



PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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HINGHAM REPORTS 2022 RESULTS

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced earnings for the fourth quarter and the year ended December 31, 2022.

Earnings

Net income for the year ended December 31, 2022 was \$37,519,000 or \$17.49 per share basic and \$17.04 per share diluted, as compared to \$67,458,000 or \$31.50 per share basic and \$30.65 per share diluted for the same period last year. The Bank's return on average equity for the year ended December 31, 2022 was 10.01%, and the return on average assets was 0.98%, as compared to 20.62% and 2.25% for the same period in 2021. Net income per share (diluted) for 2022 decreased by 44% over the same period in 2021.

Core net income for the year ended December 31, 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 \$54,569,000 or \$25.44 per share basic and \$24.78 per share diluted, as compared to \$56,563,000 or \$26.42 per share basic and \$25.70 per share diluted for the same period last year. The Bank's core return on average equity for the year ended December 31, 2022 was 14.56%, and the core return on average assets was 1.43%, as compared to 17.29% and 1.89% for the same period in 2021. Core net income per share (diluted) for 2022 decreased by 4% over the same period in 2021.

Net income for the quarter ended December 31, 2022 was \$11,965,000 or \$5.58 per share basic and \$5.44 per share diluted, as compared to \$16,674,000 or \$7.78 per share basic and \$7.56 per share diluted for the same period last year. The Bank's annualized return on average equity for the fourth quarter of 2022 was 12.40%, and the annualized return on average assets was 1.18%, as compared to 19.14% and 2.05% for the same period in 2021. Net income per share (diluted) for the fourth quarter of 2022 decreased by 28% over the same period in 2021.

Core net income for the quarter ended December 31, 2022, which represents net income excluding the after-tax gains and losses on securities, both realized and unrealized, was \$9,713,000 or \$4.53 per

share basic and \$4.42 per share diluted, as compared to \$15,033,000 or \$7.02 per share basic and \$6.81 per share diluted for the same period last year. The Bank's annualized core return on average equity for the fourth quarter of 2022 was 10.07%, and the annualized core return on average assets was 0.96%, as compared to 17.26% and 1.85% for the same period in 2021. Core net income per share (diluted) for the fourth quarter of 2022 decreased by 35% over the same period in 2021.

See Page 10 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, as applicable.

Balance Sheet

Total assets increased to \$4.194 billion at December 31, 2022, representing 22% growth from December 31, 2021.

Net loans totaled \$3.658 billion at December 31, 2022, representing 22% growth from December 31, 2021. Growth was concentrated in multifamily assets in the Bank's commercial real estate portfolio.

Total deposits, including wholesale deposits, increased to \$2.505 billion at December 31, 2022, representing 5% growth from December 31, 2021. Total retail and business deposits increased to \$1.892 billion at December 31, 2022, representing 11% growth from December 31, 2021. Non-interest bearing deposits, included in retail and business deposits, decreased to \$387.2 million at December 31, 2022, representing less than a 1% decline from December 31, 2021. During 2022, the Bank continued to focus on developing relationships to grow its 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 \$179.74 as of December 31, 2022, representing 9% growth from December 31, 2021. In addition to the increase in book value per share, the Bank has declared \$3.03 in dividends per share since December 31, 2021, including a special dividend of \$0.63 per share declared during the fourth quarter of 2022. 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 15.5%.

Operational Performance Metrics

The net interest margin for the year ended December 31, 2022 decreased 67 basis points to 2.81%, as compared to 3.48% in the prior year. In the twelve months ended December 31, 2022, the Bank experienced a substantial increase in the cost of interest-bearing liabilities when compared to the prior year. This was driven primarily by the repricing of the Bank's wholesale borrowings, wholesale deposits, and to a lesser extent, higher rates on the Bank's retail and commercial deposits. During this period, the increase in the cost of funds was combined with a slight decline in the yield on interest-earning assets, driven primarily by a lower yield on loans booked early in 2022, partially offset by an increase in the interest on reserves held at the Federal Reserve Bank of Boston and Federal Home Loan Bank of Boston stock dividends.

