



## PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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### **HINGHAM REPORTS FIRST QUARTER 2023 RESULTS**

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced results for the quarter ended March 31, 2023.

#### **Earnings**

Net income for the quarter ended March 31, 2023 was \$8,510,000 or \$3.96 per share basic and \$3.87 per share diluted, as compared to \$11,864,000 or \$5.54 per share basic and \$5.38 per share diluted for the same period last year. The Bank's annualized return on average equity for the first quarter of 2023 was 8.67%, and the annualized return on average assets was 0.82%, as compared to 13.10% and 1.37% for the same period last year. Net income per share (diluted) for the first quarter of 2023 decreased by 28% compared to the same period in 2022.

Core net income for the quarter ended March 31, 2023, which represents net income excluding the after-tax gains and losses on equity securities, both realized and unrealized, was \$5,744,000 or \$2.67 per share basic and \$2.61 per share diluted, as compared to \$15,105,000 or \$7.05 per share basic and \$6.85 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first quarter of 2023 was 5.85% and the annualized core return on average assets was 0.56%, as compared to 16.68% and 1.74% for the same period last year. Core net income per share (diluted) for the first quarter of 2023 decreased by 62% over the same period in 2022.

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.

#### **Balance Sheet**

Total assets increased to \$4.206 billion at March 31, 2023, representing 1% annualized growth year-to-date and 15% growth from March 31, 2022.

Net loans increased to \$3.672 billion at March 31, 2023, representing 2% annualized growth year-to-date and 16% growth from March 31, 2022. Origination activity was concentrated in the Boston and Washington D.C. markets and remained focused on multifamily commercial real estate.

Retail and business deposits increased to \$1.988 billion at March 31, 2023, representing 20% annualized growth year-to-date and 11% growth from March 31, 2022. Non-interest-bearing deposits, included in retail and business deposits, decreased to \$375.9 million at March 31, 2023, representing a 12% annualized decline year-to-date and a 7% decline from March 31, 2022. The Bank worked to capitalize on the market disruption generated by the failure or instability of larger regional banks to develop new relationships with commercial, non-profit, and existing customers. These shifts reflect significant new commercial relationships, offset by the flow of funds into higher yielding interest-bearing accounts at the Bank. The stability of the Bank's balance sheet, as well as full and unlimited deposit insurance through the Bank's participation in the Massachusetts Depositors Insurance Fund, has historically been appealing to customers in times of uncertainty.

Wholesale deposits, which include brokered and listing service time deposits, decreased to \$531.9 million at March 31, 2023, representing a 53% annualized decline year-to-date and an 11% decline from March 31, 2022, as the Bank continued to manage its wholesale funding mix between wholesale time deposits and Federal Home Loan Bank advances in order mitigate the negative impact of increasing short term rates in the cost of funds.

Borrowings from the Federal Home Loan Bank totaled \$1.265 billion at March 31, 2023, a 1% decline from December 31, 2022, and a 46% increase from March 31, 2022. As of March 31, 2023, the Bank maintained an additional \$739.7 million in immediately available borrowing capacity at the Federal Home Loan Bank of Boston and the Federal Reserve Bank.

Book value per share was \$182.89 as of March 31, 2023, representing both a 7% annualized growth year-to-date and growth from March 31, 2022. In addition to the increase in book value per share, the Bank declared \$3.09 in dividends per share since March 31, 2022, including a special dividend of \$0.63 per share declared during the fourth quarter of 2022.

On March 29, 2023, the Bank declared a regular cash dividend of \$0.63 per share. This dividend will be paid on May 10, 2023 to stockholders of record as of May 1, 2023. This was the Bank's 117th consecutive quarterly dividend and the Bank has consistently increased regular quarterly cash dividends over the last twenty-eight years. The Bank has also declared special cash dividends in each of the last twenty-eight 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, 2023 decreased 184 basis points to 1.46%, as compared to 3.30% for the same period last year. 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 higher rates on the Bank's retail and commercial deposits. During this period, the increase in the cost of funds was partially offset by a higher yield on interest-earning assets, driven primarily by an increase in the interest on reserves held at the Federal Reserve Bank of Boston, a higher Federal Home Loan Bank of Boston

stock dividend and to a lesser extent, an increase in the yield on loans.

