



## PRESS RELEASE

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Hingham, MA (NASDAQ: HIFS)

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### **HINGHAM REPORTS FIRST QUARTER 2024 RESULTS**

HINGHAM INSTITUTION FOR SAVINGS (NASDAQ: HIFS), Hingham, Massachusetts announced results for the quarter ended March 31, 2024.

#### **Earnings**

Net income for the quarter ended March 31, 2024 was \$6,868,000 or \$3.17 per share basic and \$3.13 per share diluted, as compared to \$8,510,000 or \$3.96 per share basic and \$3.87 per share diluted for the same period last year. The Bank's annualized return on average equity for the first quarter of 2024 was 6.63%, and the annualized return on average assets was 0.63%, as compared to 8.67% and 0.82% for the same period last year. Net income per share (diluted) for the first quarter of 2024 decreased by 19% compared to the same period in 2023.

Core net income for the quarter ended March 31, 2024, which represents net income excluding the after-tax gains on equity securities, both realized and unrealized, was \$2,213,000 or \$1.02 per share basic and \$1.01 per share diluted, as compared to \$5,744,000 or \$2.67 per share basic and \$2.61 per share diluted for the same period last year. The Bank's annualized core return on average equity for the first quarter of 2024 was 2.14% and the annualized core return on average assets was 0.20%, as compared to 5.85% and 0.56% for the same period last year. Core net income per share (diluted) for the first quarter of 2024 decreased by 61% over the same period in 2023.

See Page 9 for a Non-GAAP reconciliation between Generally Accepted Accounting Principles ("GAAP") 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 on equity securities, realized and unrealized. In the first quarter of 2024, both net income and core net income were positively impacted by lower income tax expense driven by excess tax benefit associated with the exercise of stock options and the revision of income tax estimates.

## Balance Sheet

Total assets increased to \$4.529 billion at March 31, 2024, representing 4% annualized growth year-to-date and 8% growth from March 31, 2023.

Net loans increased to \$3.938 billion at March 31, 2024, representing 2% annualized growth year-to-date and 7% growth from March 31, 2023. Origination activity was concentrated in the Boston and Washington D.C. markets and remained focused on stabilized multifamily commercial real estate and multifamily construction. The Bank continues to evaluate new opportunities in the San Francisco market, where interest in acquisitions and refinancing activity from the Bank's customers began to pick up in early 2024. As noted below, asset quality remained strong.

Retail and business deposits were \$1.893 billion at March 31, 2024, representing 7% annualized growth year-to-date and a 5% decline from March 31, 2023. Non-interest-bearing deposits, included in retail and business deposits, were \$347.4 million at March 31, 2024, representing 10% annualized growth year-to-date and an 8% decline from March 31, 2023.

Growth in non-interest bearing and money market balances reflected the Bank's focus on developing and deepening deposit relationships with new and existing commercial and non-profit customers. Investments in new relationship managers in late 2023, combined with changes to our marketing approach, began to show some initial results. The Bank also added a new relationship manager in its Specialized Deposit Group in San Francisco during the quarter, as well as a specialist that supports the delivery of cash management services to our commercial customers. The Bank continues to recruit actively for talented retail and commercial bankers in Boston, Washington, and San Francisco, particularly as respected competitors have exited these markets or merged with larger regional banks.

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, continues to be appealing to customers in times of uncertainty.

Wholesale funds, which includes Federal Home Loan Bank borrowings, brokered deposits, and listing service deposits were \$2.185 billion at March 31, 2024, representing 1% annualized growth year-to-date and 22% growth from March 31, 2023, as the Bank continued to manage its wholesale funding mix to optimize the cost of funds while adding duration where appropriate. Wholesale deposits, which include brokered and listing service time deposits, were \$500.4 million at March 31, 2024, representing 10% annualized growth year-to-date and a 6% decline from March 31, 2023. Borrowings from the Federal Home Loan Bank totaled \$1.685 billion at March 31, 2024, representing a 2% annualized decline from December 31, 2023, and 33% growth from March 31, 2023. As of March 31, 2024, the Bank maintained an additional \$677.8 million in immediately available borrowing capacity at the Federal Home Loan Bank of Boston and the Federal Reserve Bank, in addition to \$373.2 million in cash and cash equivalents.

Book value per share was \$190.07 as of March 31, 2024, representing a 3% annualized growth year-to-date and 4% growth from March 31, 2023. In addition to the increase in book value per share, the Bank declared \$2.52 in dividends per share since March 31, 2023.

