FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C., 20429
FORM 10-Q

(Mark one)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2024

OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period ________ to ________.

Commission File Number: FDIC Certificate No. 90211

HINGHAM INSTITUTION FOR SAVINGS

(Exact name of registrant as specified in its charter)

Massachusetts	**04-1442480**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
55 Main Street, Hingham, Massachusetts	**02043**
(Address of principal offices)	**(Zip Code)**

(781) 749-2200
(Registrant's telephone number, including area code)
Securities Registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 par value per share	HIFS	NASDAQ Stock Market, LLC

Securities registered under Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The number of shares outstanding of each of the registrant's common stock, $1.00 par value per share, outstanding as of May 8, 2024 was 2,180,250.

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES
Consolidated Balance Sheets

(Unaudited)	December 31, 2023	March 31, 2024
	(In Thousands, Except Share Amounts)	
ASSETS		
Cash and due from banks	$ 5,654	$ **6,200**
Federal Reserve and other short-term investments	356,823	**367,046**
Cash and cash equivalents	362,477	**373,246**
Equity securities, at fair value	79,802	**87,256**
Securities held to maturity, at amortized cost	3,500	**5,500**
Federal Home Loan Bank stock, at cost	69,574	**69,484**
Loans, net of allowance for credit losses of $26,652 at December 31, 2023 and $26,760 at March 31, 2024	3,914,244	**3,938,252**
Bank-owned life insurance	13,642	**13,723**
Premises and equipment, net	17,008	**16,844**
Accrued interest receivable	8,554	**8,783**
Deferred income tax asset, net	974	**—**
Other assets	14,172	**16,263**
Total assets	$ 4,483,947	$ **4,529,351**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing	$ 2,010,918	$ **2,045,524**
Non-interest-bearing	339,059	**347,397**
Total deposits	2,349,977	**2,392,921**
Federal Home Loan Bank advances	1,692,675	**1,684,675**
Mortgagors' escrow accounts	13,942	**13,570**
Accrued interest payable	12,261	**14,040**
Deferred income tax liability, net	—	**1,765**
Other liabilities	7,472	**7,982**
Total liabilities	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; 2,162,400 shares issued and outstanding at December 31, 2023 and 2,180,250 shares issued and outstanding at March 31, 2024	2,162	**2,180**
Additional paid-in capital	14,150	**15,416**
Undivided profits	391,308	**396,802**
Total stockholders' equity	407,620	**414,398**
Total liabilities and stockholders' equity	$ 4,483,947	$ **4,529,351**

The accompanying notes are an integral part of these unaudited consolidated financial statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Net Income and Comprehensive Income

	Three Months Ended March 31,	
	2023	2024
(Unaudited)	(In Thousands, Except Per Share Amounts)	
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**
Marketing	212	**89**
Foreclosure and related	(74)	**32**
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 and comprehensive income	$ 8,510	$ **6,868**
Weighted average common 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**

The accompanying notes are an integral part of these unaudited consolidated financial statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the Three Months Ended
March 31, 2023 and 2024

(Unaudited)	Common Stock	Additional Paid-In Capital	Undivided Profits	Total Stockholders' Equity
		(In Thousands)		
Balance at December 31, 2022	$ 2,147	$ 13,061	$ 370,758	$ 385,966
Comprehensive income	—	—	8,510	8,510
Cumulative effect of accounting changes (Note 1)	—	—	(392)	(392)
Share-based compensation expense	—	7	—	7
Cash dividends declared – common ($0.63 per share)	—	—	(1,353)	(1,353)
Balance at March 31, 2023	$ 2,147	$ 13,068	$ 377,523	$ 392,738
Balance at December 31, 2023	**$ 2,162**	**$ 14,150**	**$ 391,308**	**$ 407,620**
Comprehensive income	**—**	**—**	**6,868**	**6,868**
Share-based compensation expense	**—**	**18**	**—**	**18**
Stock options exercised	**18**	**1,248**	**—**	**1,266**
Cash dividends declared – common ($0.63 per share)	**—**	**—**	**(1,374)**	**(1,374)**
Balance at March 31, 2024	**$ 2,180**	**$ 15,416**	**$ 396,802**	**$ 414,398**

The accompanying notes are an integral part of these unaudited consolidated financial statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES
Consolidated Statements of Cash Flows

(Unaudited)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2024
	(In Thousands)	
Cash flows from operating activities:		
Net income	$ 8,510	**$ 6,868**
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	156	**108**
Amortization of deferred loan origination costs, net	73	**(80)**
Share-based compensation expense	7	**18**
Deferred income tax benefit	782	**2,739**
Depreciation and amortization of premises and equipment	150	**191**
Increase in cash surrender value of bank-owned life insurance	(83)	**(81)**
Gain on equity securities, net	(3,548)	**(5,971)**
Gain on sale of foreclosed assets	(85)	**—**
Changes in operating assets and liabilities:		
Accrued interest receivable and other assets	(3,612)	**(2,320)**
Accrued interest payable and other liabilities	1,977	**2,277**
Net cash provided by operating activities	4,327	**3,749**
Cash flows from investing activities:		
Activity in equity securities:		
Purchases	(732)	**(1,483)**
Activity in held to maturity securities:		
Purchases	—	**(2,000)**
Purchase of Federal Home Loan Bank stock	(15,232)	**(16,900)**
Proceeds from redemption of Federal Home Loan Bank stock	15,522	**16,990**
Loans originated, net of payments received	(15,540)	**(24,036)**
Additions to premises and equipment	(347)	**(27)**
Proceeds from sale of foreclosed assets	375	**—**
Net cash used in investing activities	(15,954)	**(27,456)**

(continued)

The accompanying notes are an integral part of these unaudited consolidated financial statements.

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES
Consolidated Statements of Cash Flows (concluded)

	Three Months Ended March 31,	
	2023	2024
(Unaudited)	(In Thousands)	
Cash flows from financing activities:		
Increase in deposits	14,985	**42,944**
Increase (decrease) in mortgagors' escrow accounts	800	**(372)**
Cash dividends paid on common stock	(2,751)	**(1,362)**
Proceeds from stock options exercised	—	**1,266**
Net change in Federal Home Loan Bank advances with maturities of three months or less	(446,000)	**(8,000)**
Proceeds from Federal Home Loan Bank advances with maturities of more than three months	470,000	**—**
Repayment of Federal Home Loan Bank advances with maturities of more than three months	(35,000)	**—**
Net cash provided by financing activities	2,034	**34,476**
Net change in cash and cash equivalents	(9,593)	**10,769**
Cash and cash equivalents at beginning of period	362,033	**362,477**
Cash and cash equivalents at end of period	$ 352,440	$ **373,246**
Supplementary information:		
Interest paid on deposit accounts	$ 13,197	$ **20,043**
Interest paid on Federal Home Loan Bank advances and mortgage payable	11,432	**16,536**
Income taxes paid	1,505	**808**
Non-cash activities:		
Real estate acquired through foreclosure	$ 290	$ **—**

The accompanying notes are an integral part of these unaudited consolidated financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated interim financial statements of Hingham Institution for Savings (the “Bank”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial statements and with the instructions to Securities and Exchange Commission Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Financial information as of March 31, 2024, and for the three months ended March 31, 2023 and 2024, is unaudited and, in the opinion of management, reflects all adjustments necessary for a fair presentation of such information. Such adjustments were of a normal recurring nature. Interim results are not necessarily indicative of results to be expected for the entire year. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Bank for the year ended December 31, 2023 filed on Form 10-K.

Effective January 1, 2023, the Bank adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-13 *“Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*” (“ASC 326”) This new guidance, also referred to as the current expected credit loss (“CECL”) method, replaced the incurred loss method that was utilized in estimating the Bank’s allowance for loan losses (“ALL”) as of December 31, 2022. Under CECL, the Bank is required to estimate credit losses expected to occur over the life of the financial instrument and to recognize those estimated losses at the time of loan origination.

The Bank adopted ASU 2016-13 using the modified retrospective method; therefore, results for reporting periods beginning on or after January 1, 2023 are presented in accordance with this new guidance while prior period results are reported in accordance with the previously applicable U.S. GAAP. The Bank adopted ASU 2016-13 on January 1, 2023 and recorded a $545,000 increase in the Bank’s ALL for outstanding loans and no change in the reserve for losses on unfunded loan commitments, resulting in a total increase in the Bank’s allowance for credit losses (“ACL”) of $545,000. The transition adjustment, net of related tax effects, was recorded as a cumulative effect from the change in accounting principle and reduced the Bank’s retained earnings by $392,000.

The following table shows the impact of adopting ASU 2016-13.

	January 1, 2023		
	As Reported Under ASU 2016-13	**Pre-adoption of ASU 2016-13**	**Impact of Adoption**
		(In Thousands)	
Allowance for credit losses	$ 25,534	$ 24,989	$ 545
Reserve for losses on unfunded loan commitments	—	—	—
Deferred tax asset	4,061	3,908	153
Retained earnings	370,366	370,758	(392)

The amounts presented for the ALL in the table above reflect changes associated to the Bank’s loan portfolio as of adoption date. The Bank also held $3.5 million in held-to-maturity debt securities as of the adoption date which, based upon management’s evaluation, did not require an ACL. The Bank did not hold any securities available-for-sale as of the adoption date.

Management also evaluated the Bank’s unfunded commitments, which at the adoption date, included primarily construction loans and commercial real estate lines of credit, and determined, based upon an evaluation of probability of funding and risk of loss, that the required reserve was not material.

Earnings per common share

Basic earnings per share represent income available to common stockholders divided by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflect additional shares that would have been outstanding if dilutive potential shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential shares that may be issued by the Bank relate solely to outstanding stock options and are determined using the treasury stock method. The amount of excess tax benefit that would be credited to additional paid-in capital assuming exercise of the options is not considered in the proceeds when applying the treasury stock method.

Earnings per common share have been computed based on the following:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2024
	(In Thousands)	
Average number of shares outstanding used to calculate basic earnings per share	2,147	**2,169**
Effect of dilutive options	53	**23**
Average number of shares outstanding used to calculate diluted earnings per share	2,200	**2,192**

There were 1,000 antidilutive options for the quarter ended March 31, 2023, as compared to 16,000 antidilutive options for the quarter ended March 31, 2024.

Fair value hierarchy

The Bank groups its assets measured at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value, as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets. Level 1 assets generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2 – Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include those whose value is determined using unobservable inputs to pricing models, discounted cash flow methodologies, or similar techniques, as well as assets for which the determination of fair value requires significant management judgment or estimation.

