



PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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HINGHAM REPORTS THIRD QUARTER 2022 RESULTS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced third quarter results for 2022.

Earnings

Net income for the quarter ended September 30, 2022 was \$10,499,000 or \$4.89 per share basic and \$4.77 per share diluted, as compared to \$14,012,000 or \$6.54 per share basic and \$6.36 per share diluted for the same period last year. The Bank's annualized return on average equity for the third quarter of 2022 was 11.07%, and the annualized return on average assets was 1.05%, as compared to 16.57% and 1.85% for the same period in 2021. Net income per share (diluted) for the third quarter of 2022 decreased by 25% over the same period in 2021.

Core net income for the quarter ended September 30, 2022, which represents net income excluding the after-tax gains and losses on securities, both realized and unrealized, was \$14,491,000 or \$6.75 per share basic and \$6.58 per share diluted, as compared to \$14,010,000 or \$6.54 per share basic and \$6.36 per share diluted for the same period last year. The Bank's annualized core return on average equity for the third quarter of 2022 was 15.28%, and the annualized core return on average assets was 1.45%, as compared to 16.56% and 1.85% for the same period in 2021. Core net income per share (diluted) for the third quarter of 2022 increased by 3% over the same period in 2021.

Net income for the nine months ended September 30, 2022 was \$25,554,000 or \$11.92 per share basic and \$11.60 per share diluted, as compared to \$50,784,000 or \$23.72 per share basic and \$23.09 per share diluted for the same period last year. The Bank's annualized return on average equity for the first nine months of 2022 was 9.18%, and the annualized return on average assets was 0.91%, as compared to 21.16% and 2.33% for the same period in 2021. Net income per share (diluted) for the first nine months of 2022 decreased by 50% over the same period in 2021.

Core net income for the nine months ended September 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 \$44,856,000 or \$20.92 per share basic and \$20.36 per share diluted, as compared to \$41,530,000 or \$19.40 per share basic and \$18.88 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first nine months of

2022 was 16.11%, and the annualized core return on average assets was 1.60%, as compared to 17.31% and 1.90% for the same period in 2021. Core net income per share (diluted) for the first nine months of 2022 increased by 8% 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

Total assets increased to \$4.062 billion at September 30, 2022, representing 25% annualized growth year-to-date and 28% growth from September 30, 2021.

Net loans increased to \$3.563 billion at September 30, 2022, representing 25% annualized growth year-to-date and 27% growth from September 30, 2021. Growth slowed significantly in the third quarter and was concentrated in multifamily assets in the Bank's commercial real estate portfolio.

Total deposits, including wholesale deposits, increased to \$2.589 billion at September 30, 2022, representing 11% annualized growth year-to-date and 7% growth from September 30, 2021. Total retail and business deposits increased to \$1.893 billion at September 30, 2022, representing 14% annualized growth year-to-date and 12% growth from September 30, 2021. Non-interest-bearing deposits, included in retail and business deposits, increased to \$418.8 million at September 30, 2022, representing 10% annualized growth year-to-date and 14% growth from September 30, 2021. During the first nine months of 2022, the Bank continued to focus on growing its base of non-interest bearing commercial deposits, implemented special time deposit offerings, and used wholesale funds to help fund the strong loan growth experienced during the period.

Book value per share was \$175.52 as of September 30, 2022, representing 8% annualized growth year-to-date and 10% growth from September 30, 2021. In addition to the increase in book value per share, the Bank has declared \$3.07 in dividends per share since September 30, 2021, 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.

On September 28, 2022, the Bank's Board of Directors declared a regular cash dividend of \$0.61 per share. This represents an increase of 3% over the previous regular quarterly dividend of \$0.59 per share. The dividend will be paid on November 9, 2022 to stockholders of record as of November 1, 2022. This will be the Bank's 115th 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 September 30, 2022 decreased 72 basis points to 2.76%, as compared to 3.48% for the same period last year. The net interest margin for the nine months ended September 30, 2022 decreased 41 basis points to 3.08%, as compared to 3.49% for the same period last year. In the quarter ended September 30, 2022, and to a lesser extent, in the nine months ended

September 30, 2022, the Bank experienced an increase 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. This was combined with a decline in the yield on interest-earning assets, driven primarily by a lower yield on loans, partially offset by an increase in the interest on excess reserves held at the Federal Reserve Bank of Boston and Federal Home Loan Bank of Boston stock dividends.

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

The Bank recorded \$50,000 of net recoveries for the nine months ended September 30, 2022, as compared to \$1,000 of net charge-offs for the same period last year.

The Bank did not own any foreclosed property on September 30, 2022, December 31, 2021 and September 30, 2021.

