



2020 ANNUAL REPORT

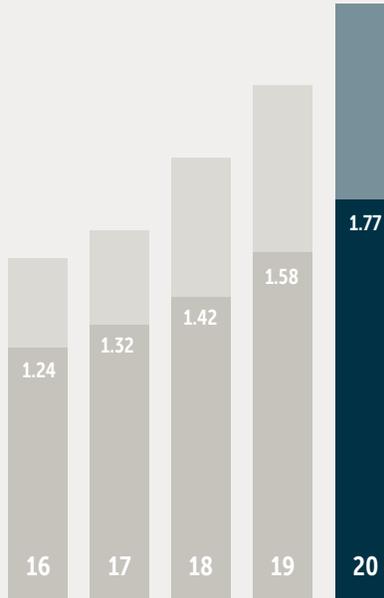
# Financial Highlights

23.4 25.8 30.4 38.9 50.8



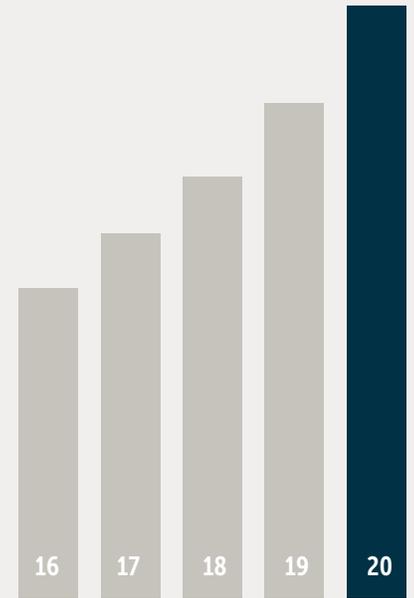
**Net Income**  
(\$ in millions)

1.56 1.66 1.92 2.18 2.47



**Dividends Declared\***  
(\$ per share)

75.50 87.29 99.67 115.75 137.02



**Book Value**  
(\$ per share)

2,015 2,285 2,409 2,590 2,857



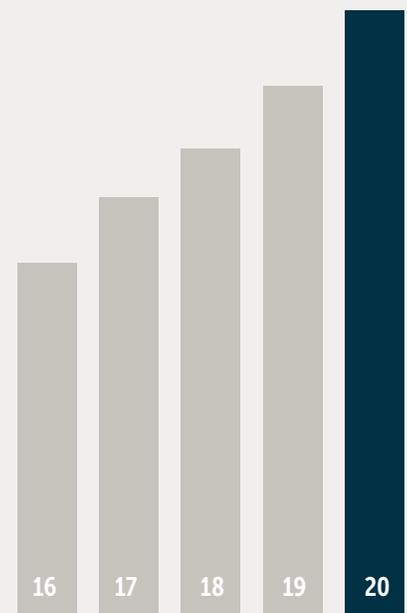
**Assets**  
(\$ in millions)

1,366 1,506 1,573 1,821 2,139



**Deposits**  
(\$ in millions)

1,606 1,834 2,009 2,227 2,495



**Loans, net**  
(\$ in millions)

\*Dividends Declared: Dividends declared chart includes the total regular dividends declared (dark shading) and the total dividends declared including any special dividends (light shading).

# From the Chairman and the President



## To Our Business Partners:

2020 was another outstanding year for Hingham Institution for Savings.

We earned a record \$50.8 million dollars for our owners, a 30% increase from 2019. Our return on average equity of 18.96% and our return on average assets of 1.88% again place us among the most profitable banks in the country. Net loans increased by 12% to \$2.495 billion,

deposits increased by 17% to \$2.139 billion, and total assets increased by 10% to \$2.857 billion. Book value per share rose 18.4% in 2020 from \$115.75 to \$137.02 per share. This excludes capital returned to the ownership through regular and special dividends - we declared \$2.47 in dividends per share in 2020. The trailing five year compound annual growth rate in book value per share, an important measure of long-term value creation, was 16.1%. The efficiency ratio in 2020 was 25.41%, a reflection of our disciplined approach to expense control.

Although we are still operating in the midst of the COVID-19 pandemic and the full extent of the economic damage remains unclear, we are cautiously optimistic that the range of outcomes has narrowed. Our conservative approach to lending has served us well, with virtually no losses or loan forbearance, and we had limited exposure to high risk assets. These outcomes result from the interplay of luck and skill. We have been great beneficiaries of the former.