Loans

The Bank's loan portfolio includes residential real estate, commercial real estate, construction, home equity, commercial and consumer segments. A substantial portion of the loan portfolio is secured by real estate in the eastern Massachusetts area. The Bank also lends to commercial real estate borrowers in the greater Washington, D.C. metropolitan area ("WMA") and in the San Francisco Bay Area ("SFBA"). The ability of the Bank's debtors to honor their contracts is dependent upon real estate, construction, and general economic conditions in these markets.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at the amount of their outstanding principal, including deferred loan origination fees and costs, reduced by unearned discounts, and the ACL. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

Accrued interest is presented separately in the Consolidated Balance Sheets. The accrual of interest on mortgage and commercial loans is discontinued at the time a loan is 90 days past due (the loan is in default) unless the credit is well-secured and in the process of collection. Personal loans are typically charged off no later than becoming 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for credit losses

The Bank's ACL is established through a provision for credit losses charged against income. All, or portions of, loans deemed to be uncollectible are charged against the ACL when the Bank believes that collectability of all, or some portion of, outstanding principal is unlikely. Subsequent recoveries, if any, of loans previously charged off are credited to the ACL when collected.

Losses on loan receivables are estimated and recognized upon origination of the loan, based on expected credit losses for the life of the loan balance as of the period end date. The ACL is evaluated quarterly by management and is maintained at a level the Bank believes will be adequate to absorb expected credit losses in future periods associated with its loan portfolio and unfunded loan commitments as of the period end date. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The Bank's CECL methodology consists of quantitative and qualitative components, as described below. This methodology applies to the Bank's real estate loan portfolio, which at March 31, 2024, comprised virtually 100% of the Bank's loan portfolio. Consumer and commercial loans that are not secured by real estate are evaluated qualitatively.

For the quantitative component, the Bank uses an undiscounted cash flow probability-of-default ("PD") / loss-given-default ("LGD") method, forecasted based on statistically derived economic variable loss drivers and using a single forward-looking macroeconomic forecast (national unemployment rate). Given the minimal level of loan losses experienced by the Bank over recent decades, the Bank uses statistical data derived from a large group of community banks' loss experience ("Index"), which incorporates a combination of recessionary and non-recessionary performance periods for which data is available. This process includes estimates which involve projecting loan prepayments, PD and LGD throughout the life of the loan. The PD component is driven by the Call Report code and risk rating of the loan (Pass, Watch, Special Mention or Substandard), while the LGD component is driven by the Call Report code. The reasonable and supportable forecast period is determined based upon the reasonableness and level of national unemployment rate forecast estimates. For periods beyond a reasonable and supportable forecast time frame, the Bank reverts to historical information over a period for which comparable data is available. In determining the ACL, the Bank utilizes a reasonable and supportable forecast period which, as of March 31, 2024, was two years followed by a one year mean reversion period. These assumptions are reviewed periodically to determine whether they remain appropriate.

For the qualitative component, management performs an assessment beyond model estimates, and applies qualitative adjustments as deemed necessary. The qualitative components of the ACL consider (i) the Bank's idiosyncratic lending program attributes to which management ascribe the Bank's lower historical losses versus the Index and the industry during periods of stress, such as sponsor/borrower quality, collateral valuation approach and loan-to-value, loan structure (contractual provisions, recourse to borrower) and collection process, among others; (ii) the uncertainty of forward-looking scenarios; (iii) certain portfolio characteristics, such as portfolio growth, concentrations of credit and delinquencies; (iv) national and local economic and industry conditions which may affect borrowers' ability to pay and/or real estate values and (v) model limitations; among others.

The Bank segments its loan receivable population into homogeneous pools of loans which share similar risk characteristics. When a loan no longer meets the criteria of its initial pooling as a result of credit deterioration or other changes, the Bank may evaluate the credit for estimated losses on an individual basis. For loans with real estate collateral, when management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. While an individual assessment and related ACL may be calculated for non-performing loans, no portion of the Bank's ACL is restricted to any individual loan or group of loans, and the entire ACL is available to absorb losses from any and all loans, including unfunded loan commitments.

Residential real estate – The Bank generally does not originate loans with a loan-to-value ratio greater than 80% (without private mortgage insurance). All loans in this segment are collateralized by residential real estate that is owner-occupied at the time of origination and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment. The Bank only originates these loans in Massachusetts and in the WMA.

Commercial real estate – Loans in this segment are primarily secured by income-producing properties throughout Massachusetts, the WMA and the SFBA. Underwriting and portfolio management policies are the same across all markets. Loan amounts do not exceed 75% of the appraised value of the collateral. The underlying cash flows generated by the properties could be adversely impacted by a downturn in the economy leading to increased vacancy rates which, in turn, would have an effect on the credit quality in this segment. Management obtains rent rolls annually and regularly monitors the cash flows of these loans.

Construction – Loans in this segment include both owner-occupied and speculative real estate development loans for which payment is derived from sale of the property. Credit risk could be affected by cost overruns, time to sell at an adequate price, the overall health of the economy and market conditions. The Bank only originates these loans in Massachusetts and in the WMA.

Home equity – Loans in this segment include equity lines of credit and second mortgage loans, and are generally collateralized by second liens on residential real estate. Repayment is dependent on the credit quality of the individual borrower. The Bank generally does not originate loans with combined loan-to-value ratios greater than 70% when taking into account both the balance of the home equity loans and the first mortgage loan. Similar to residential real estate, the overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment. The Bank only originates these loans in Massachusetts. The Bank will not originate these loans unless it holds the senior lien position on the collateral property.

Commercial – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment. These loans are not a focus of the Bank's origination program and are only originated in Massachusetts.

Consumer – Loans in this segment are generally unsecured lines of credit and repayment is dependent on the credit quality of the individual borrower. The Bank is no longer offering these loans.

The Bank has elected not to measure an ACL on accrued interest and to write off uncollectible accrued interest receivable in a timely manner.

Reserve for Unfunded Commitments

The expected credit losses for unfunded commitments are measured over the contractual period of the Bank's exposure to credit risk. The estimate of credit loss incorporates assumptions for both the likelihood and amount of funding over the estimated life of the commitments, for the risk of loss, and current conditions and expectations. Management periodically reviews and updates the assumptions.

Leases

In accordance with Accounting Standards Codification *Topic 842, Leases*, the Bank records operating lease right-of-use ("ROU") assets and operating lease liabilities relating to operating leases for some of its banking offices. These lease agreements have lease and non-lease components, which are generally accounted for separately. The ROU asset is included in other assets and the operating lease liability is included in other liabilities on the Bank's Consolidated Balance Sheets. At March 31, 2024, the ROU asset was $324,000 and the corresponding operating lease liability was $349,000. Operating lease costs for both the quarters ended March 31, 2023 and 2024 were $61,000.

The maturities of lease liabilities are as follows at March 31, 2024:

Years	Amount (In Thousands)
2024 (remaining nine months)	**$ 176**
2025	**146**
2026	**37**
Total lease payments	**359**
Imputed interest	**(10)**
Total lease liability	**$ 349**

NOTE 2: COMMITMENTS

At December 31, 2023 and March 31, 2024, outstanding loan commitments were as follows:

	December 31, 2023	March 31, 2024
	(In Thousands)	
Unused lines of credit	$ 154,917	**$ 158,242**
Commitments to originate loans	56,462	**57,450**
Unadvanced funds on construction loans	145,910	**122,957**
Standby letters-of-credit	105	**105**
Total	$ 357,394	**$ 338,754**

NOTE 3: DIVIDEND DECLARATION

On March 27, 2024, the Board of Directors declared a cash dividend of $0.63 per share to all stockholders of record as of May 6, 2024, payable May 15, 2024.

NOTE 4: FAIR VALUES OF ASSETS AND LIABILITIES

Determination of Fair Value

The Bank uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's assets and liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below. There are no liabilities measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total Fair Value
		(In Thousands)		
December 31, 2023				
Equity securities	$ 71,517	$ 8,285	$ —	$ 79,802
March 31, 2024				
Equity securities	**$ 78,339**	**$ 8,917**	**$ —**	**$ 87,256**

Assets Measured at Fair Value on a Non-recurring Basis

The Bank may also be required, from time to time, to measure certain other assets on a non-recurring basis in accordance with U.S. GAAP. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets.

There are no assets or liabilities measured at fair value on a non-recurring basis at December 31, 2023 and March 31, 2024.

Summary of Fair Values of Financial Instruments

The estimated fair values, determined using the exit price notion, and related carrying amounts, of the Bank's financial instruments are as follows. Certain financial instruments and all nonfinancial instruments are exempt from disclosure requirements. Accordingly, the aggregate fair value amounts presented herein do not represent the underlying fair value of the Bank.

	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
		(In Thousands)		
December 31, 2023				
Financial assets:				
Cash and cash equivalents	$ 362,477	$ 362,477	$ —	$ —
Equity securities	79,802	71,517	8,285	—
Securities held to maturity	3,500	—	—	2,996
Federal Home Loan Bank stock	69,574	—	—	69,574
Loans, net	3,914,244	—	—	3,734,046
Accrued interest receivable	8,554	—	—	8,554
Financial liabilities:				
Deposits	$ 2,349,977	$ —	$ —	$ 2,347,731
Federal Home Loan Bank advances	1,692,675	—	1,701,000	—
Mortgagors' escrow accounts	13,942	—	—	13,942
Accrued interest payable	12,261	—	—	12,261
March 31, 2024				
Financial assets:				
Cash and cash equivalents	**$ 373,246**	**$ 373,246**	**$ —**	**$ —**
Equity securities	**87,256**	**78,339**	**8,917**	**—**
Securities held to maturity	**5,500**	**—**	**—**	**4,975**
Federal Home Loan Bank stock	**69,484**	**—**	**—**	**69,484**
Loans, net	**3,938,252**	**—**	**—**	**3,746,914**
Accrued interest receivable	**8,783**	**—**	**—**	**8,783**
Financial liabilities:				
Deposits	**$ 2,392,921**	**$ —**	**$ —**	**$ 2,391,781**
Federal Home Loan Bank advances	**1,684,675**	**—**	**1,685,447**	**—**
Mortgagors' escrow accounts	**13,570**	**—**	**—**	**13,570**
Accrued interest payable	**14,040**	**—**	**—**	**14,040**

NOTE 5: SECURITIES

Securities held to maturity

At December 31, 2023, and March 31, 2024 securities held to maturity totaled $3.5 million and $5.5 million in corporate bonds, respectively. The balance at December 31, 2023 was made up of a $3.5 million investment in the subordinated debt issued by a bank holding company in 2021 in which the Bank also maintains a common equity investment. The notes have a 3.75% five year fixed to floating rate, mature in 2031, and are callable quarterly at the option of the issuer after the fifth year anniversary.

During the first quarter of 2024, the Bank made a $2.0 million investment in the subordinated debt of another bank holding company. The notes have a 8.75% fixed rate and three year maturity, with final maturity in 2027.

The Bank intends to hold the bonds until maturity, and therefore they are recorded at amortized cost on the Consolidated Balance Sheets. There was no other-than-temporary impairment recorded during the quarters ended March 31, 2023 and 2024.

Equity securities

At December 31, 2023 and March 31, 2024, equity securities include a $8.9 million and $8.8 million investment in the Community Reinvestment Act Qualified Investment Fund, respectively, and a $70.9 million and $78.5 million investment in marketable common equity securities, respectively.