In a linked quarter comparison, the net interest margin for the quarter ended March 31, 2023 decreased 63 basis points to 1.46%, as compared to 2.09% in the quarter ended December 31, 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 strong in the first quarter. At March 31, 2023, non-performing assets totaled 0.01% of total assets, compared to 0.03% at December 31, 2022 and 0.00% at March 31, 2022. Non-performing loans as a percentage of the total loan portfolio totaled 0.01% at March 31, 2023, compared to 0.03% at December 31, 2022 and 0.00% at March 31, 2022. The Bank did not record any charge-offs in the first three months of 2023 or 2022.

The Bank did not own any foreclosed property at March 31, 2023, December 31, 2022 and March 31, 2022. In the first quarter of 2023, the Bank foreclosed on a small commercial property in Massachusetts and purchased the property at auction. The Bank subsequently sold the property within the quarter and recovered all principal, interest, and expenses. The Bank also recognized an additional \$85,000 gain on sale, reflected as a contra expense in foreclosure and related expense in the Consolidated Statement of Net Income.

The efficiency ratio, as defined on page 5 below, increased to 45.96% for the first quarter of 2023, as compared to 21.82% for the same period last year. Operating expenses as a percentage of average assets fell to 0.68% for the first quarter of 2023, as compared to 0.72% for the same period last year. 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.

Chairman Robert H. Gaughen Jr. stated, "Returns on equity and assets in the first quarter were significantly lower than our long-term performance, reflecting the challenge from the increase in short-term interest rates over the last twelve months. The Bank's business model has been built over time to compound shareholder capital through all stages of the economic cycle. During all 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.

During material yield curve inversions, it is important that we prioritize long-term investments, despite the temporary pressure on margins and lower net income. This means capitalizing on current market conditions to attract new deposit and loan customers, as well as talented staff that can help us continue to build our business well into the future."

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, 2023 with the Federal Deposit Insurance Corporation (FDIC) on or about May 5, 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.

### **Annual Meeting**

The Bank will hold its Annual Meeting of Stockholders (the "Meeting") at 2:00PM EST on Thursday, April 27, 2023 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.

### **Current Expected Credit Losses ("CECL")**

On January 1, 2023, the Bank adopted ASU 2016-13 - *Measurement of Credit Losses on Financial Instruments*, and recorded a one-time transition amount of \$545,000, net of taxes, as a decrease to retained earnings. This amount represents additional reserves for loans that existed upon adopting the new guidance. No reserves were recorded for unfunded commitments. The adoption of CECL did not have a material impact on the Bank's regulatory capital ratios.

**HINGHAM INSTITUTION FOR SAVINGS**  
**Selected Financial Ratios**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
<i>(Unaudited)</i>	<b>2022</b>	<b>2023</b>
<b>Key Performance Ratios</b>		
Return on average assets (1)	1.37%	<b>0.82 %</b>
Return on average equity (1)	13.10	<b>8.67</b>
Core return on average assets (1) (5)	1.74	<b>0.56</b>
Core return on average equity (1) (5)	16.68	<b>5.85</b>
Interest rate spread (1) (2)	3.24	<b>0.92</b>
Net interest margin (1) (3)	3.30	<b>1.46</b>
Operating expenses to average assets (1)	0.72	<b>0.68</b>
Efficiency ratio (4)	21.82	<b>45.96</b>
Average equity to average assets	10.45	<b>9.51</b>
Average interest-earning assets to average interest bearing liabilities	125.86	<b>121.68</b>