COVID-19 has been uniquely disruptive in the coastal urban markets in which we operate - Boston and Washington, D.C. Cities are the absence of space between people - the very antithesis of social distance. Throughout history, outbreaks of disease have been closely linked with urbanization and have led to fear of cities. Over the past year, this fear has called into question their sustainability - will they continue to be engines of cultural, technological, and economic growth and innovation? Questions of sustainability were pressing even before COVID-19, particularly in our sister markets of San Francisco and New York, where governance structures had ossified, business formation was discouraged, and affordable housing development was blocked.

We believe these obstacles are ultimately surmountable and will be swamped by the centuries long secular trend towards urbanization, as cities provide a unique space for the agglomeration of human capital. This is especially true when agglomeration effects are reinforced by research universities that generate the intangible assets that drive our economy.

We have always approached investing, whether in our business, in real estate, in people, or in technology, with a long-term perspective. With this perspective, we are occasionally presented with unusual opportunities to act in times of general uncertainty - to deploy capital on attractive terms, to develop new relationships with strong customers, to recruit talented staff, and to invest in digital tools to reduce costs and deliver more value for our customers. In 2020, we were presented with such opportunities and we have done our best to seize them.

We were an active lender throughout the year, accelerating our work after the onset of the pandemic. We supported our strongest customers as they acquired new properties and we built new relationships with strong sponsors that we hope to deepen in future years. At the height of the turmoil that gripped Washington last year, we originated our largest loan ever to a national nonprofit, secured by its headquarters building near the White House. We continued to expand our Commercial Real Estate Group, onboarding a senior-level commercial real estate lender in Boston and actively recruiting in both markets. We offer a stable platform for long-term growth, a commitment to independence, and a disciplined focus on real estate lending through cycles. If you are a talented commercial real estate lender, customer-focused with strong valuation skills, please call us.

Our Specialized Deposit Group continued building on its success in 2020. Our deposit strategy - digital excellence, virtually no fees, and personalized service provided by dedicated relationship managers - has become even more attractive to nonprofits, institutions, and mid-sized businesses this year after they faced difficulty getting access to the Paycheck Protection Program at larger banks. If you are a talented relationship manager in Boston, Washington, New York or San Francisco that works with these kinds of deposit customers, please call Holly Cirignano, the Head of our Specialized Deposit Group. She wants to talk with you.

**Book Value  
Per Share  
\$7.35**

<b>28 Years of Performance</b>	<b>1993*</b>	<b>1994*</b>	<b>1995*</b>	<b>1996*</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Assets</b>	\$ 147,889	\$ 153,192	\$ 175,409	\$ 201,586	\$ 222,584	\$ 260,076	\$ 291,183	\$ 337,881	\$ 386,181	\$ 426,430	\$ 483,954	\$ 547,051	\$ 628,251
<b>Net Loans</b>	\$ 76,936	\$ 100,398	\$ 119,472	\$ 151,166	\$ 172,839	\$ 204,774	\$ 229,687	\$ 266,568	\$ 282,386	\$ 320,692	\$ 358,778	\$ 415,538	\$ 488,126
<b>Book Value Per Share</b>	\$ 7.35	\$ 8.24	\$ 9.17	\$ 9.87	\$ 10.93	\$ 12.05	\$ 12.83	\$ 14.46	\$ 16.38	\$ 18.48	\$ 19.68	\$ 21.29	\$ 23.01
<b>Earnings Per Share (Basic)</b>	\$ 0.10	\$ 1.33	\$ 0.98	\$ 1.05	\$ 1.36	\$ 1.53	\$ 1.65	\$ 2.07	\$ 2.49	\$ 2.91	\$ 2.58	\$ 2.80	\$ 2.95
<b>Return on Equity</b>	1.34%	17.09%	11.11%	11.06%	13.00%	13.18%	13.07%	15.17%	15.95%	16.58%	13.53%	13.56%	13.20%
<b>Efficiency Ratio</b>	108.32%	61.46%	54.25%	53.36%	50.10%	48.72%	50.25%	47.78%	45.31%	45.42%	45.55%	49.48%	48.50%

Dollars in thousands except per share data.

\*Per share data for 1993, 1994, 1995 and 1996 adjusted for the 3 for 2 stock split.

**Book Value  
Per Share  
\$137.02**

Technology became even more integral to our business, driven by changes in consumer preferences during the pandemic. We believe these changes are permanent, not transitory. The pandemic has pulled forward years of digital adoption. We need to align our investments in our digital capabilities with our customers' needs - particularly for digital-first account acquisition - and we need to build a deeper team in this area.