The Bank did not sell any equity securities in the three months ended March 31, 2023 or March 31, 2024. Unrealized losses recognized during the first quarter of 2023 on securities still held at March 31, 2023 were $3.5 million. Unrealized gains recognized during the first quarter of 2024 on securities still held at March 31, 2024 were $6.0 million.

NOTE 6: LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

Loans by category

A summary of the balances of loans outstanding is as follows:

	December 31, 2023	March 31, 2024
	(In Thousands)	
Real estate loans:		
Residential	$ 494,032	**$ 490,911**
Commercial	3,155,284	**3,165,305**
Construction	268,610	**287,026**
Home equity	22,518	**21,385**
Total real estate loans	3,940,444	**3,964,627**
Other loans:		
Commercial	95	**113**
Consumer	357	**272**
Total other loans	452	**385**
Total loans	3,940,896	**3,965,012**
Allowance for credit losses	(26,652)	**(26,760)**
Loans, net	$ 3,914,244	**$ 3,938,252**

A blanket lien on “qualified collateral,” defined principally as 78% of the market value of first mortgage loans on certain owner-occupied and non-owner-occupied residential property, 67% of the market value of first mortgage loans on certain multi-family residential property and 67% of the market value of loans on certain commercial property, is used to secure borrowings from the Federal Home Loan Bank. Additionally, the Bank has pledged the bulk of its home equity portfolio and certain construction, residential and commercial real estate loans to secure borrowings from the discount window.

Delinquencies

The following is a summary of past due loans at December 31, 2023 and March 31, 2024:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due [1]	Total Past Due	Current [2]	Total
			(In Thousands)			
December 31, 2023						
Residential real estate	$ 156	$ —	$ 877	$ 1,033	$ 492,999	$ 494,032
Commercial real estate	—	—	—	—	3,155,284	3,155,284
Construction	—	—	—	—	268,610	268,610
Home equity	562	—	602	1,164	21,354	22,518
Consumer	—	—	—	—	357	357
Commercial	—	1	—	1	94	95
Total loans	$ 718	$ 1	$ 1,479	$ 2,198	$ 3,938,698	$ 3,940,896
March 31, 2024						
Residential real estate	$ **756**	**$ —**	**$ 738**	**$ 1,494**	**$ 489,417**	**$ 490,911**
Commercial real estate	**—**	**—**	**—**	**—**	**3,165,305**	**3,165,305**
Construction	**—**	**—**	**—**	**—**	**287,026**	**287,026**
Home equity	**—**	**—**	**601**	**601**	**20,784**	**21,385**
Consumer	**—**	**—**	**—**	**—**	**272**	**272**
Commercial	**—**	**—**	**—**	**—**	**113**	**113**
Total loans	$ **756**	**$ —**	**$ 1,339**	**$ 2,095**	**$ 3,962,917**	**$ 3,965,012**

(1) All loans greater than 90 days past due were on nonaccrual status at March 31, 2024 and December 31, 2023.
(2) There were no current loans on nonaccrual at December 31, 2023. Current loans included $410,000 of non accrual loans at March 31, 2024.

Nonaccrual loans

The following is information pertaining to non-accrual loans at December 31, 2023 and March 31, 2024:

	As of December 31, 2023		As of March 31, 2024	
	Nonaccrual Loans With No ACL	Total Nonaccrual Loans	Nonaccrual Loans With No ACL	Total Nonaccrual Loans
		(In Thousands)		
Residential real estate	$ 877	$ 877	**$ 1,148**	**$ 1,148**
Commercial real estate	—	—	**—**	**—**
Home equity	602	602	**601**	**601**
Total loans	$ 1,479	$ 1,479	**$ 1,749**	**$ 1,749**

No additional funds are committed to be advanced in connection with nonaccrual loans. Interest income on nonaccrual loans as of March 31, 2024 and December 31, 2023 is recognized on a cash basis when and if actually collected. Total interest income recognized on nonaccrual loans for the three months ended March 31, 2024 and March 31, 2023 was not material.

Allowance for Credit Losses

An analysis of the activity in the allowance for credit losses, by segment, for the periods ended March 31, 2024 and March 31 2023 follows:

	Residential Real Estate	Commercial Real Estate	Construction	Home Equity	Commercial	Consumer	Total
				(In Thousands)			
Three months ended March 31, 2024							
Balance December 31, 2023	$ 2,182	$ 18,865	$ 5,246	$ 354	$ 1	$ 4	$ 26,652
Loans charged off	—	—	—	—	—	—	—
Recoveries of loans previously charged off	—	—	—	—	—	—	—
Provision for (release-of) credit losses	51	(379)	475	(38)	—	(1)	108
Balance March 31, 2024	$ 2,233	$ 18,486	$ 5,721	$ 316	$ 1	$ 3	$ 26,760

	Residential Real Estate	Commercial Real Estate	Construction	Home Equity	Commercial	Consumer	Total
				(In Thousands)			
Three months ended March 31, 2023							
Balance December 31, 2022	$ 1,400	$ 21,796	$ 1,727	$ 60	$ 2	$ 4	$ 24,989
Adoption of ASC 326	754	(2,922)	2,363	352	(1)	(1)	545
Loans charged off	—	—	—	—	—	—	—
Recoveries of loans previously charged off	—	—	—	—	—	—	—
Provision for (release-of) credit losses	24	(168)	328	(28)	—	—	156
Balance March 31, 2023	$ 2,178	$ 18,706	$ 4,418	$ 384	$ 1	$ 3	$ 25,690

The Bank evaluated the unfunded commitments as of March 31, 2024 and March 31, 2023 and determined the amount required was not material.

Credit Quality Indicators

The Bank uses a seven-grade internal rating system for residential real estate, commercial real estate and construction loans:

Loans rated 1-3B: Loans in this category are considered "pass" rated with low to average risk.

Loans rated 4: Loans in this category are considered "special mention." These loans are currently protected, but exhibit conditions that have the potential for weakness. The borrower may be affected by unfavorable economic, market or other external conditions that may affect their ability to repay the debt. These may also include credits where there is deterioration of the collateral or have deficiencies which may affect our ability to collect on the collateral. This rating is consistent with the "Other Assets Especially Mentioned" category used by the Federal Deposit Insurance Corporation ("FDIC").

Loans rated 5: Loans in this category are considered "substandard." Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Bank will sustain some loss if the weakness is not corrected.

Loans rated 6: Loans in this category are considered "doubtful." Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 7: Loans in this category are considered uncollectible ("loss") and of such little value that their continuance as loans is not warranted.

Commercial real estate loans are assigned an initial risk rating by the Bank at the origination of the loan. Subsequently, the Bank has a quality control program performed by an independent third party. Quarterly, all new commercial real estate, construction and residential real estate loan relationships with outstanding balances or commitments of $500,000 or more are reviewed and assigned a risk rating. On a rolling quarterly basis, an in-depth review is performed on all commercial real estate relationships (and related residential loans) with exposure in excess of $850,000 and all loans on the Bank's Watch List. Commercial real estate relationships (and related residential loans) with exposure between $500,000 and $850,000 are reviewed at least annually. Watch List loans are those loans that are more than two payments past due at the end of the quarter, loans for which the borrowing entity or sponsor has filed bankruptcy, loans rated four or higher in a previous review, impaired loans, loan modifications made to borrowers experiencing financial difficulty, and loans past contractual maturity. Results of the independent loan review are reported to the Bank's Audit Committee on a quarterly basis and become the mechanism for monitoring the overall credit quality of the portfolio.

The following tables presents the Bank's loans by risk rating as of December 31, 2023:

	As of December 31, 2023								
	Term loans amortized cost basis by origination year								
Rating	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving loans**	**Revolving loans converted to term**	**Total**
					(In Thousands)				
Residential Real Estate:									
1- 3B	$ 29,246	$ 40,306	$ 75,583	$ 66,058	$ 42,083	$ 239,232	$ —	$ —	$ 492,508
4	—	—	—	—	161	1,363	—	—	1,524
5	—	—	—	—	—	—	—	—	—
Total	$ 29,246	$ 40,306	$ 75,583	$ 66,058	$ 42,244	$ 240,595	$ —	$ —	$ 494,032
Commercial Real Estate:									
1- 3B	$ 263,870	$ 882,771	$ 846,735	$ 468,384	$ 255,146	$ 380,045	$ 58,333	$ —	$ 3,155,284
4	—	—	—	—	—	—	—	—	—
5	—	—	—	—	—	—	—	—	—
Total	$ 263,870	$ 882,771	$ 846,735	$ 468,384	$ 255,146	$ 380,045	$ 58,333	$ —	$ 3,155,284
Construction:									
1- 3B	$ 88,334	$ 157,405	$ 18,304	$ 4,567	$ —	$ —	$ —	$ —	$ 268,610
4	—	—	—	—	—	—	—	—	—
5	—	—	—	—	—	—	—	—	—
Total	$ 88,334	$ 157,405	$ 18,304	$ 4,567	$ —	$ —	$ —	$ —	$ 268,610

Notes to Unaudited Consolidated Financial Statements (concluded)

The following tables presents the Bank's loans by risk rating as of March 31, 2024:

	As of March 31, 2024								
	Term loans amortized cost basis by origination year								
Rating	2024	2023	2022	2021	2020	Prior	Revolving loans	Revolving loans converted to term	Total
					(In Thousands)				
Residential Real Estate:									
1- 3B	$ 6,855	$ 30,204	$ 40,017	$ 75,029	$ 64,364	$ 271,304	$ —	$ —	$ 487,773
4	—	—	—	—	—	3,138	—	—	3,138
5	—	—	—	—	—	—	—	—	—
Total	$ 6,855	$ 30,204	$ 40,017	$ 75,029	$ 64,364	$ 274,442	$ —	$ —	$ 490,911
Commercial Real Estate:									
1- 3B	$ 32,571	$ 268,026	$ 873,131	$ 843,084	$ 466,229	$ 626,601	$ 55,663	$ —	$ 3,165,305
4	—	—	—	—	—	—	—	—	—
5	—	—	—	—	—	—	—	—	—
Total	$ 32,571	$ 268,026	$ 873,131	$ 843,084	$ 466,229	$ 626,601	$ 55,663	$ —	$ 3,165,305
Construction:									
1- 3B	$ 4,607	$ 94,523	$ 165,025	$ 18,304	$ 4,567	$ —	$ —	$ —	$ 287,026
4	—	—	—	—	—	—	—	—	—
5	—	—	—	—	—	—	—	—	—
Total	$ 4,607	$ 94,523	$ 165,025	$ 18,304	$ 4,567	$ —	$ —	$ —	$ 287,026

Residential real estate loans are rated 1-3B at origination with subsequent adjustments based on delinquency or upon review if included in the scope of the Bank's loan review process described above. For home equity, consumer and commercial loans, management uses delinquency reports as the key credit quality indicator.

The Bank did not record any charge-offs in the three months ended March 31, 2024 or 2023.

NOTE 7: RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Issued But Yet Not Adopted

Management has not identified any Accounting Standards Updates that have been issued but are not yet effective and could affect the Bank's financial reporting or disclosure requirements..