On March 27, 2024, the Bank declared a regular cash dividend of \$0.63 per share. This dividend will be paid on May 15, 2024 to stockholders of record as of May 6, 2024. This was the Bank's 121st consecutive quarterly dividend.

The Bank has also generally declared special cash dividends in each of the last twenty-nine years,

typically in the fourth quarter, but did not declare a special dividend in 2023. 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, particularly the incremental return on capital from new loan originations. 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, 2024 decreased 4 basis points to 0.85%, as compared to 0.89% in the quarter ended December 31, 2023. It was stable on a monthly basis throughout the quarter. This was primarily the result of an increase in the cost of interest-bearing liabilities, driven primarily by an increase in the cost of the Bank's wholesale funding sources and higher rates on the Bank's retail and commercial deposits, partially offset by 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. The pace of net interest margin compression slowed substantially as compared to prior quarters. The net interest margin appears to be stabilizing at this point, as short-term market rates have remained stable, the pace of increase in the Bank's deposit costs has slowed or reversed in some products, and asset yields continue to climb slowly and sustainably.

The net interest margin for the quarter ended March 31, 2024 decreased 61 basis points to 0.85%, as compared to 1.46% 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 funding sources. 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 an increase in the yield on loans.

Key credit and operational metrics remained strong in the first quarter. At March 31, 2024, non-performing assets totaled 0.04% of total assets, compared to 0.03% at December 31, 2023 and 0.01% at March 31, 2023. Non-performing loans as a percentage of the total loan portfolio totaled 0.04% at March 31, 2024, compared to 0.04% at December 31, 2023 and 0.01% at March 31, 2023. The Bank did not record any charge-offs in the first three months of 2024 or 2023. All non-performing assets and loans cited above were and are residential, owner-occupant loans.

The Bank did not have any delinquent or non-performing commercial real estate loans as of March 31, 2024, December 31, 2023, or March 31, 2023. The Bank did not own any foreclosed property at March 31, 2024, December 31, 2023 or March 31, 2023.

The efficiency ratio, as defined on page 5 below, increased to 77.24% for the first quarter of 2024, as compared to 45.96% for the same period last year. Operating expenses as a percentage of average assets fell to 0.67% for the first quarter of 2024, as compared to 0.68% 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 of 2024

were significantly lower than our long-term performance, reflecting the challenge from the increase in short-term interest rates over the last twenty-four months and a historically long and deep inversion of the yield curve. These conditions have posed a significant - albeit temporary - challenge to our business model. Our core business has been particularly challenged during this period and our investment operations have been critical to sustaining growth in book value per share in this environment.

We are cautiously optimistic that this challenge will fade over this year. To the extent we can capitalize on the inverted yield curve and reduce liability sensitivity slightly via our wholesale funding activities, we will do so. This normalization of the yield curve will eventually allow us to achieve more satisfactory returns as we obtain higher rates on new and adjusting loans and incremental funding pressure abates.

While the current market environment has been extraordinarily challenging, the Bank's business model has been built over time to compound shareholder capital over an 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. I believe that over the past twenty-four months we have retained this focus."

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, 2024 with the Federal Deposit Insurance Corporation (FDIC) on or about May 8, 2024.

Incorporated in 1834, Hingham Institution for Savings is one of America's oldest banks. The Bank maintains offices in Boston, Nantucket, Washington, D.C., and San Francisco.

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 25, 2024 at the Old Derby Academy, located at 34 Main Street, Hingham, Massachusetts. Stockholders may also observe the Meeting by streaming video. 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.

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

<i>(Unaudited)</i>	Three Months Ended	
	March 31,	
	2023	2024
<b>Key Performance Ratios</b>		
Return on average assets (1)	0.82 %	<b>0.63 %</b>
Return on average equity (1)	8.67	<b>6.63</b>
Core return on average assets (1) (5)	0.56	<b>0.20</b>
Core return on average equity (1) (5)	5.85	<b>2.14</b>
Interest rate spread (1) (2)	0.92	<b>0.13</b>
Net interest margin (1) (3)	1.46	<b>0.85</b>
Operating expenses to average assets (1)	0.68	<b>0.67</b>
Efficiency ratio (4)	45.96	<b>77.24</b>
Average equity to average assets	9.51	<b>9.54</b>
Average interest-earning assets to average interest bearing liabilities	121.68	<b>119.91</b>