In our investment operations, we avoided permanent impairment and exploited opportunities to commit additional capital to our public equity investments on attractive terms. Our investments are focused on finance - banks, insurers, payment networks and processors and facilitators, financial infrastructure providers, and ratings agencies. We also have material investments in technology companies that facilitate digital commerce. We made our first private equity investment in a de novo bank in 2020 and we continue to seek opportunities to leverage our long duration capital and our operational insights. Our equity investments - both public and private - inform and are informed by our core business operations.

Despite progress over the past year, we remain dissatisfied by the cost and quality of our business operations. Banking is an extraordinarily competitive business. Developing operational and financial leverage is fundamental to our ability to survive. Our technology stack rests on core infrastructure that limits our ability to innovate and requires substantial new investments in middleware, API wrappers, and alternate data repositories. Digitization of workflows and information storage make a cost-effective, geographically distributed workforce possible, but we have yet to build it. We continue to execute tasks internally that should be outsourced to specialty providers.

Finding and eliminating this waste has never been an "initiative" at Hingham. It cannot be accomplished in one fell swoop. It is a discipline, the product of continuous improvement in every area of our business. The Red Queen was right when she said:

'A slow sort of country! Now, here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!'

Although COVID-19 has accelerated digital adoption in our customer base, it has also catalyzed change across our industry, prompting a renewed focus by otherwise comfortable competitors on cost control. Like Alice in Wonderland, we must be prepared to run at least twice as fast to outpace them.

Even as we focus on our performance, we recognize our unique good fortune. Our philanthropic activities this year remained aligned with our business focus on multifamily housing and serving nonprofits. We originated well over \$100 million in loans secured by affordable housing in 2020, including a significant volume of government-subsidized properties. We were an early investor in the Washington Housing Initiative, a new nonprofit loan fund focused on preserving and expanding affordable housing in greater Washington D.C. We also substantially increased our giving focus on education, where disparities in access and quality have become so visible.

Since our family became associated with the Bank twenty-eight years ago, it has been our objective to build one of America's great banks, characterized by superior long-term financial results, a fortress balance sheet that provides unquestionable assurance to our depositors, and an enduring culture of growth and success. We are well on our way.

Very truly yours,

Robert H. Gaughen Jr.  
Chairman of the Board and Chief Executive Officer

Patrick R. Gaughen  
President and Chief Operating Officer

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
\$ 691,652	\$ 744,602	\$ 806,193	\$ 925,560	\$ 1,017,845	\$ 1,127,276	\$ 1,205,884	\$ 1,356,441	\$ 1,552,205	\$ 1,768,528	\$ 2,014,599	\$ 2,284,599	\$ 2,408,587	\$ 2,590,346	\$ 2,857,093
\$ 539,104	\$ 593,915	\$ 647,255	\$ 718,242	\$ 792,910	\$ 849,776	\$ 949,662	\$ 1,078,879	\$ 1,238,656	\$ 1,405,533	\$ 1,605,647	\$ 1,833,987	\$ 2,009,288	\$ 2,227,062	\$ 2,495,331
\$ 24.47	\$ 25.85	\$ 28.20	\$ 30.74	\$ 34.24	\$ 38.70	\$ 43.65	\$ 48.49	\$ 57.08	\$ 64.83	\$ 75.50	\$ 87.29	\$ 99.67	\$ 115.75	\$ 137.02
\$ 2.19	\$ 2.12	\$ 2.96	\$ 3.79	\$ 4.81	\$ 5.68	\$ 6.25	\$ 6.28	\$ 10.46	\$ 9.09	\$ 10.99	\$ 12.08	\$ 14.25	\$ 18.24	\$ 23.76
9.18%	8.40%	11.08%	12.78%	14.67%	15.34%	15.05%	13.52%	19.30%	14.81%	15.59%	14.73%	14.97%	16.82%	18.96%
57.58%	59.69%	52.72%	49.20%	44.91%	42.88%	41.54%	43.26%	37.19%	36.32%	32.15%	30.06%	29.89%	30.26%	25.41%

# Manomet

Elizabeth (Lizzie) Schueler, President  
Plymouth, Massachusetts



For over 50 years, Manomet has been working to understand the science in our natural world, often using birds as indicators. Founded as a bird research and conservation organization, its science has expanded to focus on ecosystem management and resilience, shorebird conservation, and educating tomorrow's leaders. Science, climate change, and a commitment to equity are the fundamental values underpinning the organization today. From the north slope of Alaska to the southern tip of Argentina, Manomet's 40 scientists and staff develop partnerships to support a world where ecosystems and human communities thrive together.

Manomet values Hingham's genuine appreciation for its mission and the safety and security of their bank.