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

The following discussion of the financial condition and results of operations of the Bank should be read in conjunction with the Consolidated Financial Statements and Notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2023. Matters discussed in this Quarterly Report on Form 10-Q and in our public disclosures, whether written or oral, relating to future events or our future performance, including any discussion, expressed or implied, of our anticipated growth, operating results, future earnings per share, plans and objectives, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are often identified by the words "believe," "plan," "estimate," "project," "target," "continue," "intend," "expect," "future," "anticipate," and similar expressions that are not statements of historical fact. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, including changes in political and economic climate, interest rate fluctuations and competitive product and pricing pressures within the Bank's market, bond market fluctuations, personal and corporate customers' bankruptcies and inflation. Our actual results and timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those set forth under "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and in our other public filings with the Federal Deposit Insurance Corporation ("FDIC"). It is routine for internal projections and expectations to change as the year or each quarter in the year progresses and, therefore, it should be clearly understood that all forward-looking statements and the internal projections and beliefs upon which we base our expectations included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report on Form 10-Q and may change. While we may elect to update forward-looking statements at some point in the future, we do not undertake any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

SIGNIFICANT ACCOUNTING POLICIES; CRITICAL ACCOUNTING ESTIMATES

The Bank's consolidated financial statements are prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP"). The preparation of consolidated financial statements requires management to make judgments involving significant estimates and assumptions in the application of certain of its accounting policies about the effects of matters that are inherently uncertain. These estimates and assumptions, which may materially affect the reported amounts of certain assets, liabilities, revenues and expenses, are based on information available as of the date of the consolidated financial statements, and changes in this information over time could materially impact amounts reported in the consolidated financial statements as a result of the use of different estimates and assumptions. Certain accounting policies, by their nature, have a greater reliance on the use of estimates and assumptions and could produce results materially different from those originally reported.

Based on the sensitivity of financial statement amounts to the methods, estimates and assumptions underlying reported amounts, the most significant accounting estimate followed by the Bank has been identified by management as the determination of the allowance for credit losses ("ACL"). This policy requires the most subjective and complex judgments and, as such, could be most subject to revision as new information becomes available. An understanding of the judgments, estimates and assumptions underlying this accounting estimate is essential in order to understand the Bank's reported financial condition and results of operations.

On January 1, 2023, the Bank adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which impacted the Bank's methodology for estimating the ACL. This accounting policy and its application in recent periods is described in more detail in the "Provision for Credit Losses" section of this discussion and analysis and in Note 1 to the accompanying interim consolidated financial statements included in Item 1. "Financial Statements" elsewhere in this report.

In developing the ACL estimate, management considers historical charge-offs, loan-to-value ratios, underlying collateral values, payment history, the size of the loan portfolio and the risks associated with certain loan types as well as other factors such as local economic trends, market conditions and credit concentrations. The Bank's ACL estimate is determined using a probability-of-default / loss-given default undiscounted cash flow model ("Model"), adjusted by management's qualitative factors. Given the Bank's long term history of immaterial net charge-offs, the Model relies on statistical information derived from the loss experience of an index composed of other community banks, and is largely dependent on management's qualitative factors, which are determined based on the elements described above. Therefore, the estimate is sensitive to the Model's parameters and assumptions, and management's subjectivity in the assessment of the qualitative factors.

If management's assumptions and judgments prove to be incorrect and the ACL is inadequate to absorb expected losses, or if bank regulatory authorities require the Bank to increase the ACL as a part of their examination process, the Bank's earnings and capital could be significantly and adversely affected.

Note on Core Return on Average Equity and Core Return on Average Assets

In accordance with Accounting Standards Codification *Topic 321, Investments - Equity Securities*, equity securities (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are measured at fair value with changes in fair value recognized in the Consolidated Statements of Net Income and Comprehensive Income, regardless of whether such gains and losses are realized, and included in the other income (loss) category. This change affects the Bank's portfolio of marketable equity securities, which includes common equity securities and a mutual fund which invests in securities which qualify for the Community Reinvestment Act securities test. This portfolio primarily includes common equity investments, which the Bank views as long-term partnership interests in operating companies. Consequently the Bank does not view the quarterly fluctuation in market value as indicative of the change in the intrinsic value of these portfolio holdings. The performance of these holdings should be evaluated on the basis of their contribution to growth in book value per share over time, not via quarterly adjustments to net income.

Consistent with this view, “Management's Discussion and Analysis of Financial Condition and Results of Operations” incorporates core net income, core return on average equity, and core return on average assets, which are non-U.S. GAAP measurements that exclude the after-tax effect of gain (loss) on equity securities, net, both realized and unrealized. These disclosures should not be viewed as a substitute for financial results determined in accordance with U.S. GAAP, nor are they necessarily comparable to non-U.S. GAAP performance measures which may be presented by other companies.

The table below presents the reconciliation between net income and core net income for the three months ended March 31, 2023 and 2024:

	Three Months Ended March 31,	
(In thousands, unaudited)	**2023**	**2024**
Non-U.S. GAAP reconciliation:		
Net Income	$ 8,510	**$ 6,868**
Gain loss 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 efficiency ratio, which represents total operating expenses, divided by the sum of net interest income and total other income, excluding gain on equity securities, net, is a non-U.S. GAAP performance measure the management uses to assess operational efficiency. The table below presents the calculation of the efficiency ratio for the three months ended March 31, 2023 and 2024:

	Three Months Ended March 31,	
(In thousands, unaudited)	**2023**	**2024**
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 %**

As the efficiency ratio can be significantly influenced by the level of net interest income, the Bank also utilizes operating expenses (annualized) as a percentage of average assets to evaluate operational efficiency.

INTRODUCTION

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 in earnings for the first quarter of 2023. 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%, compared to 8.67% and 0.82% for the same period in 2023. Core net income for the first quarter of 2024, which represents net income excluding the after-tax gains and losses on equity securities, both realized and unrealized, was $2,213,000 or $1.02 per share basic and $1.01 per share diluted, representing an annualized core return on average equity of 2.14% and an annualized core return on average assets of 0.20%. This compares to core net income of $5,744,000 or $2.67 per share basic and $2.61 per share diluted, representing an annualized core return on average equity of 5.85% and an annualized core return on average assets of 0.56% for the same period in 2023.

The net interest margin for the first quarter of 2024 decreased 61 basis points to 0.85%, as compared to 1.46% for the same period in 2023. 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 ("FRBB"), a higher Federal Home Loan Bank of Boston ("FHLB") stock dividend and an increase in the yield on loans.

Total assets increased by $45.4 million from December 31, 2023 and $323.4 million from March 31, 2023, representing 4% annualized growth year-to-date and 8% growth from March 31, 2023. Net loans increased by $24.0 million from December 31, 2023 and $266.0 million from March 31, 2023, representing 2% annualized growth year-to-date and 7% growth from March 31, 2023. Total deposits, including wholesale deposits, increased to $2.393 billion at March 31, 2024, representing 7% annualized growth year-to-date and a 5% decline from March 31, 2023. Total retail and business deposits increased to $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, increased to $347.4 million at March 31, 2024, representing a 10% annualized growth year-to-date and a 8% decline from March 31, 2023. In the first quarter of 2024, the Bank continued to focus on developing and deepening deposit relationships with new and existing commercial and non-profit customers, retaining maturing time deposit balances, and managing its wholesale funding mix between wholesale time deposits and FHLB advances in order to mitigate the negative impact of increasing short term rates in the cost of funds.

Stockholders' equity increased to $414.4 million as of March 31, 2024, representing 7% annualized growth year-to-date and a 6% increase from March 31, 2023. Book value per share increased to $190.07 per share at March 31, 2024, from $188.50 per share at December 31, 2023 and $182.89 per share at March 31, 2023. Since March 31, 2023, the Bank declared dividends of $2.52 per share.

Key credit and operational metrics remained strong in the first quarter of 2024. At March 31, 2024, non-performing assets totaled 0.04% of total assets, compared with 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, as compared to 0.04% at December 31, 2023 and 0.01% at March 31, 2023.

The efficiency ratio, which represents total operating expenses, divided by the sum of net interest income and total other income , excluding gain on equity securities, net, increased to 77.24% for the first quarter of 2024, as compared to 45.96% in the same period last year. Operating expenses (annualized) 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. These figures reflect the Bank's continued focus on credit quality and disciplined expense management.

The Bank continues to exceed all of the minimum regulatory capital requirements.

RESULTS OF OPERATIONS
COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

General

The Bank reported net income of $6.9 million for the quarter ended March 31, 2024 as compared to $8.5 million for the quarter ended March 31, 2023. Net income was $3.17 per share basic and $3.13 per share diluted for the quarter ended March 31, 2024 as compared to $3.96 per share basic and $3.87 per share diluted for the same period in 2023. Earnings for the quarter ended March 31, 2024 were negatively impacted by a decrease of $5.8 million in net interest income and a $244,000 increase in operating expenses, partially offset by an increase of $2.4 million in other income, a $48,000 decrease in the provision for credit losses and a decrease of $2.0 million in the income tax provision. The Bank's annualized return on average equity for the quarter ended March 31, 2024 was 6.63%, and the annualized return on average assets was 0.63%, compared to 8.67% and 0.82%, respectively, for the same period in 2023.

Core net income for the first quarter of 2024, which represents net income excluding the after-tax gains on equity securities, both realized and unrealized, was $2.2 million or $1.02 per share basic and $1.01 per share diluted, representing an annualized core return on average equity of 2.14% and an annualized core return on average assets of 0.20%. This compares to core net income of $5.7 million or $2.67 per share basic and $2.61 per share diluted, representing an annualized core return on average equity of 5.85% and an annualized core return on average assets of 0.56% for the same period in 2023.

Net Interest Income

Net interest income was $9.1 million for the first quarter of 2024 and $14.9 million for the first quarter of 2023. The $5.8 million decrease was due to a 79 basis point decrease in the weighted average spread, partially offset by a $203.9 million, or 5%, increase in average interest-earning assets in the three months ended March 31, 2024, as compared to the same period in 2023. For the quarter ended March 31, 2024, the weighted average rate spread and net interest margin were 0.13% and 0.85%, respectively, compared to 0.92% and 1.46%, respectively, for the quarter ended March 31, 2023. Average interest-bearing liabilities increased by $220.0 million, or 7% and the rate paid on interest-bearing liabilities increased by 122 basis points during the same period.

In early 2022, after a sustained period of lower short term market rates, the average rate on interest-bearing liabilities began to move up sharply following the increase in short term market interest rates. This trend accelerated in the second half of 2022 and in 2023. The higher average rate on interest-bearing liabilities was partially offset by a higher average yield on interest-earning assets, driven primarily by an increase in the yield on loans and an increase in the interest on reserves held at the FRBB. This resulted in a significantly lower net interest margin in the three months ended March 31, 2024, as compared to the same period in 2023.