The efficiency ratio, as defined on page 4 below, increased to 24.98% for the third quarter of 2022, as compared to 21.29% for the same period last year. Operating expenses as a percentage of average assets fell to 0.69% in the third 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 were modest in the third quarter of 2022 and should be viewed in the context of the continuing pressure on the net interest margin as the Bank's balance sheet adjusts to significantly higher short-term interest rates. Such adjustments are particularly challenging for our business model. During such periods, 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, 2022 with the FDIC on or about November 4, 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 September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	1.85 %	1.05 %	2.33 %	0.91 %
Return on average equity (1)	16.57	11.07	21.16	9.18
Core return on average assets (1) (5)	1.85	1.45	1.90	1.60
Core return on average equity (1) (5)	16.56	15.28	17.31	16.11
Interest rate spread (1) (2)	3.42	2.55	3.41	2.94
Net interest margin (1) (3)	3.48	2.76	3.49	3.08
Operating expenses to average assets (1)	0.74	0.69	0.75	0.69
Efficiency ratio (4)	21.29	24.98	21.56	22.65
Average equity to average assets	11.20	9.48	11.00	9.92
Average interest-earning assets to average interest-bearing liabilities	128.29	123.53	127.30	124.71

	September 30, 2021	December 31, 2021	September 30, 2022
	<i>(Unaudited)</i>		
Asset Quality Ratios			
Allowance for loan losses/total loans	0.68 %	0.68 %	0.68 %
Allowance for loan losses/non-performing loans	5,297.80	4,784.78	3,336.25
Non-performing loans/total loans	0.01	0.01	0.02
Non-performing loans/total assets	0.01	0.01	0.02
Non-performing assets/total assets	0.01	0.01	0.02
Share Related			
Book value per share	\$ 159.03	\$ 165.52	\$ 175.52
Market value per share	\$ 336.70	\$ 419.88	\$ 251.11
Shares outstanding at end of period	2,142,400	2,142,400	2,145,400

(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.

(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>	September 30, 2021	December 31, 2021	September 30, 2022
ASSETS			
Cash and due from banks	\$ 5,711	\$ 5,428	\$ 6,682
Federal Reserve and other short-term investments	213,442	265,733	320,346
Cash and cash equivalents	219,153	271,161	327,028
CRA investment	9,395	9,306	8,212
Other marketable equity securities	72,702	79,167	64,062
Equity securities, at fair value	82,097	88,473	72,274
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	18,908	29,908	44,716
Loans, net of allowance for loan losses of \$19,231 at September 30, 2021, \$20,431 at December 31, 2021 and \$24,388 at September 30, 2022	2,800,477	2,999,096	3,562,745
Bank-owned life insurance	12,901	12,980	13,232
Premises and equipment, net	15,476	15,825	17,213
Accrued interest receivable	5,270	5,467	6,380
Deferred income tax asset, net	—	—	4,918
Other assets	7,042	4,755	10,108
Total assets	\$ 3,164,829	\$ 3,431,165	\$ 4,062,114
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits	\$ 2,049,930	\$ 2,003,717	\$ 2,169,763
Non-interest-bearing deposits	366,398	389,148	418,753
Total deposits	2,416,328	2,392,865	2,588,516
Federal Home Loan Bank advances	390,000	665,000	1,075,000
Mortgagors' escrow accounts	8,683	9,183	11,764
Accrued interest payable	179	198	2,536
Deferred income tax liability, net	1,206	536	—
Other liabilities	7,717	8,771	7,740
Total liabilities	2,824,113	3,076,553	3,685,556
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 September 30, 2021 and December 31, 2021 and 2,145,400 shares issued and outstanding at September 30, 2022	2,142	2,142	2,145
Additional paid-in capital	12,722	12,728	12,914
Undivided profits	325,852	339,742	361,499
Total stockholders' equity	340,716	354,612	376,558
Total liabilities and stockholders' equity	\$ 3,164,829	\$ 3,431,165	\$ 4,062,114

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 27,303	\$ 34,209	\$ 80,267	\$ 96,375
Debt securities	33	33	51	99
Equity securities	171	492	562	1,036
Federal Reserve and other short-term investments	78	1,660	184	2,289
Total interest and dividend income	27,585	36,394	81,064	99,799
Interest expense:				
Deposits	1,551	4,483	5,350	8,089
Federal Home Loan Bank and Federal Reserve Bank advances	202	4,608	858	6,531
Total interest expense	1,753	9,091	6,208	14,620
Net interest income	25,832	27,303	74,856	85,179
Provision for loan losses	1,000	301	1,828	3,908
Net interest income, after provision for loan losses	24,832	27,002	73,028	81,271
Other income (loss):				
Customer service fees on deposits	181	141	554	456
Increase in cash surrender value of bank-owned life insurance	79	82	244	252
Gain (loss) on equity securities, net	2	(5,117)	9,715	(24,756)
Gain on disposal of fixed assets	—	—	2,337	—
Miscellaneous	24	21	60	67
Total other income (loss)	286	(4,873)	12,910	(23,981)
Operating expenses:				
Salaries and employee benefits	3,437	4,172	10,422	11,678
Occupancy and equipment	351	339	1,082	1,028
Data processing	489	691	1,432	1,953
Deposit insurance	231	546	681	1,347
Foreclosure and related	24	18	(51)	5
Marketing	195	246	423	752
Other general and administrative	833	869	2,333	2,706
Total operating expenses	5,560	6,881	16,322	19,469
Income before income taxes	19,558	15,248	69,616	37,821
Income tax provision	5,546	4,749	18,832	12,267
Net income	\$ 14,012	\$ 10,499	\$ 50,784	\$ 25,554
Cash dividends declared per share	\$ 0.53	\$ 0.61	\$ 1.53	\$ 1.77
Weighted average shares outstanding:				
Basic	2,142	2,145	2,141	2,144
Diluted	2,202	2,201	2,199	2,203
Earnings per share:				
Basic	\$ 6.54	\$ 4.89	\$ 23.72	\$ 11.92
Diluted	\$ 6.36	\$ 4.77	\$ 23.09	\$ 11.60