The net interest margin for the quarter ended December 31, 2022 decreased 137 basis points to 2.09%,

as compared to 3.46% in the same quarter in 2021. During this period, the Bank experienced a more significant increase in the cost of interest-bearing liabilities when compared to the same period in the prior year, driven by the same factors described above. The higher cost of funds was partially offset by an increase in the yield on interest-earning assets, driven primarily by an increase in the interest on reserves held at the Federal Reserve Bank of Boston and Federal Home Loan Bank of Boston stock dividends, partially offset by a lower yield on loans booked early in 2022.

In a linked quarter comparison, the net interest margin for the quarter ended December 31, 2022 decreased 67 basis points to 2.09%, as compared to 2.76% in the quarter ended September 30, 2022. This was primarily the result of the continued and significant increase in the cost of interest-bearing liabilities, driven primarily by an increase in the cost of the Bank's wholesale funding sources, partially offset by an increase in the interest on reserve balances held at the Federal Reserve Bank of Boston and an increase in the yield on loans from the prior quarter. The increase in the yield on loans was driven by both new loan originations at higher rates and the repricing of existing adjustable rate loans.

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

The Bank recorded \$50,000 of net recoveries in 2022, as compared to \$1,000 of net charge-offs in 2021.

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

The efficiency ratio, as defined on page 5 below, increased to 24.81% in 2022, as compared to 21.31% in 2021. Operating expenses as a percentage of average assets fell to 0.70% in 2022, as compared to 0.74% in 2021. As the efficiency ratio can be significantly influenced by the level of net interest income, the Bank utilizes these paired figures together to assess its operational efficiency over time. During periods of significant net interest income volatility, the efficiency ratio in isolation may over or understate the underlying operational efficiency of the Bank. 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 and Chief Executive Officer Robert H. Gaughen Jr. stated, "Returns on equity and assets were modest in 2022 relative to our recent performance, reflecting the substantial pressure on the net interest margin as the Bank's balance sheet adjusted to significantly higher short-term interest rates and the Bank's equity investment holdings fell in value. The Bank has always maintained a relatively liability-sensitive balance sheet and consequently rapid increases in short-term interest rates have a much more significant impact on the Bank's funding costs than its asset yields.

The Bank's business model has been built over time to compound shareholder capital through all stages of the economic cycle, with the understanding that there may be periods where the Bank's short-term performance exceeds or falls short of its long-term performance. During all such periods - whether fair or foul weather - 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, 2022 with the Federal Deposit Insurance Corporation (FDIC) on or about March 8, 2023.

The Bank expects to hold its Annual Meeting of Shareholders in Hingham, MA on Thursday, April 27, 2023 in the afternoon. Additional information will follow in the Bank’s Proxy Statement later in the first quarter of 2023.

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,	
	2021	2022	2021	2022
<i>(Unaudited)</i>				
Key Performance Ratios				
Return on average assets (1)	2.05 %	1.18 %	2.25 %	0.98 %
Return on average equity (1)	19.14	12.40	20.62	10.01
Core return on average assets (1) (5)	1.85	0.96	1.89	1.43
Core return on average equity (1) (5)	17.26	10.07	17.29	14.56
Interest rate spread (1) (2)	3.39	1.67	3.40	2.60
Net interest margin (1) (3)	3.46	2.09	3.48	2.81
Operating expenses to average assets (1)	0.71	0.70	0.74	0.70
Efficiency ratio (4)	20.62	33.54	21.31	24.81
Average equity to average assets	10.73	9.50	10.93	9.81
Average interest-earning assets to average interest-bearing liabilities	127.01	123.20	127.22	124.30

	December 31,	December 31,
	2021	2022
<i>(Unaudited)</i>		
Asset Quality Ratios		
Allowance for loan losses/total loans	0.68 %	0.68 %
Allowance for loan losses/non-performing loans	4,784.78	2,139.39
Non-performing loans/total loans	0.01	0.03
Non-performing loans/total assets	0.01	0.03
Non-performing assets/total assets	0.01	0.03

Share Related		
Book value per share	\$ 165.52	\$ 179.74
Market value per share	\$ 419.88	\$ 275.96
Shares outstanding at end of period	2,142,400	2,147,400

(1) Annualized for the three months ended December 31, 2021 and 2022.