Interest and dividend income increased by $6.7 million to $47.4 million for the first quarter of 2024, as compared to $40.7 million for the first quarter of 2023, driven by the increase in average interest-earning assets discussed above. The yield on total interest-earning assets was 4.43% for the quarter ended March 31, 2024, as compared to 4.00% for the quarter ended March 31, 2023.

Interest income on loans increased by $6.7 million when comparing the two periods, primarily resulting from a 7% increase in average loan balances, combined with a 40 basis point increase in yield.

Securities and short-term investments accounted for 8% of the total average interest-earning assets for the quarter ended March 31, 2024 compared to 10% for the quarter ended March 31, 2023, as the Bank continued to manage its balance sheet to reduce the carrying cost of its on-balance sheet liquidity. This was partially offset by an increase in the fair value of the Bank's equity securities portfolio when compared to the prior year. This includes the Bank's cash holdings at the FRBB. Combined income for these categories increased by $12,000 when comparing the two periods, primarily due to higher average yields, partially offset by a $70.0 million decrease in combined average balances. The decrease in the Bank's cash held at the FRBB as a percentage of interest-earning assets was partially offset by a higher interest rate paid on excess reserves. Also, the dividend on the Bank's stock investment at the FHLB increased during the period, driven by a larger average balance of FHLB stock and a higher dividend yield.

The average rate on interest-bearing liabilities increased to 4.30% for the first quarter of 2024 from 3.08% for the comparable quarter of 2023. Total interest expense increased by $12.5 million when comparing the quarters ended March 31, 2024 and 2023 due to higher interest rates on deposits and borrowings, combined with higher aggregate average balances.

Interest expense on deposits for the first quarter of 2024 increased by $7.4 million over the same period in 2023, due to a 158 basis point increase in the weighted average rate, partially offset by a decrease of $151.3 million in average interest-bearing deposits. After a sustained period of historically low short term rates, beginning in early 2022 the Bank observed rising market pricing for term deposits, money market accounts, and wholesale funds. This trend, which was sustained during 2022 and 2023, began to abate in the first quarter of 2024. The Bank continued to manage core product rates, implemented special offerings, and continued to use wholesale time deposits to remain competitive while balancing cost versus growth.

Interest expense on borrowed funds for the first quarter of 2024 increased by $5.2 million as compared to the same quarter in 2023, primarily due to a 31 basis point increase in the weighted average rate, combined with a $370.9 million increase in average balances. The increase in the FHLB borrowings rate was primarily driven by the higher short-term market rates, partially offset by the use of lower rate FHLB HLB-Option advances taken in 2023. The FHLB of Boston provides an explanation of HLB-Option Advances on its website under the "Products' ' section that explains the features of this product.

The following tables detail components of net interest income and yields/rates on daily average earning assets/liabilities.

	Three Months Ended March 31,					
	2023			2024		
	AVERAGE BALANCE(8)	INTEREST	YIELD/ RATE (9)	AVERAGE BALANCE(8)	INTEREST	YIELD/ RATE (9)
	(In Thousands)					
Loans (1) (2)	$ 3,682,517	$ 36,416	3.96 %	**$ 3,956,135**	**$ 43,120**	**4.36** %
Securities (3) (4)	99,693	936	3.76	**116,203**	**1,495**	**5.15**
Federal Reserve and other short-term investments	294,513	3,374	4.58	**208,245**	**2,827**	**5.43**
Total interest-earning assets	4,076,723	40,726	4.00	**4,280,583**	**47,442**	**4.43**
Other assets	53,809			**64,034**		
Total assets	$ 4,130,532			**$ 4,344,617**		
Interest-bearing deposits (5)	$ 2,250,188	13,800	2.45	**$ 2,098,851**	**21,146**	**4.03**
Borrowed funds	1,100,156	12,015	4.37	**1,471,027**	**17,212**	**4.68**
Total interest-bearing liabilities	3,350,344	25,815	3.08	**3,569,878**	**38,358**	**4.30**
Demand deposits	378,089			**346,136**		
Other liabilities	9,452			**14,261**		
Total liabilities	3,737,885			**3,930,275**		
Stockholders' equity	392,647			**414,342**		
Total liabilities and stockholders' equity	$ 4,130,532			**$ 4,344,617**		
Net interest income		$ 14,911			**$ 9,084**	
Weighted average spread			0.92 %			**0.13** %
Net interest margin (6)			1.46 %			**0.85** %
Average interest-earning assets to average interest-bearing liabilities (7)	121.68 %			**119.91** %		

(1) Before allowance for credit losses.
(2) Includes average 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) Average balances are calculated on a daily basis.
(9) Annualized.

The following table presents information regarding changes in interest and dividend income and interest expense of the Bank for the periods indicated. For each category, information is provided with respect to the change attributable to volume (change in volume multiplied by old rate) and the change in rate (change in rate multiplied by old volume). The change attributable to both volume and rate is allocated proportionally to the change due to volume and rate.

	Three Months Ended March 31, 2024 Compared to the Three Months Ended March 31, 2023 Increase (Decrease)		
	Due to		
	Volume	Rate	Total
	(In Thousands)		
Interest and dividend income:			
Loans	**$ 2,822**	**$ 3,882**	**$ 6,704**
Securities and FHLB stock	**173**	**386**	**559**
Federal Reserve and other short-term investments	**(1,100)**	**553**	**(547)**
Total interest and dividend income	**1,895**	**4,821**	**6,716**
Interest expense:			
Deposits	**(985)**	**8,331**	**7,346**
Borrowed funds	**4,289**	**908**	**5,197**
Total interest expense	**3,304**	**9,239**	**12,543**
Net interest income	**$ (1,409)**	**$ (4,418)**	**$ (5,827)**

Provision for Credit Losses

On January 1, 2023, the Bank adopted ASU 2016-13. The Bank determined that a $545,000 adjustment to increase the allowance for credit losses and no reserve for unfunded commitments was required upon adoption. Refer to Note 1 to the accompanying interim consolidated financial statements included in Item 1. "Financial Statements" elsewhere in this report.

At March 31, 2024, management's review of the allowance for credit losses concluded that a balance of $26.8 million was adequate to provide for losses based upon evaluation of risk in the loan portfolio. During the first quarter of 2024, management provided $108,000 to achieve such an allowance for credit loss balance at March 31, 2024. Comparably, at March 31, 2023, management's evaluation of the balance of the allowance for loan losses indicated the need for a quarterly provision of $156,000. Credit quality remained strong with no delinquent or non performing commercial real estate loans as of March 31, 2024. The Bank did not record any charge-offs in the first quarters of 2024 or 2023.

See Notes 1 and 6 to the accompanying interim consolidated financial statements and "Loans and Foreclosed Real Estate" included in this Management's Discussion and Analysis for additional information pertaining to the allowance for credit losses.

Other Income

Other income is comprised of gain on equity securities, net, customer service fees on deposits, increases in the cash surrender value of bank-owned life insurance policies and miscellaneous income. Total other income was $6.2 million for the quarter ended March 31, 2024, compared to other income of $3.8 million for the same period in 2023. In the first three months of 2024, the Bank recorded gains totaling $6.0 million on equity securities, comprised solely of unrealized gains on equity securities held at the end of the period. In the first three months of 2023, the Bank recorded gains totaling $3.5 million on equity securities, comprised solely of unrealized gains on equity securities held at the end of the period

Customer service fees on deposits decreased marginally in the first quarter of 2024 compared to the same period in 2023. In recent years, there has been a continuous decline in deposit account transaction fees, as the Bank has eliminated many fees on deposit products to simplify offerings and enhance the value proposition of our consumer and business checking accounts to customers. Generally, the Bank's strategy does not rely on generating substantial non-interest fee-based revenue from our deposit accounts.

An increase in the cash surrender value of bank-owned life insurance also contributed to other income during the first quarter of 2024 and 2023. The Bank held $13.7 million in life insurance policies at March 31, 2024 as compared to $13.4 million at March 31, 2023. The policies accrete at a variable rate of interest with minimum stated guaranteed rates. Income from these assets is fully excludable from federal income taxes and contributed $81,000 to other income in the first quarter of 2024, as compared to $83,000 for the same period in 2023.

Operating Expenses

Operating expenses include salaries and employee benefits, occupancy and equipment, data processing, deposit insurance, marketing, foreclosure and related, and other general and administrative expenses. Total operating expenses were $7.2 million, or an annualized 0.67% of average total assets, for the quarter ended March 31, 2024 as compared to $7.0 million, or an annualized 0.68% of average total assets, for the same period of 2023.

Salaries and employee benefits expenses decreased by $9,000 in the three months ended March 31, 2024 compared to the same period in 2023, primarily due to reductions in executive pay implemented during 2023, partially offset by annual merit-based salary increases and enhancements to our operational teams. The number of employees remained stable, reflecting additional staff in our Commercial Real Estate group and Specialized Deposit Group ("SDG") and operational teams, partially offset by a smaller branch staff.

Occupancy and equipment expenses increased by $40,000, or 10%, in the three months ended March 31, 2024 compared to the same period in 2023. The increase in 2024 was primarily driven by higher depreciation expenses, as the Bank made improvements to the corporate offices, which were completed in the second half of 2023. Lower rental income recorded in the three months ended March 31, 2024 also contributed to the increase in occupancy and equipment expenses. The Bank owns rental apartments located above its Nantucket branch which are rented during the summer season.

Data processing expenses for the first quarter of 2024 increased by $102,000, or 16%, when compared to the same period in 2023, driven primarily by higher data processing charges associated with improvements made to the Bank's systems and volume increases in 2024. Technology spending at the Bank remains focused on three primary objectives: delivering new or improved customer experience, reducing costs through simplification and automation of internal processes, and securing customer and Bank confidential information.

Deposit insurance expense for the first quarter of 2024 increased by $160,000, or 25%, when compared to the same period in 2023. The increase was the result of a higher assessed rate, combined with a larger assessment base, driven by the Bank's balance sheet growth. Deposit insurance expense consists of premiums paid to the FDIC and the Massachusetts Depositors Insurance Fund ("DIF"). The FDIC assessment rate is determined based on several factors, including capitalization, asset growth, earnings, use of brokered deposits and level of non-performing assets, among others, and is calculated on an assessment base that takes into consideration the Bank's average total assets and average tangible equity, among other factors. The DIF assessment rate is based on an institution's risk category, which is defined based on similar factors. Effective the first quarterly assessment period of 2023, the FDIC implemented a system-wide increase that applied to all banks, which increased the initial base deposit insurance assessment rate by 2 basis points. The Bank carefully manages its balance sheet to control the deposit insurance expense associated with excess liquidity while optimizing its funding mix.

Marketing expenses decreased by $123,000, or 58%, for the first quarter of 2024 as compared to the same period in 2023, as the Bank continues to carefully manage these expenses focusing on business development for the Bank's Commercial Real Estate Group and SDG. The Bank continued to shift its marketing spending during the quarter ended March 31, 2024 towards supporting its commercial deposit acquisition activities in the greater Washington, D.C. metropolitan area ("WMA") and the San Francisco Bay Area ("SFBA").