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended September 30,					
	2021			2022		
	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 2,693,457	\$ 27,303	4.05 %	\$ 3,558,317	\$ 34,209	3.85 %
Securities (3) (4)	69,978	204	1.17	114,946	525	1.83
Federal Reserve and other short-term investments	202,685	78	0.15	285,832	1,660	2.32
Total interest-earning assets	<u>2,966,120</u>	<u>27,585</u>	<u>3.72</u>	<u>3,959,095</u>	<u>36,394</u>	<u>3.68</u>
Other assets	55,606			42,768		
Total assets	<u>\$ 3,021,726</u>			<u>\$ 4,001,863</u>		
Interest-bearing deposits (5)	\$ 2,032,203	1,551	0.31	\$ 2,174,098	4,483	0.82
Borrowed funds	279,796	202	0.29	1,030,979	4,608	1.79
Total interest-bearing liabilities	<u>2,311,999</u>	<u>1,753</u>	<u>0.30</u>	<u>3,205,077</u>	<u>9,091</u>	<u>1.13</u>
Non-interest-bearing deposits	364,599			410,403		
Other liabilities	6,812			7,092		
Total liabilities	<u>2,683,410</u>			<u>3,622,572</u>		
Stockholders' equity	338,316			379,291		
Total liabilities and stockholders' equity	<u>\$ 3,021,726</u>			<u>\$ 4,001,863</u>		
Net interest income		<u>\$ 25,832</u>			<u>\$ 27,303</u>	
Weighted average spread			<u>3.42 %</u>			<u>2.55 %</u>
Net interest margin (6)			<u>3.48 %</u>			<u>2.76 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)	<u>128.29 %</u>			<u>123.53 %</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,					
	2021			2022		
	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>	<u>AVERAGE BALANCE</u>	<u>INTEREST</u>	<u>YIELD/ RATE (8)</u>
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 2,586,723	\$ 80,267	4.14 %	\$ 3,330,511	\$ 96,375	3.86 %
Securities (3) (4)	66,478	613	1.23	106,481	1,135	1.42
Federal Reserve and other short-term investments	204,395	184	0.12	255,627	2,289	1.19
Total interest-earning assets	<u>2,857,596</u>	<u>81,064</u>	<u>3.78</u>	<u>3,692,619</u>	<u>99,799</u>	<u>3.60</u>
Other assets	51,469			47,707		
Total assets	<u>\$ 2,909,065</u>			<u>\$ 3,740,326</u>		
Interest-bearing deposits (5)	\$ 1,962,300	5,350	0.36	\$ 2,084,032	8,089	0.52
Borrowed funds	282,419	858	0.41	876,915	6,531	0.99
Total interest-bearing liabilities	<u>2,244,719</u>	<u>6,208</u>	<u>0.37</u>	<u>2,960,947</u>	<u>14,620</u>	<u>0.66</u>
Non-interest-bearing deposits	337,507			400,848		
Other liabilities	<u>6,852</u>			<u>7,377</u>		
Total liabilities	2,589,078			3,369,172		
Stockholders' equity	<u>319,987</u>			<u>371,154</u>		
Total liabilities and stockholders' equity	<u>\$ 2,909,065</u>			<u>\$ 3,740,326</u>		
Net interest income		<u>\$ 74,856</u>			<u>\$ 85,179</u>	
Weighted average spread			<u>3.41 %</u>			<u>2.94 %</u>
Net interest margin (6)			<u>3.49 %</u>			<u>3.08 %</u>
Average interest-earning assets to average interest-bearing liabilities (7)	<u>127.30 %</u>			<u>124.71 %</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		Nine Months Ended	
	September 30,		September 30,	
	2021	2022	2021	2022
Non-GAAP reconciliation:				
Net income	\$ 14,012	\$ 10,499	\$ 50,784	\$ 25,554
(Gain) loss on equity securities, net	(2)	5,117	(9,715)	24,756
Income tax expense (benefit) (1)	—	(1,125)	2,141	(5,454)
Gain on disposal of fixed assets	—	—	(2,337)	—
Income tax expense	—	—	657	—
Core net income	\$ 14,010	\$ 14,491	\$ 41,530	\$ 44,856

(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.