<i>(Unaudited)</i>	March 31, 2023	December 31, 2023	March 31, 2024	
	<b>Asset Quality Ratios</b>			
	Allowance for credit losses/total loans	0.69 %	0.68 %	<b>0.67 %</b>
Allowance for credit losses/non-performing loans	5,169.01	1,804.47	<b>1,530.95</b>	
Non-performing loans/total loans	0.01	0.04	<b>0.04</b>	
Non-performing loans/total assets	0.01	0.03	<b>0.04</b>	
Non-performing assets/total assets	0.01	0.03	<b>0.04</b>	
<b>Share Related</b>				
Book value per share	\$ 182.89	\$ 188.50	<b>\$ 190.07</b>	
Market value per share	\$ 233.44	\$ 194.40	<b>\$ 174.46</b>	
Shares outstanding at end of period	2,147,400	2,162,400	<b>2,180,250</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 is a non-GAAP measure that represents total operating expenses, divided by the sum of net interest income and total other income, excluding gain on equity securities, net.

(5) Non-GAAP measurements that represent return on average assets and return on average equity, excluding the after-tax gain on equity securities, net.

# HINGHAM INSTITUTION FOR SAVINGS

## Consolidated Balance Sheets

<i>(In thousands, except share amounts)</i> <i>(Unaudited)</i>	<b>March 31, 2023</b>	<b>December 31, 2023</b>	<b>March 31, 2024</b>
<b>ASSETS</b>			
Cash and due from banks	\$ 5,727	\$ 5,654	\$ 6,200
Federal Reserve and other short-term investments	346,713	356,823	367,046
Cash and cash equivalents	352,440	362,477	373,246
CRA investment	8,361	8,853	8,759
Other marketable equity securities	59,115	70,949	78,497
Securities, at fair value	67,476	79,802	87,256
Securities held to maturity, at amortized cost	3,500	3,500	5,500
Federal Home Loan Bank stock, at cost	52,316	69,574	69,484
Loans, net of allowance for credit losses of \$25,690 at March 31, 2023, \$26,652 at December 31, 2023 and \$26,760 at March 31, 2024	3,672,258	3,914,244	3,938,252
Bank-owned life insurance	13,395	13,642	13,723
Premises and equipment, net	18,056	17,008	16,844
Accrued interest receivable	7,161	8,554	8,783
Deferred income tax asset, net	3,432	974	—
Other assets	15,901	14,172	16,263
Total assets	\$ 4,205,935	\$ 4,483,947	\$ 4,529,351
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Interest-bearing deposits	\$ 2,144,387	\$ 2,010,918	\$ 2,045,524
Non-interest-bearing deposits	375,887	339,059	347,397
Total deposits	2,520,274	2,349,977	2,392,921
Federal Home Loan Bank advances	1,265,000	1,692,675	1,684,675
Mortgagors' escrow accounts	13,123	13,942	13,570
Accrued interest payable	5,713	12,261	14,040
Deferred income tax liability, net	—	—	1,765
Other liabilities	9,087	7,472	7,982
Total liabilities	3,813,197	4,076,327	4,114,953
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; 2,147,400 shares issued and outstanding at March 31, 2023, 2,162,400 shares issued and outstanding at December 31, 2023 and 2,180,250 shares issued and outstanding at March 31, 2024	2,147	2,162	2,180
Additional paid-in capital	13,068	14,150	15,416
Undivided profits	377,523	391,308	396,802
Accumulated other comprehensive income	—	—	—
Total stockholders' equity	392,738	407,620	414,398
Total liabilities and stockholders' equity	\$ 4,205,935	\$ 4,483,947	\$ 4,529,351

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

<i>(In thousands, except per share amounts)</i> <i>(Unaudited)</i>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2023</b>	<b>2024</b>
Interest and dividend income:		
Loans	\$ 36,416	\$ 43,120
Debt securities	33	45
Equity securities	903	1,450
Federal Reserve and other short-term investments	3,374	2,827
Total interest and dividend income	40,726	47,442
Interest expense:		
Deposits	13,800	21,146
Federal Home Loan Bank advances	12,015	17,212
Total interest expense	25,815	38,358
Net interest income	14,911	9,084
Provision for credit losses	156	108
Net interest income, after provision for credit losses	14,755	8,976
Other income:		
Customer service fees on deposits	138	137
Increase in cash surrender value of bank-owned life insurance	83	81
Gain on equity securities, net	3,548	5,971
Miscellaneous	63	55
Total other income	3,832	6,244
Operating expenses:		
Salaries and employee benefits	4,306	4,297
Occupancy and equipment	391	431
Data processing	653	755
Deposit insurance	650	810
Foreclosure and related	(74)	32
Marketing	212	89
Other general and administrative	845	813
Total operating expenses	6,983	7,227
Income before income taxes	11,604	7,993
Income tax provision	3,094	1,125
Net income	\$ 8,510	\$ 6,868
Cash dividends declared per common share	\$ 0.63	\$ 0.63
Weighted average shares outstanding:		
Basic	2,147	2,169
Diluted	2,200	2,192
Earnings per share:		
Basic	\$ 3.96	\$ 3.17
Diluted	\$ 3.87	\$ 3.13