Foreclosure and related expenses include expenses associated with the collection and foreclosure process, such as legal, tax, appraisal, insurance and other related foreclosure expenses. These expenses may be recovered when the loan returns to performing status or when the Bank exercises its remedies, as they are generally secured by the Bank's mortgages. Such recoveries, if any, are reflected in future periods as contra-expense. The Bank recorded $32,000 in foreclosure and related expenses in the quarter ended March 31, 2024 as compared to a $74,000 credit in the same period in 2023. The credit in the prior year was attributed to the recovery of expenses in connection with the resolution of certain non-performing loans recorded in the first quarter of 2023, including an $85,000 gain on disposal recorded on the sale of a foreclosed property. At March 31, 2024, December 31, 2023 and March 31, 2023, the Bank did not own any foreclosed property.

Other general and administrative expenses, which include director fees, supplies, deposit related losses and audit-related expenses, among others, decreased by $32,000, or 4%, when comparing the two periods, reflecting lower miscellaneous expenses, including supplies, travel and legal expenses, partially offset by higher loan and audit-related expenses.

Income Taxes

The Bank recognizes income taxes under the asset and liability method in which deferred tax assets and liabilities are established for the temporary difference between the accounting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. The Bank's deferred tax asset is reviewed quarterly by management as to the realizability of such asset.

During the first quarter of 2024, the Bank recorded $1.1 million, or 14.1% of pre-tax income, in tax expense as compared to $3.1 million, or 26.7%, for the same quarter in 2023. The lower effective tax rate was the result of higher unrealized gains on equity securities recognized during the first quarter of 2024 as compared to the same quarter in the prior year, as these securities are held at a tax-advantaged subsidiary, combined with $465,000 of stock options excess tax benefit and the revision of income tax estimates recorded in the first quarter of 2024. There was no stock option excess tax benefit recorded in the first quarter of 2023.

BALANCE SHEET ANALYSIS
COMPARISON AT MARCH 31, 2024 TO DECEMBER 31, 2023

Assets totaled $4.529 billion at March 31, 2024, as compared to $4.484 billion at December 31, 2023, an increase of $45.4 million, or 4% annualized. During the first quarter of 2024, the Bank continued to manage the balance of excess reserves held at the FRBB, in order to minimize the carrying cost of its on-balance sheet liquidity.

Securities, Short-term Investments and FHLB Stock

Securities were $92.8 million at March 31, 2024, an increase of $9.5 million when compared to $83.3 million at December 31, 2023, reflecting an increase in the fair value of the equity securities portfolio and a $2.0 million increase in debt securities held to maturity. The fair value of equity securities fluctuates with the performance of equity markets.

At both March 31, 2024 and 2023, the Bank held a $3.5 million investment in the subordinated debt issued by a bank holding company in which the Bank also maintains an equity investment. The notes have a 3.75% five year fixed to floating rate, mature in 2031, and are callable quarterly at the option of the issuer beginning in May 2026. At March 31, 2024, the Bank also held a $2.0 million investment in the subordinated debt of another bank holding company. The notes have a 8.75% fixed rate and three year maturity in 2027. These investments are included in securities held to maturity on the Consolidated Balance Sheets.

At March 31, 2024, equity securities accounted for approximately 94% of the investment portfolio. At March 31, 2024, the Bank held a $8.8 million investment in the CRA Fund, a mutual fund which invests in securities which qualify under the CRA securities test. Additionally, the portfolio included $78.5 million in marketable common equity securities. The Bank's marketable common equity securities are not viewed as a source of liquidity and are managed to produce superior returns on capital over a longer time horizon. The Bank's process is focused on identifying businesses with strong returns on capital, owner-oriented management teams, good reinvestment opportunities or capital discipline, and reasonable valuations. The portfolio is concentrated in a relatively small number of investments in the financial services and technology areas. The Bank receives two sources of advantageous tax treatment through these investments. First, dividend distributions from these companies to the Bank are partially excluded from the Bank's taxable income due to the Dividends Received Deduction. Second, to the extent that these companies are capable of internal reinvestment at high rates of return or deploy capital via tax-advantaged repurchases, the deferred tax liability associated with any long-term unrealized gains on our investments constitutes an interest-free source of financing.

As a member of the FHLB of Boston, the Bank is required to hold a Membership Stock Investment plus an Activity-based Stock Investment in the FHLB, which is based primarily on the amount of FHLB borrowings. The Bank recorded dividends on FHLB stock totaling \$1.3 million for the three months ended March 31, 2024, as compared to \$747,000 for the same period in 2023. The increase reflected the dividend rate increase implemented by the FHLB, as well as a higher balance of FHLB stock. At March 31, 2024, the Bank held \$69.5 million in FHLB stock compared to \$69.6 million at December 31, 2023.

Loans and Foreclosed Real Estate

During the first three months of 2024, net loans outstanding increased by \$24.0 million to \$3.938 billion, from \$3.914 billion at December 31, 2023, attributable primarily to originated loans of \$57.2 million, partially offset by payoffs and amortization. Comparably, loan originations for the same period in 2023 were \$62.9 million. At both March 31, 2024 and December 31, 2023, net loans outstanding represented 87% of assets. Mortgage loans continue to account for more than 99% of the loan portfolio.

A breakdown of the originated loan by geography follows:

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2024	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Massachusetts	$ 36,825	59 %	**$ 40,473**	**71 %**
Washington Metropolitan Area	24,714	39	**16,743**	**29**
San Francisco Bay Area	1,400	2	—	—
Total	$ 62,939	100 %	**$ 57,216**	**100 %**

At March 31, 2024, the Bank had \$1.199 billion and \$118.1 million, respectively, of commercial real estate loans originated in the WMA and the SFBA outstanding (including construction loans). At December 31, 2023, the Bank had \$1.199 billion and \$118.5 million, respectively, of loans originated in the WMA and the SFBA outstanding.

WMA: The Bank began lending to commercial real estate borrowers in the WMA in November 2016, after several years of research and preparation. The Bank had also held direct equity investments in other WMA area banks prior to entering the market operationally. In 2019, the Bank opened a commercial lending office at a temporary location and hired a commercial real estate lender. In February 2020, the Bank acquired a property in the Georgetown neighborhood of Washington, D.C., renovated the property, and opened a commercial banking office in 2022. The Bank obtained regulatory approval to exercise branch powers at this office in 2023. The Bank has a senior commercial real estate lender based in the WMA, along with a relationship manager from the Bank's SDG. When needed, the Bank also utilizes Boston-based staff in its Commercial Real Estate Group and SDG with experience in the WMA, on a fly-away basis from its main office.

The Bank originally identified the WMA as an attractive opportunity for three reasons. First, the region has favorable economic characteristics that will support long-term investments in commercial real estate. It is the capital of the world's largest economy, it is an international economic gateway, it has one of the highest household median income of any of the nation's major metropolitan areas, and it has a relatively high concentration of young people. Second, the commercial real estate product in the market bears significant similarity to Boston, characterized by high density, urban infill development, transit-oriented multifamily, and scarcity imposed by land supply and restrictions on vertical development. Third, we believe that the banking market in Washington, D.C. has experienced a level of consolidation and disruption that has left smaller and mid-sized real estate investors underserved as compared to the Boston market. Although we are relatively new to this marketplace, we believe that our history as one of America's oldest banks and our family management team provide stability and surety of execution that is valued by our customers. With over five years of operation in the market, we have gained increasing confidence in this thesis. We view this as an attractive opportunity for internal capital allocation and superior to geographically proximate, product-adjacent businesses like wealth management, insurance, or commercial-industrial lending in our home marketplace. The Bank did not initially make commercial construction loans in this market, as these loans have a higher level of inherent risk. As the Bank developed greater familiarity with the market and the portfolio grew, the Bank made the investment in the operational capacity to originate and manage such loans in the WMA and the Bank now originates the full range of commercial mortgages in Washington. For similar reasons, the Bank also delayed originating residential owner occupant loans in the WMA, but as the Bank's customer base has grown, the Bank has seen significant demand for this service. In 2023, the Bank began offering such loans to existing commercial and private clients of the Bank in the WMA.

SFBA: The San Francisco Bay Area is the Bank's newest and smallest market, having begun operations in 2021 with a focus on commercial real estate customers and commercial and nonprofit deposit relationships. The Bank relies to a large extent on Boston and WMA-based staff to cover the initial operations in this market. The Bank recently hired a deposit-focused relationship manager in San Francisco to join the SDG and is actively looking to hire a dedicated commercial real estate lender in this market. The Bank does not have a retail branch in this market. The Bank built the operational framework for originating commercial real estate loans in the SFBA and began engaging with prospective customers in 2021. The Bank closed its first loan in the SFBA in the fourth quarter of 2021 and continued to originate loans in 2022, and to a lesser extent, in 2023. Ther Bank did not originate loans in the SFBA in the first quarter of 2024.

This initiative builds on several years of research and direct equity investments that provided the Bank with exposure and insight into the SFBA real estate and banking markets, but the Bank's long-term plans were accelerated to capitalize the pandemic-related disruption in those markets. The Bank continues to believe that the most attractive markets for its business are coastal, urban, gateway cities with substantial wealth, favorable demographics, substantial multifamily real estate, and consolidation among small and mid-sized banks. This initiative has initially focused on both investor and owner-occupied commercial real estate and multifamily properties. The Bank does not yet originate commercial construction or owner-occupied residential loans in the SFBA.

Originations in the SFBA have been materially lower when compared to the WMA and Boston markets. This is largely the product of the changes in market conditions in 2023 and 2024 in the SFBA market, as opposed to a deliberate choice by the Bank to alter its approach to the marketplace. There were some SFBA market-specific conditions in 2023, including disruption in the local banking market and several well-publicized portfolios of distressed multifamily properties, that appear to have had a differential impact on the SFBA multifamily market. The Bank continues to engage actively with prospective customers in the SFBA for both lending and deposit opportunities.

All WMA and SFBA underwriting and approval processes are identical to those utilized in the Boston marketplace and all loans are reviewed and approved by the Bank's Executive Committee and when larger than $2.0 million, by the Bank's full Board of Directors. A member of the Executive Committee performs a site visit for every collateral property. The Bank has retained local counsel in both markets to advise on all of its transactional needs, with oversight on each individual transaction by the Bank's primary real estate counsel in Boston. The Bank uses the same consulting firm in Boston, Washington, D.C., and San Francisco for environmental assessments and property condition reports to ensure quality of execution and manage risk. This firm also performs seismic risk assessments in San Francisco for the Bank. The Bank generally requires that all third-party assessments are conducted by the Bank's consultants and will not generally accept reports ordered separately by a borrower. Once closed, these loans are subject to all of the Bank's regular quality control and portfolio management processes.

The Bank approaches prospective borrowers directly via advertising programs, and indirectly via intermediaries such as attorneys, accountants and mortgage brokers. The Bank also has existing Boston-based customers with real estate investment holdings in both the Massachusetts and the WMA or SFBA markets.