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
<i>(Unaudited)</i>	<b>2022</b>	<b>2022</b>	<b>2023</b>
<b>Asset Quality Ratios</b>			
Allowance for credit losses/total loans	0.68 %	0.68 %	<b>0.69 %</b>
Allowance for credit losses/non-performing loans	16,606.92	2,139.39	<b>5,169.01</b>
Non-performing loans/total loans	—	0.03	<b>0.01</b>
Non-performing loans/total assets	—	0.03	<b>0.01</b>
Non-performing assets/total assets	—	0.03	<b>0.01</b>
<b>Share Related</b>			
Book value per share	\$ 170.49	\$ 179.74	<b>\$ 182.89</b>
Market value per share	\$ 343.20	\$ 275.96	<b>\$ 233.44</b>
Shares outstanding at end of period	2,142,400	2,147,400	<b>2,147,400</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.

(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>2022</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2023</u>
<b>ASSETS</b>			
Cash and due from banks	\$ 5,371	\$ 7,936	\$ 5,727
Federal Reserve and other short-term investments	291,497	354,097	346,713
Cash and cash equivalents	296,868	362,033	352,440
CRA investment	8,874	8,229	8,361
Other marketable equity securities	83,190	54,967	59,115
Securities, at fair value	92,064	63,196	67,476
Securities held to maturity, at amortized cost	3,500	3,500	3,500
Federal Home Loan Bank stock, at cost	35,508	52,606	52,316
Loans, net of allowance for credit losses of \$21,589 at March 31, 2022, \$24,989 at December 31, 2022 and \$25,690 at March 31, 2023	3,176,975	3,657,782	3,672,258
Bank-owned life insurance	13,073	13,312	13,395
Premises and equipment, net	16,210	17,859	18,056
Accrued interest receivable	5,887	7,122	7,161
Deferred income tax asset, net	387	4,061	3,432
Other assets	6,394	12,328	15,901
Total assets	<u>\$ 3,646,866</u>	<u>\$ 4,193,799</u>	<u>\$ 4,205,935</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Interest-bearing deposits	\$ 1,990,848	\$ 2,118,045	\$ 2,144,387
Non-interest-bearing deposits	404,045	387,244	375,887
Total deposits	2,394,893	2,505,289	2,520,274
Federal Home Loan Bank advances	865,000	1,276,000	1,265,000
Mortgagors' escrow accounts	9,646	12,323	13,123
Accrued interest payable	298	4,527	5,713
Other liabilities	11,768	9,694	9,087
Total liabilities	3,281,605	3,807,833	3,813,197
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 March 31, 2022, 2,147,400 shares issued and outstanding at December 31, 2022 and March 31, 2023	2,142	2,147	2,147
Additional paid-in capital	12,735	13,061	13,068
Undivided profits	350,384	370,758	377,523
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	365,261	385,966	392,738
Total liabilities and stockholders' equity	<u>\$ 3,646,866</u>	<u>\$ 4,193,799</u>	<u>\$ 4,205,935</u>

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

	Three Months Ended March 31,	
	2022	2023
<i>(In thousands, except per share amounts)</i>		
<i>(Unaudited)</i>		
Interest and dividend income:		
Loans	\$ 29,760	\$ 36,416
Debt securities	33	33
Equity securities	258	903
Federal Reserve and other short-term investments	110	3,374
Total interest and dividend income	30,161	40,726
Interest expense:		
Deposits	1,504	13,800
Federal Home Loan Bank advances	492	12,015
Total interest expense	1,996	25,815
Net interest income	28,165	14,911
Provision for loan losses	1,158	156
Net interest income, after provision for loan losses	27,007	14,755
Other income (loss):		
Customer service fees on deposits	175	138
Increase in cash surrender value of bank-owned life insurance	93	83
Gain (loss) on equity securities, net	(4,157)	3,548
Miscellaneous	26	63
Total other income (loss)	(3,863)	3,832
Operating expenses:		
Salaries and employee benefits	3,644	4,306
Occupancy and equipment	374	391
Data processing	614	653
Deposit insurance	283	650
Foreclosure and related	(21)	(74)
Marketing	191	212
Other general and administrative	1,124	845
Total operating expenses	6,209	6,983
Income before income taxes	16,935	11,604
Income tax provision	5,071	3,094
Net income	\$ 11,864	\$ 8,510
Cash dividends declared per common share	\$ 0.57	\$ 0.63
Weighted average shares outstanding:		
Basic	2,142	2,147
Diluted	2,206	2,200
Earnings per share:		
Basic	\$ 5.54	\$ 3.96
Diluted	\$ 5.38	\$ 3.87

