

Burke & Herbert Financial Services Corp. Announces Fourth Quarter and Full Year 2022 Earnings

January 27, 2023

Declares Common Stock Dividend

ALEXANDRIA, Va., Jan. 27, 2023 /PRNewswire/ -- Burke & Herbert Financial Services Corp. (the "Company") (OTCPK: BHRB) reported financial results for the quarter ended December 31, 2022 and the full year 2022.

- Net income totaled \$13.3 million for the quarter compared to \$11.1 million the previous quarter and \$8.6 million earned for the same quarter in 2021. Diluted earnings per share for the quarter was \$1.78 compared to \$1.49 the previous quarter and \$1.16 for the same 2021 quarter.
- For the twelve months ended December 31, 2022, net income totaled \$44.0 million, or \$5.89 per diluted share compared to \$36.2 million, or \$4.87 per diluted share for the twelve months ended December 31, 2021.
- At its meeting on January 26, 2023, the board of directors declared a \$0.53 per share regular cash dividend to be paid on March 1, 2023 to shareholders of record as of the close of business on February 15, 2023.
- In October 2022, the formation of the Company as the holding company for Burke & Herbert Bank & Trust Company (the "Bank") was completed and in November 2022 the Company effected a forty-for-one stock split of its common stock. All share and earnings per share information have been retroactively adjusted to reflect the stock split.

From David P. Boyle, Company Chair, President and Chief Executive Officer

"Last year was a pivotal period for the Company. We delivered solid financial results, completed the formation of the holding company, split our common stock, intend to list our shares on the Nasdaq stock exchange, purchased a new corporate center, and continued to execute on our strategic priorities. We continue to monitor the fragile economic environment and the potential impact on our financial performance but our focus remains on leveraging our liquidity and capital positions to support our customers, employees, communities and shareholders."

Fourth Quarter 2022 - Comparison to prior year quarter

Total revenue for the quarter was \$32.1 million or 13% higher than last year due to a 16% increase in net interest income offset by a 2% decrease in noninterest income.

Revenue for the quarter included \$21.2 million in interest and fees on loans and \$11.2 million in interest on investments which was 21% and 51% increase over the prior year, respectively. Loans, net of allowance for losses, ended the quarter at \$1.87 billion or 9% higher than the prior year while investment securities decreased 15% to \$1.37 billion. Total interest income for the quarter was \$32.6 million or 31% higher than the same period a year ago.

Interest expense in the fourth quarter of \$4.7 million increased \$3.8 million from the same period last year due to increased borrowing costs of \$2.3 million and higher deposit costs of \$1.6 million. Total deposits ended the quarter relatively unchanged at \$2.9 billion with noninterest-bearing deposits increasing 3% and interest-bearing deposits decreasing 2%. Noninterest income for the quarter decreased by \$0.1 million compared to last year to \$4.2 million. The change was driven by a loss of \$0.5 million from the strategic sale of securities offset by a \$0.1 million increase in service charges and fees and a \$0.4 million increase in income from bank owned life insurance.

The provision for loan losses for the quarter was \$0.1 million compared to a recapture of loan losses of \$1.8 million for the same period a year ago. Revenue after provision for loan losses of \$32.0 million for the fourth quarter increased 6% from last year.

Total noninterest expense decreased by \$3.9 million from the prior year to \$16.5 million for the quarter primarily due to a \$4.5 million gain on building sales offset by higher consulting and legal expenses.

December 31, 2022 Full Year - Comparison to prior full year period

Total revenue for the twelve months was \$120.8 million or 6% higher than last year due to a 7% increase in net interest income partially offset by a 1% decrease in noninterest income.

Revenue included \$73.6 million in interest and fees on loans which was 1% higher year-over-year. Interest on investments totaled \$38.6 million, a 40% increase, as the Bank allocated excess liquidity to the investment portfolio throughout the year. Total interest income for the twelve months was \$112.6 million compared to \$100.8 million the same period one year ago. Interest expense of \$8.9 million was \$4.7 million higher than the same period last year due to a \$3.7 million and \$1.0 million increase in borrowed funds and interest on deposits, respectively.

Noninterest income decreased by 1%, or \$0.2 million, compared to last year to \$17.1 million primarily due to a loss of \$0.5 million from the strategic sale of securities. Excluding the loss on the sale of securities, noninterest income increased 1.7% in the year-to-date comparison.

Provision for loan losses for the twelve months was a recapture of \$7.5 million compared to a recapture of \$1.0 million reflecting the improved credit outlook compared to prior periods and the resolution of a certain credit exposure during the year. Revenue after provision for loan losses reached \$128.2 million for the twelve-month period, an increase of \$13.4 million over the same period last year.

Total noninterest expense increased by 2% from the prior year to \$75.9 million primarily due to a 5% increase in personnel related expense offset by a 3% decrease in occupancy and other operating expense. The Bank's efficiency ratio ended the twelve months of 2022 at 62.9% compared to 65.4% for the same period a year ago.

The Company continues to be well capitalized, with capital ratios that are well above regulatory requirements. As of December 31, 2022, total shareholders' equity was \$273.5 million or 30% lower than the prior year due to unrealized losses in the securities portfolio.

For more information about the Bank's performance, please see our [financial statements](#).

Burke & Herbert Financial Services Corp. is the bank holding company for Burke & Herbert Bank & Trust Company. Burke & Herbert Bank & Trust Company is the oldest continuously operating bank under its original name headquartered in the greater Washington DC Metro area. The Bank offers a full range of business and personal financial solutions designed to meet customers' banking, borrowing, and investment needs and has over 20 branches throughout the Northern Virginia region and commercial loan offices in Fredericksburg, Loudoun County, Richmond, and in Bethesda, Maryland. Learn more at www.burkeandherbertbank.com.

Member FDIC; Equal Housing Lender.

Cautionary Note Regarding Forward-Looking Statements

This press release may contain certain forward-looking statements that are based on certain assumptions and describe future plans, strategies and expectations of the Company and the Bank, including with respect to the listing of the Company's shares on the Nasdaq stock exchange and the timing and benefits thereof. These forward-looking statements are generally identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," "will," "should," "may," "view," "opportunity," "potential," or similar expressions or expressions of confidence. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

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