## HINGHAM INSTITUTION FOR SAVINGS

### Net Interest Income Analysis

	Three Months Ended								
	March 31, 2023			December 31, 2023			March 31, 2024		
	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)	\$ 3,682,517	\$ 36,416	3.96 %	\$ 3,896,425	\$ 42,214	4.33 %	\$ 3,956,135	\$ 43,120	4.36 %
Securities (3) (4)	99,693	936	3.76	111,913	1,335	4.77	116,203	1,495	5.15
Short-term investments (5)	294,513	3,374	4.58	215,323	2,960	5.50	208,245	2,827	5.43
Total interest-earning assets	<u>4,076,723</u>	<u>40,726</u>	<u>4.00</u>	<u>4,223,661</u>	<u>46,509</u>	<u>4.40</u>	<u>4,280,583</u>	<u>47,442</u>	<u>4.43</u>
Other assets	53,809			58,768			64,034		
Total assets	<u>\$ 4,130,532</u>			<u>\$ 4,282,429</u>			<u>\$ 4,344,617</u>		
<b>Liabilities and stockholders' equity:</b>									
Interest-bearing deposits (6)	\$ 2,250,188	13,800	2.45 %	\$ 2,119,506	20,811	3.93 %	\$ 2,098,851	21,146	4.03 %
Borrowed funds	1,100,156	12,015	4.37	1,395,744	16,323	4.68	1,471,027	17,212	4.68
Total interest-bearing liabilities	<u>3,350,344</u>	<u>25,815</u>	<u>3.08</u>	<u>3,515,250</u>	<u>37,134</u>	<u>4.23</u>	<u>3,569,878</u>	<u>38,358</u>	<u>4.30</u>
Non-interest-bearing deposits	378,089			345,743			346,136		
Other liabilities	9,452			14,843			14,261		
Total liabilities	<u>3,737,885</u>			<u>3,875,836</u>			<u>3,930,275</u>		
Stockholders' equity	<u>392,647</u>			<u>406,593</u>			<u>414,342</u>		
Total liabilities and stockholders' equity	<u>\$ 4,130,532</u>			<u>\$ 4,282,429</u>			<u>\$ 4,344,617</u>		
Net interest income		<u>\$ 14,911</u>			<u>\$ 9,375</u>			<u>\$ 9,084</u>	
Weighted average interest rate spread			<u>0.92 %</u>			<u>0.17 %</u>			<u>0.13 %</u>
Net interest margin (7)			<u>1.46 %</u>			<u>0.89 %</u>			<u>0.85 %</u>
Average interest-earning assets to average interest-bearing liabilities (8)	<u>121.68 %</u>			<u>120.15 %</u>			<u>119.91 %</u>		

- (1) Before allowance for credit 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>2023</b>	<b>2024</b>
Non-GAAP reconciliation:		
Net Income	\$ 8,510	\$ 6,868
Gain on equity securities, net	(3,548)	(5,971)
Income tax expense (1)	782	1,316
Core Net Income	\$ 5,744	\$ 2,213

(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.

The table below presents the calculation of the efficiency ratio, a non-U.S. GAAP performance measure that management uses to assess operational efficiency which represents total operating expenses, divided by the sum of net interest income and total other income, excluding gain on equity securities, net.

<i>(In thousands, unaudited)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2024</b>
Non-U.S. GAAP efficiency ratio calculation:		
Operating expenses	\$ 6,983	\$ 7,227
Net interest income	\$ 14,911	\$ 9,084
Other income	3,832	6,244
Gain on equity securities, net	(3,548)	(5,971)
Total revenue	\$ 15,195	\$ 9,357
Efficiency ratio	45.96 %	77.24 %