(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>	December 31, 2021	December 31, 2022
ASSETS		
Cash and due from banks	\$ 5,428	\$ 7,936
Federal Reserve and other short-term investments	265,733	354,097
Cash and cash equivalents	271,161	362,033
CRA investment	9,306	8,229
Other marketable equity securities	79,167	54,967
Securities, at fair value	88,473	63,196
Securities held to maturity, at amortized cost	3,500	3,500
Federal Home Loan Bank stock, at cost	29,908	52,606
Loans, net of allowance for loan losses of \$20,431 at December 31, 2021 and \$24,989 at December 31, 2022	2,999,096	3,657,782
Foreclosed assets	—	—
Bank-owned life insurance	12,980	13,312
Premises and equipment, net	15,825	17,859
Accrued interest receivable	5,467	7,122
Deferred income tax asset, net	—	4,061
Other assets	4,755	12,328
Total assets	\$ 3,431,165	\$ 4,193,799
LIABILITIES AND STOCKHOLDERS' EQUITY		
Interest-bearing deposits	\$ 2,003,717	\$ 2,118,045
Non-interest-bearing deposits	389,148	387,244
Total deposits	2,392,865	2,505,289
Federal Home Loan Bank advances	665,000	1,276,000
Mortgagors' escrow accounts	9,183	12,323
Accrued interest payable	198	4,527
Deferred income tax liability, net	536	—
Other liabilities	8,771	9,694
Total liabilities	3,076,553	3,807,833
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 December 31, 2021 and 2,147,400 shares issued and outstanding at December 31, 2022	2,142	2,147
Additional paid-in capital	12,728	13,061
Undivided profits	339,742	370,758
Total stockholders' equity	354,612	385,966
Total liabilities and stockholders' equity	\$ 3,431,165	\$ 4,193,799

HINGHAM INSTITUTION FOR SAVINGS
Consolidated Statements of Net Income

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2021	2022	2021	2022
<i>(In thousands, except per share amounts)</i>				
<i>(Unaudited)</i>				
Interest and dividend income:				
Loans	\$ 29,182	\$ 35,714	\$ 109,449	\$ 132,089
Debt securities	33	33	84	132
Equity securities	134	716	696	1,752
Federal Reserve and other short-term investments	78	2,766	262	5,055
Total interest and dividend income	<u>29,427</u>	<u>39,229</u>	<u>110,491</u>	<u>139,028</u>
Interest expense:				
Deposits	1,518	8,793	6,868	16,882
Federal Home Loan Bank and Federal Reserve Bank advances	300	9,481	1,158	16,012
Total interest expense	<u>1,818</u>	<u>18,274</u>	<u>8,026</u>	<u>32,894</u>
Net interest income	27,609	20,955	102,465	106,134
Provision for loan losses	1,200	600	3,028	4,508
Net interest income, after provision for loan losses	<u>26,409</u>	<u>20,355</u>	<u>99,437</u>	<u>101,626</u>
Other income (loss):				
Customer service fees on deposits	192	146	746	602
Increase in cash surrender value of bank-owned life insurance	79	80	323	332
Gain (loss) on equity securities, net	2,105	2,979	11,820	(21,777)
Gain on disposal of fixed assets	—	—	2,337	—
Miscellaneous	22	57	82	124
Total other income (loss)	<u>2,398</u>	<u>3,262</u>	<u>15,308</u>	<u>(20,719)</u>
Operating expenses:				
Salaries and employee benefits	3,566	4,153	13,988	15,831
Occupancy and equipment	368	350	1,450	1,378
Data processing	571	804	2,003	2,757
Deposit insurance	252	515	933	1,862
Foreclosure and related	2	19	(49)	24
Marketing	140	279	563	1,031
Other general and administrative	855	1,003	3,188	3,709
Total operating expenses	<u>5,754</u>	<u>7,123</u>	<u>22,076</u>	<u>26,592</u>
Income before income taxes	23,053	16,494	92,669	54,315
Income tax provision	6,379	4,529	25,211	16,796
Net income	<u>\$ 16,674</u>	<u>\$ 11,965</u>	<u>\$ 67,458</u>	<u>\$ 37,519</u>
Cash dividends declared per share	<u>\$ 1.30</u>	<u>\$ 1.26</u>	<u>\$ 2.83</u>	<u>\$ 3.03</u>
Weighted average shares outstanding:				
Basic	<u>2,142</u>	<u>2,146</u>	<u>2,141</u>	<u>2,145</u>
Diluted	<u>2,206</u>	<u>2,198</u>	<u>2,201</u>	<u>2,202</u>
Earnings per share:				
Basic	<u>\$ 7.78</u>	<u>\$ 5.58</u>	<u>\$ 31.50</u>	<u>\$ 17.49</u>
Diluted	<u>\$ 7.56</u>	<u>\$ 5.44</u>	<u>\$ 30.65</u>	<u>\$ 17.04</u>