## HINGHAM INSTITUTION FOR SAVINGS

### Net Interest Income Analysis

	Three months ended								
	March 31, 2022			December 31, 2022			March 31, 2023		
	Average Balance (9)	Interest	Yield/ Rate (10)	Average Balance (9)	Interest	Yield/ Rate (10)	Average Balance (9)	Interest	Yield/ Rate (10)
<i>(Dollars in thousands)</i>									
<i>(Unaudited)</i>									
<b>Assets</b>									
Loans (1) (2)	\$ 3,077,644	\$ 29,760	3.87 %	\$ 3,624,745	\$ 35,714	3.94 %	\$ 3,682,517	\$ 36,416	3.96 %
Securities (3) (4)	94,899	291	1.23	103,033	749	2.91	99,693	936	3.76
Short-term investments (5)	240,755	110	0.18	287,286	2,766	3.85	294,513	3,374	4.58
Total interest-earning assets	<u>3,413,298</u>	<u>30,161</u>	<u>3.53</u>	<u>4,015,064</u>	<u>39,229</u>	<u>3.91</u>	<u>4,076,723</u>	<u>40,726</u>	<u>4.00</u>
Other assets	52,987			47,959			53,809		
Total assets	<u>\$ 3,466,285</u>			<u>\$ 4,063,023</u>			<u>\$ 4,130,532</u>		
<b>Liabilities and stockholders' equity:</b>									
Interest-bearing deposits (6)	\$ 2,028,082	1,504	0.30 %	\$ 2,221,963	8,793	1.58 %	\$ 2,250,188	13,800	2.45 %
Borrowed funds	683,920	492	0.29	1,036,944	9,481	3.66	1,100,156	12,015	4.37
Total interest-bearing liabilities	<u>2,712,002</u>	<u>1,996</u>	<u>0.29</u>	<u>3,258,907</u>	<u>18,274</u>	<u>2.24</u>	<u>3,350,344</u>	<u>25,815</u>	<u>3.08</u>
Non-interest-bearing deposits	383,816			408,951			378,089		
Other liabilities	8,267			9,282			9,452		
Total liabilities	<u>3,104,085</u>			<u>3,677,140</u>			<u>3,737,885</u>		
Stockholders' equity	362,200			385,883			392,647		
Total liabilities and stockholders' equity	<u>\$ 3,466,285</u>			<u>\$ 4,063,023</u>			<u>\$ 4,130,532</u>		
Net interest income		<u>\$ 28,165</u>			<u>\$ 20,955</u>			<u>\$ 14,911</u>	
Weighted average interest rate spread			<u>3.24 %</u>			<u>1.67 %</u>			<u>0.92 %</u>
Net interest margin (7)			<u>3.30 %</u>			<u>2.09 %</u>			<u>1.46 %</u>
Average interest-earning assets to average interest-bearing liabilities (8)	<u>125.86 %</u>			<u>123.20 %</u>			<u>121.68 %</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 cash held at the Federal Reserve Bank.
- (6) Includes mortgagors' escrow accounts.
- (7) Net interest income divided by average total interest-earning assets.
- (8) Total interest-earning assets divided by total interest-bearing liabilities.
- (9) Average balances are calculated on a daily basis.
- (10) 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>	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2023</b>
Non-GAAP reconciliation:		
Net Income	\$ 11,864	\$ 8,510
(Gain) loss on equity securities, net	4,157	(3,548)
Income tax expense (benefit) (1)	(916)	782
Core Net Income	\$ 15,105	\$ 5,744

(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.