*"Hingham offers the financial safety and security we need to advance our mission."*

Lizzie Schueler

# Marc Savatsky

Boston Real Estate Developer and Investor  
Owner, Choose Boston  
Boston, Massachusetts



Marc Savatsky has experience developing a wide range of projects, from luxury condominiums in Boston's South End to the transformation of distressed properties and under-utilized pieces of land in East Boston and Dorchester. Marc's relationship with the Bank developed over a decade ago when he transitioned careers from construction to development and joined the team at New Boston Ventures, a well-known Boston real estate company and long-time Hingham client. When Marc was ready to develop his own projects, Hingham was ready to back him.

In Hingham, Marc found a partner with an intimate knowledge of the Boston real estate market, particularly the construction markets in which he was active. Our ability to move quickly, give feedback, and structure creatively provided Marc with unique value. Marc's business also relies on the Bank for all of its deposit needs, including managing payments and rental deposits.

*"At Hingham, there's always someone to talk to when evaluating a deal - no matter what time of day."*

Marc Savatsky



Compass Working Capital  
Sherry Riva, Founder and Chief Executive Officer  
Boston, Massachusetts



*"Hingham goes above and beyond to ensure our needs are met. Our banker is always able to help us."*

Sherry Riva

Since its founding, Compass Working Capital has been devoted to its mission of providing financial coaching to families with low-incomes. By keeping clients informed on how to build and protect their assets, Compass is supporting families to invest in opportunities such as education, home ownership, and small business to position them for long-term success.

Compass came to Hingham in 2019 when faced with client-service challenges at their former bank. In addition to hands-on support, Hingham offered the deposit insurance and fraud protection required to fulfill their business needs. Hingham is proud to serve as a banking partner to an organization making such a meaningful impact in the greater Boston community.



**Joe Manning**  
Owner, Manning & Associates Physical Therapy  
Nantucket, Massachusetts



*"With its personalized approach to lending, Hingham has been a trustworthy partner over the years."*

**Joe Manning**

For 20 years, Joe Manning has been providing physical therapy services to patients on Nantucket. In 2006, Joe opened Manning and Associates Physical Therapy - a premier practice focused on sports and orthopedic injuries as well as pre and post operative care for island residents and visitors.

With financing support from Hingham, Joe expanded his practice with the purchase of his Amelia Drive property in 2015. The mixed-use building houses his physical therapy practice on the main floor and apartments on the basement and second floors. Joe has gone on to finance several other properties with Hingham including his personal residences and an investment property that he sold in 2018. Joe appreciates the long-term partnership he has built with Hingham and relies on many of the Bank's digital tools to support his business.

## Selected Financial Data

## Board of Directors

	At December 31,				
	2016	2017	2018	2019	2020
	(In Thousands)				
<b>Balance Sheet Data:</b>					
Total assets	\$ 2,014,599	\$ 2,284,599	\$ 2,408,587	\$ 2,590,346	\$ 2,857,093
Cash & cash equivalents	322,932	355,229	295,975	252,147	233,986
Securities	27,168	34,304	38,460	47,186	65,868
Loans:					
Residential loans	685,674	721,809	741,841	725,524	656,220
Commercial mortgage	796,063	998,567	1,150,535	1,327,126	1,693,215
Construction	131,778	122,715	127,274	186,094	153,020
Other	678	701	542	782	7,438
Allowance for loan losses	11,030	12,537	13,808	15,376	17,404
Deposits	1,366,109	1,505,862	1,573,154	1,820,834	2,139,197
Federal Home Loan Bank advances	475,318	579,164	606,600	505,200	408,031
Stockholders' equity	161,024	186,158	212,576	247,223	292,943
	At or For the Years Ended December 31,				
	2016	2017	2018	2019	2020
	(Dollars in Thousands, Except Per Share Amounts)				
<b>Income Statement Data:</b>					
Total interest and dividend income	\$ 71,769	\$ 81,059	\$ 94,169	\$ 106,952	\$ 106,362
Total interest expense	13,385	17,261	28,384	40,050	21,158
Net interest income	58,384	63,798	65,785	66,902	85,204
Provision for loan losses	1,135	1,505	1,270	1,567	2,288
Other income (loss)	1,735	1,410	(1,735)	8,828	9,192
Operating expenses	19,215	19,576	20,051	20,615	21,978
Income before income taxes	39,769	44,127	42,729	53,548	70,130
Income tax provision	16,346	18,370	12,330	14,621	19,359
Net income	\$ 23,423	\$ 25,757	\$ 30,399	\$ 38,927	\$ 50,771
Core net income *	\$ 23,202	\$ 25,708	\$ 32,776	\$ 32,996	\$ 44,600
<b>Earnings per common share:</b>					
Basic	\$ 10.99	\$ 12.08	\$ 14.25	\$ 18.24	\$ 23.76
Diluted	\$ 10.89	\$ 11.81	\$ 13.90	\$ 17.83	\$ 23.25
<b>Financial Ratios:</b>					
Return on average assets	1.22 %	1.21 %	1.32 %	1.55 %	1.88 %
Return on average equity	15.59	14.73	14.97	16.82	18.96
Core return on average assets *	1.21	1.21	1.42	1.32	1.65
Core return on average equity *	15.44	14.70	16.14	14.26	16.66
Average equity to average assets	7.85	8.22	8.80	9.24	9.93
Interest rate spread	2.99	2.91	2.66	2.38	3.03
Net interest margin	3.10	3.05	2.90	2.72	3.22
Efficiency ratio **	32.15	30.06	29.89	30.26	25.41
Cash dividends declared per common share	\$ 1.56	\$ 1.66	\$ 1.92	\$ 2.18	\$ 2.47
Book value per common share	\$ 75.50	\$ 87.29	\$ 99.67	\$ 115.75	\$ 137.02
Shares outstanding, at year end	2,132,750	2,132,750	2,132,750	2,135,750	2,137,900