Commercial real estate loans by collateral type at December 31, 2023 and March, 31 2024 , are as follows:

	December 31, 2023		March 31, 2024	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Multifamily (5+)	$ 1,077,174	34 %	**$ 1,092,830**	**35 %**
Residential (1-4)	481,014	15	**485,853**	**15**
Office	508,397	16	**482,314**	**15**
Mixed use	524,657	17	**540,469**	**17**
Retail	300,429	10	**302,965**	**10**
Industrial	133,863	4	**132,488**	**4**
Land	59,508	2	**59,130**	**2**
Others	70,242	2	**69,256**	**2**
Total	$ 3,155,284	100 %	**$ 3,165,305**	**100 %**

Mixed-use properties generally consist of urban properties which combine a substantial multifamily use with street level retail or office uses.

Loans are carried net of the allowance for credit losses. The allowance is maintained at a level to absorb losses within the loan portfolio. At March 31, 2024, the allowance for credit losses had a balance of $26.8 million, as compared to $26.7 million at December 31, 2023. The allowance for credit losses represented 0.67% of gross loans as of March 31, 2024, as compared to 0.68% at December 31, 2023.

The Bank's non-performing assets consist of non-accrual loans and foreclosed real estate. At March 31, 2024, there were eight residential loans classified as non-accrual totaling $1.7 million as compared to five non-accrual loans totaling $1.5 million at December 31, 2023. At March 31, 2024, non-performing assets were 0.04% of total assets, as compared to 0.03% at December 31, 2023. At March 31, 2024 and December 31, 2023, the Bank had no foreclosed assets. The Bank works closely with delinquent mortgagors to bring their loans current and commences foreclosure proceedings if the mortgagor is unable to satisfy their outstanding obligation. Although regulatory changes have slowed the foreclosure process in recent years, the Bank continues to pursue delinquencies vigorously.

Management believes that its loans classified as non-accrual are significantly collateralized, pose minimal risk of loss to the Bank, and the allowance for credit losses allocated to these loans is sufficient to absorb such losses, if any. However, management continues to monitor the loan portfolio and additional reserves will be recorded if necessary.

Below is a summary of non-performing assets:

	December 31, 2023	March 31, 2024
	(Dollars in Thousands)	
Non-accrual loans:		
Residential real estate	$ 877	**$ 1,148**
Commercial real estate	—	**—**
Home equity	602	**601**
Total non-accrual loans	1,479	**1,749**
Foreclosed real estate	—	**—**
Total non-performing assets	$ 1,479	**$ 1,749**
Percent of non-accrual loans to:		
Total loans	0.04 %	**0.04 %**
Total assets	0.03 %	**0.04 %**
Percent of non-performing assets to:		
Total loans and foreclosed real estate	0.04 %	**0.04 %**
Total assets	0.03 %	**0.04 %**
Allowance for credit losses to total loans	0.68 %	**0.67 %**

Other Assets

The Bank held $13.7 million in bank-owned life insurance at March 31, 2024, as compared to $13.6 million at December 31, 2023. The $81,000 increase during the first three months of 2024 is due to increases in the cash surrender value of policies insuring the life of a current Bank executive. The policies accrete at a variable rate of interest with minimum stated guaranteed rates. The Bank monitors the financial strength and counterparty credit ratings of the policy issuers and has determined that at March 31, 2024, one of three issuers was rated at or above Bank guidelines. Of the other two issuers, one retained a rating from A.M. Best two notches below Bank guidelines at B++ , while the other retained a rating from Moody's and Fitch two and one notches below Bank guidelines at Baa1 and A-, respectively (with a stable outlook).

As of March 31, 2024, the right-of-use asset and corresponding lease liability related to operating leases for two of the Bank's banking offices was $324,000 and $349,000, respectively. The right-of-use asset is included in other assets and the lease liability is included in other liabilities in the Consolidated Balance Sheets.

As of March 31, 2024, the Bank holds a $2.4 million investment in the common stock of Founders Bank, a de novo bank in Washington, D.C. This balance includes a $2.3 million initial investment in common stock and related unrealized gains.

As of March 31, 2024, other assets included a $741,000 investment in the WHI, a CRA investment vehicle that provides low cost loans to acquire and develop affordable workforce housing in Washington D.C. and a $5.0 million investment in the SFHA Fund, a CRA investment vehicle that provides low cost loans to acquire and develop affordable workforce housing in San Francisco.

Deposits

Deposits increased by $42.9 million to $2.393 billion at March 31, 2024, from $2.350 billion at December 31, 2023. Non-certificate accounts, which include regular, money market, NOW and demand deposits, increased by $17.1 million from December 31, 2023 to March 31, 2024, while certificate balances increased by $25.8 million. The increase in non-certificate accounts was driven by money market and demand deposit accounts, as the Bank enhanced the team of relationship managers to improve deposit retention and drive growth. The increase in certificate account balances primarily reflects a $11.7 million increase in wholesale time deposits, which includes both brokered and Internet listing services time deposits, combined with $14.1 million growth in retail and commercial time deposits, as the Bank focused on improving retention of maturing deposits while continuing to offer competitive rates to drive growth. Non-certificate accounts represent 49.0% of total deposits at both March 31, 2024 and December 31, 2023.

Other banks and credit unions in the Bank's market areas, banking services through the Internet, and mutual funds make up the Bank's primary competition for deposits. At times, the Bank also faces direct and indirect competition from fixed income securities such as U.S Treasury bills or non-bank financial services companies with access to the Federal Reserve's Overnight Reverse Repurchase Facility. The Bank's ability to attract and retain deposits depends upon satisfaction of depositors' requirements with respect to insurance, product, rate and service. The Bank offers traditional deposit products, competitive rates, convenient branch locations, ATMs, debit cards and Internet-based banking for consumers and commercial account holders. The Bank also opens deposit accounts, including checking accounts, money market accounts, and certificates of deposit, directly online for personal customers. Occasionally, the Bank implements special offerings based on market conditions and the competitive environment. The Bank also offers a limited range of certificate of deposit products using national Internet listing services and brokered deposits. These alternatives, at times, provide the Bank with a source of funding across different maturities at lower cost and/or longer duration than may be available via retail or other wholesale channels. At March 31, 2024, the Bank had $500.4 million in deposits from these sources, as compared to $488.7 million at December 31, 2023. The Bank carefully manages its wholesale funding mix allocation based on market conditions to reduce the Bank's cost of interest-bearing liabilities and minimize the negative effect of higher short-term rates on the Bank's net interest margin. In doing this, the Bank takes into consideration each funding source's interest rate, broker commission and FDIC insurance assessment implications (as applicable), speed of execution as well as the operational characteristics. This approach has allowed the Bank to maintain deposit balances to fund lending activity and operate with an elevated level of liquidity.

Deposits are insured in full through the combination of the FDIC and the DIF. Generally, separately insured deposit accounts are insured up to $250,000 by the FDIC and deposit balances in excess of this amount are insured by the DIF. DIF insurance provides an advantage for the Bank as some competitors cannot offer this coverage.

Below is a summary of deposits:

	Deposit Balances by Type			
	December 31, 2023	% of Total	March 31, 2024	% of Total
	(Dollars in Thousands)			
Non-certificate accounts				
Regular	$ 82,050	3.5 %	**$ 75,910**	**3.2 %**
Money market deposits	723,786	30.8	**738,045**	**30.9**
NOW	11,425	0.5	**12,092**	**0.5**
Demand	339,059	14.4	**347,397**	**14.5**
Total non-certificate accounts	1,156,320	49.2	**1,173,444**	**49.1**
Term certificates of less than $250,000	836,382	35.6	**847,586**	**35.4**
Term certificates of $250,000 or more	357,275	15.2	**371,891**	**15.5**
Total certificate accounts	1,193,657	50.8	**1,219,477**	**50.9**
Total deposits	$ 2,349,977	100.0 %	**$ 2,392,921**	**100.0 %**

Borrowings

FHLB advances were $1.685 billion, or 37% of total assets, at March 31, 2024, as compared to $1.693 billion, or 38% of total assets, at December 31, 2023. The Bank continued to manage its wholesale funding mix opportunistically during the first three months of 2024. During this period, borrowings decreased by $8.0 million, as the Bank used wholesale deposits to replace maturing FHLB advances. In late 2023 and early 2024, the Bank slightly extended the duration of its FHLB Classic Advances to capture the benefit of the FHLB curve inversion and, to a lesser extent, to protect against unexpected increases or a slower pace of decline in short-term market rates. Additionally, at March 31, 2024, the Bank had $785.0 million in FHLB HLB-Option Advances outstanding. These are 3-year, 4-year, 5-year and to a lesser extent 7-year maturity fixed rate advances callable quarterly by the FHLB after an initial lockout period of three or six months, which provide the Bank with a lower fixed rate in exchange for the call option granted to the FHLB. At March 31, 2024, the Bank had $110.0 million, $265.0 million, $380.0 million and $30.0 million in HLB-Option Advances outstanding, with original maturities in 2026, 2027, 2028 and 2030, respectively, all of which were past their lockout periods and were callable by the FHLB in the second quarter of 2024.

Liquidity and Capital Resources

In order to ensure the Bank has sufficient liquidity to fund its lending operations, off-balance sheet commitments and contractual obligations, the Bank maintains an adequate level of readily available liquidity, both on and off-balance sheet.

The Bank also assesses its liquidity position regularly by forecasting incoming and outgoing cash flows. In some cases, contractual maturity dates are used to anticipate cash flows. However, when an asset or liability has no contractual maturity, or is subject to early repayment or redemption at the discretion of the issuer or customer, cash flows can be difficult to predict. Generally, these rights are exercised when it is most financially favorable to the issuer or customer.

Marketable common equity holdings, although liquid, are not viewed as a source of liquidity and are managed to produce superior returns on capital over a longer time horizon.

Investment in FHLB stock is illiquid.

Residential loans are susceptible to principal repayment at the discretion of the borrower. Commercial mortgage loans, while subject to significant penalties for early repayment in most cases, can also prepay at the borrower's discretion. In the first quarter of 2024, prepayment rates were significantly lower when compared to the same period in 2023.

The Bank invests in key executive life insurance policies that are illiquid during the life of the executive. Such policies totaled $13.7 million, or less than 1% of total assets, at March 31, 2024.

Non-certificate deposit balances can generally be withdrawn from the Bank at any time. The Bank estimates the volatility of its deposits in light of the general economic climate and recent actual experience. Over the past 10 years, deposits have exceeded withdrawals resulting in net cash inflows from depositors.

Time certificates of deposit, which have predefined maturity dates, have different redemption characteristics based on their nature. Retail certificates of deposit, subject to early redemption penalties, can be withdrawn subject to the discretion of the Bank. Internet listing service certificates are offered on the same terms as retail certificates, although the Bank generally does not permit early withdrawal. Brokered certificates generally may not be withdrawn before the stated maturity. The Bank had $1.219 billion in time deposits outstanding at March 31, 2024, of which $1.196 billion have a contractual maturity within one year.

