	<b>9.92</b>	10.89	<b>10.17</b>
Average interest-earning assets to average interest-bearing liabilities	127.44	<b>124.97</b>	126.78	<b>125.39</b>
	June 30, 2021	December 31, 2021	June 30, 2022	
<i>(Unaudited)</i>				
<b>Asset Quality Ratios</b>				
Allowance for loan losses/total loans	0.69 %	0.68 %	<b>0.68 %</b>	
Allowance for loan losses/non-performing loans	6,159.12	4,784.78	<b>2,428.23</b>	
Non-performing loans/total loans	0.01	0.01	<b>0.03</b>	
Non-performing loans/total assets	0.01	0.01	<b>0.02</b>	
Non-performing assets/total assets	0.01	0.01	<b>0.02</b>	
<b>Share Related</b>				
Book value per share	\$ 153.02	\$ 165.52	<b>\$ 171.23</b>	
Market value per share	\$ 290.50	\$ 419.88	<b>\$ 283.77</b>	
Shares outstanding at end of period	2,142,400	2,142,400	<b>2,145,400</b>	

(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.

(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.

**HINGHAM INSTITUTION FOR SAVINGS**  
**Consolidated Balance Sheets**

<i>(In thousands, except share amounts)</i> <i>(Unaudited)</i>	<b>June 30, 2021</b>	<b>December 31, 2021</b>	<b>June 30, 2022</b>
<b>ASSETS</b>			
Cash and due from banks	\$ 7,734	\$ 5,428	\$ 7,670
Federal Reserve and other short-term investments	198,590	265,733	303,223
Cash and cash equivalents	206,324	271,161	310,893
CRA investment	9,439	9,306	8,626
Other marketable equity securities	69,311	79,167	68,459
Equity securities, at fair value	78,750	88,473	77,085
Securities available for sale, at fair value	5	—	—
Securities held to maturity, at amortized cost	3,500	3,500	3,500
Federal Home Loan Bank stock, at cost	14,732	29,908	47,316
Loans, net of allowance for loan losses of \$18,231 at June 30, 2021, \$20,431 at December 31, 2021 and \$24,088 at June 30, 2022	2,630,332	2,999,096	3,507,936
Bank-owned life insurance	12,822	12,980	13,150
Premises and equipment, net	15,103	15,825	16,617
Accrued interest receivable	5,158	5,467	6,111
Deferred income tax asset, net	—	—	3,793
Other assets	7,039	4,755	9,202
Total assets	\$ 2,973,765	\$ 3,431,165	\$ 3,995,603
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Interest-bearing deposits	\$ 1,985,442	\$ 2,003,717	\$ 2,068,443
Non-interest-bearing deposits	358,195	389,148	399,478
Total deposits	2,343,637	2,392,865	2,467,921
Federal Home Loan Bank advances	285,600	665,000	1,140,000
Mortgagors' escrow accounts	8,321	9,183	11,822
Accrued interest payable	158	198	1,003
Deferred income tax liability, net	1,201	536	—
Other liabilities	7,014	8,771	7,497
Total liabilities	2,645,931	3,076,553	3,628,243
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; 2,142,400 shares issued and outstanding at June 30, 2021 and December 31, 2021 and 2,145,400 shares issued and outstanding at June 30, 2022	2,142	2,142	2,145
Additional paid-in capital	12,715	12,728	12,908
Undivided profits	312,977	339,742	352,307
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	327,834	354,612	367,360
Total liabilities and stockholders' equity	\$ 2,973,765	\$ 3,431,165	\$ 3,995,603

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2022	2021	2022
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 26,215	\$ 32,406	\$ 52,964	\$ 62,166
Debt securities	18	33	18	66
Equity securities	173	286	391	544
Federal Reserve and other short-term investments	54	519	106	629
Total interest and dividend income	<u>26,460</u>	<u>33,244</u>	<u>53,479</u>	<u>63,405</u>
Interest expense:				
Deposits	1,692	2,102	3,799	3,606
Federal Home Loan Bank and Federal Reserve Bank advances	212	1,431	656	1,923
Mortgage payable	—	—	—	—
Total interest expense	<u>1,904</u>	<u>3,533</u>	<u>4,455</u>	<u>5,529</u>
Net interest income	<u>24,556</u>	<u>29,711</u>	<u>49,024</u>	<u>57,876</u>
Provision for loan losses	550	2,449	828	3,607
Net interest income, after provision for loan losses	<u>24,006</u>	<u>27,262</u>	<u>48,196</u>	<u>54,269</u>
Other income (loss):				
Customer service fees on deposits	192	140	373	315
Increase in cash surrender value of bank-owned life insurance	84	77	165	170
Gain (loss) on equity securities, net	6,346	(15,482)	9,713	(19,639)
Gain on disposal of fixed assets	2,337	—	2,337	—
Miscellaneous	21	20	36	46
Total other income (loss)	<u>8,980</u>	<u>(15,245)</u>	<u>12,624</u>	<u>(19,108)</u>
Operating expenses:				
Salaries and employee benefits	3,459	3,862	6,985	7,506
Occupancy and equipment	325	315	731	689
Data processing	482	648	943	1,262
Deposit insurance	227	518	450	801
Foreclosure and related	7	8	(75)	(13)
Marketing	104	315	228	506
Other general and administrative	708	713	1,500	1,837
Total operating expenses	<u>5,312</u>	<u>6,379</u>	<u>10,762</u>	<u>12,588</u>
Income before income taxes	27,674	5,638	50,058	22,573
Income tax provision	7,252	2,447	13,286	7,518
Net income	<u>\$ 20,422</u>	<u>\$ 3,191</u>	<u>\$ 36,772</u>	<u>\$ 15,055</u>
Cash dividends declared per share	<u>\$ 0.51</u>	<u>\$ 0.59</u>	<u>\$ 1.00</u>	<u>\$ 1.16</u>
Weighted average shares outstanding:				
Basic	<u>2,142</u>	<u>2,145</u>	<u>2,140</u>	<u>2,144</u>
Diluted	<u>2,200</u>	<u>2,203</u>	<u>2,198</u>	<u>2,204</u>
Earnings per share:				
Basic	<u>\$ 9.54</u>	<u>\$ 1.49</u>	<u>\$ 17.18</u>	<u>\$ 7.02</u>
Diluted	<u>\$ 9.28</u>	<u>\$ 1.45</u>	<u>\$ 16.73</u>	<u>\$ 6.83</u>