\* Non-GAAP measurement which represents net income excluding the after-tax gains and losses on securities, both realized and unrealized.

\*\* The efficiency ratio represents total operating expenses, divided by the sum of net interest income and total other income (loss), excluding gain (loss) on equity securities, net.



Standing (left to right):  
 Ronald D. Falcione  
 Robert A. Lane, Esq.  
 Michael J. Desmond  
 Scott L. Moser  
 Geoffrey C. Wilkinson, Sr.  
 Brian T. Kenner, Esq.  
 Julio R. Hernando, Esq.  
 Stacey M. Page  
 Kevin W. Gaughen, Jr., Esq.

Seated (left to right):  
 Howard M. Berger, Esq.  
 Jacqueline M. Youngworth  
 Robert H. Gaughen, Jr., Esq.  
 Kara Gaughen Smith  
 Robert K. Sheridan, Esq.  
 Patrick R. Gaughen

# Stockholder Information

## Hingham Institution for Savings

55 Main Street  
Hingham, MA 02043  
(781) 749-2200

## Chairman and Chief Executive Officer

Robert H. Gaughen, Jr.

## Investor Inquiries

Patrick R. Gaughen  
President and Chief Operating Officer

## Transfer Agent and Registrar

Computershare  
P.O. Box 505000  
Louisville, KY 40233  
(800) 288-9541

## Online Registered Shareholder Access

[www.computershare.com/investor](http://www.computershare.com/investor)

## Independent Registered Public Accounting Firm

Wolf & Company, P.C.  
99 High Street  
Boston, MA 02110

## Special Counsel

Goodwin Procter  
100 Northern Avenue  
Boston, MA 02210

## Form 10-K and Proxy Statement

A copy of the Bank's Annual Report on Form 10-K and Proxy Statement for the fiscal year ended December 31, 2020 as filed with the Federal Deposit Insurance Corporation, may be obtained without charge by any stockholder of the Bank upon written request addressed to the Investor Relations Department. Additionally, the Bank's Annual Report on Form 10-K and the Proxy Statement are available electronically at [www.hinghamavings.com](http://www.hinghamavings.com).

## Stock Data

Hingham Institution for Savings' common shares are listed and traded on The NASDAQ Stock Market under the symbol HIFS.

As of December 31, 2020, there were approximately 185 stockholders of record, holding 85,727 outstanding shares of common stock. These shares do not include the number of persons who hold their shares in nominee or street name through various brokerage firms.

The following table presents the quarterly high and low prices for the Bank's common stock reported by NASDAQ.

	<u>High</u>	<u>Low</u>
<b>2020</b>		
First Quarter	\$ 216.82	\$ 129.89
Second Quarter	181.50	125.55
Third Quarter	215.00	154.57
Fourth Quarter	230.02	182.65
<b>2019</b>		
First Quarter	\$ 208.88	\$ 165.00
Second Quarter	203.63	163.00
Third Quarter	206.27	176.70
Fourth Quarter	212.59	183.31

The closing sale price of the Bank's common stock at December 31, 2020 was \$216.00 per share.

# 1834

BOSTON

COHASSET

HINGHAM

HULL

NANTUCKET

NORWELL/HANOVER

WASHINGTON, DC



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