At March 31, 2024, $900.0 million of the Bank's borrowings were fixed in terms of maturity and $785.0 million can be called quarterly by the FHLB during the second quarter of 2024. The Bank had no amortizing advances as of March 31, 2024.

The Bank also monitors its off-balance sheet items. At March 31, 2024, the Bank had approximately $338.8 million in commitments to extend credit, as compared to $357.4 million at December 31, 2023. The Bank also has commitments for data processing agreements totaling $7.3 million at March 31, 2024.

The Bank takes each of these preceding issues into consideration when measuring its liquidity position. Specific measurements include the Bank's cash flow position from the 30-day to 365-day horizon, the level of price-sensitive liabilities to earning assets and loan to deposit ratios. Additionally, the Bank "shocks" its cash flows by assuming significant cash outflows in both non-certificate and certificate deposit balances. At March 31, 2024, each measurement was within predefined Bank guidelines, with the exception of the loan to deposit ratio and the dependency ratio, which were above the guidelines. The loan to deposit ratio has increased in recent years driven primarily by the significant growth in the loan portfolio in 2022, and to a lesser extent in 2023, and the modest deposit growth by comparison. This ratio has also been impacted by the Bank's allocation of the wholesale funding mix between wholesale deposits and borrowings - particularly by management's deliberate efforts to replace maturing Internet listing services time deposits with FHLB advances. The dependency ratio is an internal Bank defined measure of the share of longer term assets funded with potentially price-sensitive liabilities and, at March 31, 2024, was above the Bank's guideline driven by the same factors described above. The Bank's calculation of the dependency ratio generally treats some portion of certificates of deposit as being potentially price sensitive, whereas it does not treat money market funds in the same way. Consequently, the migration of deposits from money market accounts to certificates of deposit has also contributed to an increase in the dependency ratio. The Bank continues to carefully manage loan growth and focusing on gathering retail and commercial deposits, while maintaining significant on and off-balance sheet liquidity.

The Bank's initial source of liquidity is cash and cash equivalents which were $373.2 million, or 8% of total assets, at March 31, 2024. Virtually all cash and cash equivalents are held in overnight cash balances at the FRBB, which are immediately accessible for liquidity. The Bank carefully monitors these overnight cash balances to minimize the carrying cost of on-balance sheet liquidity.

To supplement its liquidity position, should the need arise, the Bank maintains its membership in the FHLB where it is eligible to obtain both short and long-term credit advances and is eligible to access the FRBB discount window. The FHLB does not accept certain types of real estate loans and establishes certain limits on borrowing activity, including a limitation on commercial real estate collateral discounted value up to two times the Bank's GAAP shareholders' equity and an overall limit of total extension of credit up to 50% of the Bank's total assets. Effective in March 2024, the overall limit was reduced to 40% of the Bank's total assets ("40% cap") for all member banks with total assets below $50.0 billion. A dual relationship with the FHLB and FRBB provides the Bank with the flexibility to maximize available capacity and to access immediately available liquidity using the FRBB discount window if the FHLB was unavailable to provide liquidity or were to establish more stringent limits in the future. The Bank actively pledges new collateral as loans are originated and manages the collateral allocation between the FHLB and the FRBB to maximize borrowing capacity. In aggregate, the Bank had available borrowing capacity of $677.8 million from these sources at March 31, 2024, as compared to $598.9 million at December 31, 2023.

As of March 31, 2024, the Bank can borrow up to approximately $1.828 billion from the FHLB to meet its borrowing needs, based on the Bank's available qualified collateral which consists primarily of one-to four-family residential mortgage loans, certain multifamily residential property and commercial mortgage loans. At March 31, 2024, the Bank had $1.685 billion in advances outstanding from the FHLB and had $138.1 million in available unused capacity (net of accrued interest on outstanding advances). This compares to an unused capacity of $355.1 million at December 31, 2023. The FHLB unused capacity decreased in the first three months of 2024 as a result of a decrease of $224.6 million in gross FHLB capacity during this period, partially offset by a $8.0 million decrease in outstanding advances. The decline in gross FHLB capacity was a result of the adoption of the 40% cap discussed above, which resulted in the Bank transferring collateral to the FRBB in the first quarter of 2024.

At March 31, 2024, the Bank can borrow up to $540.0 million by accessing the FRBB Discount Window, based on the Bank's available qualified collateral which consists primarily of HELOCs, one-to four-family residential mortgage loans, multifamily residential property and commercial mortgages.and construction loans. The Bank initially obtained approval to pledge HELOCs, and in 2023, obtained approval and began pledging commercial and residential real estate loans. In the first quarter of 2024, the Bank obtained approval to pledge additional loans to the FRBB in anticipation of the FHLB 40% cap adoption, and transferred collateral from the FHLB to the FRBB. At March 31, 2024 the Bank did not have any advances outstanding at the FRBB and had $540.0 million in available unused capacity.

The Bank obtains the necessary capital to support its current and future requirements from the retained earnings generated though its operations.

At March 31, 2024, the Bank had capital of $414.4 million, or 9.1% of total assets, as compared to $407.6 million, or 9.1% of total assets, at December 31, 2023. During the three months ended March 31, 2024, stockholders' equity increased by $6.8 million due primarily to net income for the period of $6.9 million and additional capital of $1.3 million associated to stock options exercised, partially offset by the declaration of dividends of $0.63 per share, which reduced capital by $1.4 million.

The Bank is subject to minimum capital maintenance requirements. Regulatory guidelines define the minimum amount of qualifying capital an institution must maintain as a percentage of risk-weighted assets and average total assets. The Bank's ratios exceeded these regulatory capital requirements at March 31, 2024 and December 31, 2023.

The following table details the Bank’s actual capital ratios and minimum regulatory ratios as of December 31, 2023 and March 31, 2024.

	Actual		Minimum Capital Requirement*		Minimum To Be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amounts	**Ratio**	**Amounts**	**Ratio**	**Amounts**	**Ratio**
			(Dollars in Thousands)			
December 31, 2023						
Total Capital to Risk-Weighted Assets	$ 434,272	13.17 %	$ 346,214	10.50 %	$ 329,728	10.00 %
Common Equity Tier 1 Capital to Risk-Weighted Assets	407,620	12.36	230,810	7.00	214,323	6.50
Tier 1 Capital to Risk-Weighted Assets	407,620	12.36	280,269	8.50	263,782	8.00
Tier 1 Capital to Average Assets	407,620	9.52	171,297	4.00	214,121	5.00
March 31, 2024						
Total Capital to Risk-Weighted Assets	**$ 441,158**	**13.43 %**	**$ 344,836**	**10.50 %**	**$ 328,415**	**10.00 %**
Common Equity Tier 1 Capital to Risk-Weighted Assets	**414,398**	**12.62**	**229,890**	**7.00**	**213,470**	**6.50**
Tier 1 Capital to Risk-Weighted Assets	**414,398**	**12.62**	**279,153**	**8.50**	**262,732**	**8.00**
Tier 1 Capital to Average Assets	**414,398**	**9.54**	**173,785**	**4.00**	**217,231**	**5.00**

* Minimum risk-based regulatory capital ratios and amounts at December 31, 2023 and March 31, 2024 include the applicable minimum risk-based capital ratios and capital conservation buffer of 2.5%

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

The earnings of most banking institutions are exposed to interest rate risk because their balance sheets, both assets and liabilities, are predominantly interest-bearing. It is the Bank's objective to maximize the Bank’s net interest income through the cycle while minimizing, to the degree prudently possible, its exposure to interest rate risk, bearing in mind that the Bank, by its very nature, will always be in the business of taking on interest rate risk. Interest rate risk is monitored on a quarterly basis by the Asset Liability Committee (the “ALCO”) and Board of Directors of the Bank. The ALCO is composed of members of Bank Management and the Executive Committee of the Board. The ALCO establishes and monitors the various components of the balance sheet including volume, maturities, pricing and mix of assets along with funding sources. The goal is to balance liquidity, interest rate risk and profitability. The primary tool used in managing interest rate risk is income simulation modeling. Income simulation modeling measures changes in net interest income by projecting the future composition of the Bank's balance sheet and applying different interest rate scenarios. Management incorporates numerous assumptions into the simulation model, such as asset prepayment speeds, balance sheet growth and non-maturity deposits elasticity. Management believes that there have been no material changes in the interest rate risk reported in the Bank’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the Federal Deposit Insurance Corporation. The information is contained in the Form 10-K within the section “Quantitative and Qualitative Disclosures About Market Risk.”

Item 4 – Controls and Procedures

(a) Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Bank’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness, as of March 31, 2024, of the Bank’s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Bank’s disclosure controls and procedures as of March 31, 2024, the CEO and CFO concluded that, as of such date, the Bank’s disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes in Internal Control

There were no significant changes in the Bank’s internal control over financial reporting, as defined in Rules 13a-15(e) and 15d-15(e), during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Bank’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

The Bank is involved, from time to time, as plaintiff or defendant in various legal actions arising in the normal course of business and typically related to loan collection activities. As of March 31, 2024, the Bank was not involved in any material legal proceedings the outcome of which, if determined in a manner adverse to the Bank, would have a material adverse effect on the Bank's financial condition or results of operations.

Item 1A – Risk Factors

There have generally been no material changes to the nature of the risk factors previously disclosed in the Bank's most recent Form 10-K for the year ended December 31, 2022 filed with the FDIC.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 – Defaults Upon Senior Securities

None.

Item 4 – Mine Safety Disclosures

Not applicable.

Item 5 – Other Information

None.

Item 6 – Exhibits

Exhibit No.	
31.1	Certifications – Chief Executive Officer
31.2	Certifications – Chief Financial Officer
32.1	Certification Pursuant to 18 U.S.C. §1350 – Chief Executive Officer
32.2	Certification Pursuant to 18 U.S.C. §1350 – Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HINGHAM INSTITUTION FOR SAVINGS

Date: May 8, 2024

/s/
Robert H. Gaughen, Jr.
Chief Executive Officer
(Principal Executive Officer)

Date: May 8, 2024

/s/
Cristian A. Melej
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

CERTIFICATIONS

EXHIBIT 31.1

I, Robert H. Gaughen, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Hingham Institution for Savings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2024

/s/

Robert H. Gaughen, Jr.
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

EXHIBIT 31.2

I, Cristian A. Melej, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Hingham Institution for Savings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2024

/s/
Cristian A. Melej
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Hingham Institution for Savings (the "Bank") for the fiscal quarter ended March 31, 2024, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), the undersigned Robert H. Gaughen, Jr., Chief Executive Officer of the Bank, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

/s/
Robert H. Gaughen, Jr.
Chief Executive Officer
(Principal Executive Officer)

Date: May 8, 2024

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Hingham Institution for Savings (the "Bank") for the fiscal quarter ended March 31, 2024, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), the undersigned Cristian A. Melej, Chief Financial Officer of the Bank, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents in all material respects, the financial condition and results of operations of the Bank.

/s/

Cristian A. Melej
Chief Financial Officer
(Principal Financial Officer
and Principal Accounting Officer)

Date: May 8, 2024