HINGHAM INSTITUTION FOR SAVINGS
Net Interest Income Analysis

	Three Months Ended December 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)	\$ 2,908,433	\$ 29,182	4.01 %	\$ 3,624,745	\$ 35,714	3.94 %
Securities (3) (4)	82,113	167	0.81	103,033	749	2.91
Federal Reserve and other short-term investments	204,815	78	0.15	287,286	2,766	3.85
Total interest-earning assets	3,195,361	29,427	3.68	4,015,064	39,229	3.91
Other assets	52,128			47,959		
Total assets	\$ 3,247,489			\$ 4,063,023		
Interest-bearing deposits (5)	\$ 2,087,523	1,518	0.29	\$ 2,221,963	8,793	1.58
Borrowed funds	428,315	300	0.28	1,036,944	9,481	3.66
Total interest-bearing liabilities	2,515,838	1,818	0.29	3,258,907	18,274	2.24
Non-interest-bearing deposits	375,139			408,951		
Other liabilities	8,022			9,282		
Total liabilities	2,898,999			3,677,140		
Stockholders' equity	348,490			385,883		
Total liabilities and stockholders' equity	\$ 3,247,489			\$ 4,063,023		
Net interest income		\$ 27,609			\$ 20,955	
Weighted average spread			3.39 %			1.67 %
Net interest margin (6)			3.46 %			2.09 %
Average interest-earning assets to average interest-bearing liabilities (7)	127.01 %			123.20 %		

- (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,					
	2021			2022		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
<i>(Dollars in thousands)</i>						
<i>(Unaudited)</i>						
Loans (1) (2)	\$ 2,667,812	\$ 109,449	4.10 %	\$ 3,404,674	\$ 132,089	3.88 %
Securities (3) (4)	70,419	780	1.11	105,612	1,884	1.78
Federal Reserve and other short-term investments	204,500	262	0.13	263,606	5,055	1.92
Total interest-earning assets	2,942,731	110,491	3.75	3,773,892	139,028	3.68
Other assets	51,635			47,772		
Total assets	\$ 2,994,366			\$ 3,821,664		
Interest-bearing deposits (5)	\$ 1,993,863	6,868	0.34	\$ 2,118,798	16,882	0.80
Borrowed funds	319,193	1,158	0.36	917,252	16,012	1.75
Total interest-bearing liabilities	2,313,056	8,026	0.35	3,036,050	32,894	1.08
Non-interest-bearing deposits	346,992			402,890		
Other liabilities	7,147			7,857		
Total liabilities	2,667,195			3,446,797		
Stockholders' equity	327,171			374,867		
Total liabilities and stockholders' equity	\$ 2,994,366			\$ 3,821,664		
Net interest income		\$ 102,465			\$ 106,134	
Weighted average spread			3.40 %			2.60 %
Net interest margin (6)			3.48 %			2.81 %
Average interest-earning assets to average interest-bearing liabilities (7)	127.22 %			124.30 %		

- (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 (loss) 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,	
	2021	2022	2021	2022
Non-GAAP reconciliation:				
Net income	\$ 16,674	\$ 11,965	\$ 67,458	\$ 37,519
(Gain) loss on equity securities, net	(2,105)	(2,979)	(11,820)	21,777
Income tax expense (benefit) (1)	464	727	2,605	(4,727)
Gain on disposal of fixed assets	—	—	(2,337)	—
Income tax expense	—	—	657	—
Core net income	\$ 15,033	\$ 9,713	\$ 56,563	\$ 54,569

(1) The equity securities are mostly held in a tax-advantaged subsidiary corporation. The income tax effect of the gain on equity securities, net, was calculated using the applicable effective tax rates.