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

	Three Months Ended June 30,					
	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)	\$ 2,567,437	\$ 26,215	4.08 %	\$ 3,350,290	\$ 32,406	3.87 %
Securities (3) (4)	65,463	191	1.17	109,378	319	1.17
Federal Reserve and other short-term investments	205,636	54	0.11	239,797	519	0.87
Total interest-earning assets	2,838,536	26,460	3.73	3,699,465	33,244	3.59
Other assets	51,008			47,480		
Total assets	\$ 2,889,544			\$ 3,746,945		
Interest-bearing deposits (5)	\$ 1,970,226	1,692	0.34	\$ 2,048,311	2,102	0.41
Borrowed funds	257,117	212	0.33	912,034	1,431	0.63
Total interest-bearing liabilities	2,227,343	1,904	0.34	2,960,345	3,533	0.48
Non-interest-bearing deposits	335,541			408,033		
Other liabilities	6,503			6,782		
Total liabilities	2,569,387			3,375,160		
Stockholders' equity	320,157			371,785		
Total liabilities and stockholders' equity	\$ 2,889,544			\$ 3,746,945		
Net interest income		\$ 24,556			\$ 29,711	
Weighted average spread			3.39 %			3.11 %
Net interest margin (6)			3.46 %			3.21 %
Average interest-earning assets to average interest-bearing liabilities (7)	127.44 %			124.97 %		

- (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,					
	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)	\$ 2,532,473	\$ 52,964	4.18 %	\$ 3,214,720	\$ 62,166	3.87 %
Securities (3) (4)	64,699	409	1.26	102,179	610	1.19
Federal Reserve and other short-term investments	205,263	106	0.10	240,273	629	0.52
Total interest-earning assets	<u>2,802,435</u>	<u>53,479</u>	<u>3.82</u>	<u>3,557,172</u>	<u>63,405</u>	<u>3.56</u>
Other assets	49,366			50,219		
Total assets	<u>\$ 2,851,801</u>			<u>\$ 3,607,391</u>		
Interest-bearing deposits (5)	\$ 1,926,769	3,799	0.39	\$ 2,038,252	3,606	0.35
Borrowed funds	283,752	656	0.46	798,607	1,923	0.48
Total interest-bearing liabilities	<u>2,210,521</u>	<u>4,455</u>	<u>0.40</u>	<u>2,836,859</u>	<u>5,529</u>	<u>0.39</u>
Non-interest-bearing deposits	323,736			395,991		
Other liabilities	6,873			7,522		
Total liabilities	<u>2,541,130</u>			<u>3,240,372</u>		
Stockholders' equity	310,671			367,019		
Total liabilities and stockholders' equity	<u>\$ 2,851,801</u>			<u>\$ 3,607,391</u>		
Net interest income		<u>\$ 49,024</u>			<u>\$ 57,876</u>	
Weighted average spread			<u>3.42 %</u>			<u>3.17 %</u>
Net interest margin (6)			<u>3.50 %</u>			<u>3.25 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)	<u>126.78 %</u>			<u>125.39 %</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.

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
<i>(In thousands, unaudited)</i>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>
Non-GAAP reconciliation:				
Net income	\$ 20,422	\$ <b>3,191</b>	\$ 36,772	\$ <b>15,055</b>
(Gain) loss on equity securities, net	(6,346)	<b>15,482</b>	(9,713)	<b>19,639</b>
Income tax expense (benefit) (1)	1,399	<b>(3,413)</b>	2,141	<b>(4,329)</b>
Gain on disposal of fixed assets	(2,337)	—	(2,337)	—
Income tax expense	657	—	657	—
Core net income	\$ 13,795	\$ <b>15,260</b>	\$ 27,520	\$ <b>30,365</b>

(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.