

Burke & Herbert Financial Services Corp. Announces Third Quarter 2022 Earnings

October 28, 2022

Approves 40-for-1 Stock Split and Declares Dividend

Alexandria, VA – Burke & Herbert Financial Services Corp. (the “Company”) (OTCPK: BHRB) reported third quarter net income of \$11.1 million for Burke & Herbert Bank & Trust Company (the “Bank”) and announced both a 40-for-1 forward stock split of the Company’s common stock and a dividend of \$0.53 per share on the Company’s outstanding common stock, which on a split-adjusted basis is economically equivalent to the pre-split dividend amount of \$21.20 per share paid in the preceding quarter.

- On October 1, 2022, the formation of the Company as the holding company for the Bank was completed. As a result of the holding company formation, each share of common stock of the Bank was automatically converted into one share of Company common stock. Financial information as of or for any period prior to October 1, 2022, reflects the financial position and results of the Bank. The Company’s common stock will continue to trade on the OTC Markets trading platform under the symbol “BHRB.”
- The Company’s Board of Directors declared a 40-for-1 forward stock split that will be effected by issuing 39 additional shares of common stock for each outstanding share of common stock. The record date for the stock split is November 9, 2022. The additional shares will be distributed on November 17, 2022.
- The Company’s Board of Directors also declared a common stock dividend of \$0.53 per share on the Company’s outstanding common stock. On a split-adjusted basis, the dividend is economically equivalent to the pre-split dividend of \$21.20 per share paid in the preceding quarter. The record date for the dividend is November 18, 2022, and it is payable on December 1, 2022.
- Net income for the Bank totaled \$11.1 million for the quarter compared to \$10.4 million the previous quarter and \$9.2 million earned for the same quarter in 2021. Diluted earnings per share for the quarter was \$59.65 compared to \$55.78 the previous quarter and \$49.75 for the same 2021 quarter.
- For the nine months ended September 30, 2022, net income for the Bank totaled \$30.7 million, or \$164.42 per diluted share compared to \$27.5 million, or \$148.18 per diluted share for the nine months ended September 30, 2021.

“These announcements are an integral part of the continued success of the Company as we seek to deliver increased value for our shareholders. We remain grateful for their ongoing support,” said E. Hunt Burke, Chair of the Board.

“Our performance so far this year is a result of our team’s focus on executing our strategic priorities. We recently completed the formation of the holding company and announced a stock split while furthering our market expansion with a new commercial lending office in Bethesda, Maryland, and continuing to invest in our fee-based businesses and digital capabilities,” said David P. Boyle, President & Chief Executive Officer. “We continue to monitor and assess the dynamic interest rate environment and other factors effecting the direction of the U.S. economy and how our performance may be impacted. Nevertheless, we will continue to use our liquidity and capital positions to support our customers, employees, communities and shareholders.”

Bank Results

Third Quarter 2022 – Comparison to prior year quarter

Total revenue for the quarter was \$30.9 million, or 7% higher than last year due to a 9% increase in net interest income offset by a 5% decrease in noninterest income.

Revenue for the quarter included \$18.6 million in interest and fees on loans, and \$10.5 million in interest on investments, which were a 1% and 53% increase over the prior year, respectively. Loans, net of allowance for losses, ended the quarter at \$1.73 billion or 4% higher than the prior year, while investment securities increased 1% to \$1.45 billion. Total interest income for the quarter was \$29.3 million or 15% higher than the same period a year ago.

Interest expense in the third quarter of \$2.6 million increased \$1.6 million from the same period last year primarily due to a \$1.3 million increase in interest paid on borrowed funds. Total deposits ended the quarter at \$2.98 billion, or 2% higher than last year, with noninterest-bearing deposits increasing 5% and interest-bearing deposits increasing 1%. Noninterest income for the quarter decreased 5% compared to the prior year quarter to \$4.3 million. The decrease was driven by a 30% decrease in other noninterest income primarily attributed to our mortgage business offset by a 1% increase in fiduciary and wealth management revenue and a 6% increase in service charges and fees.

The provision for loan losses for the quarter was a recapture of \$2.4 million. Revenue after the recapture of loan losses increased to \$33.3 million, an increase of 15% over last year.

Total noninterest expense increased by 8% from the prior year to \$20.0 million for the quarter, primarily due to increases in

personnel related expense as the Bank continued to execute on strategic priorities to deliver enhanced product capabilities to new and existing markets. Compared to the prior year quarter, personnel related expenses increased by 13% and occupancy and other operating expenses increased by 1%.

Year-to-date ended September 30, 2022 – Comparison to prior year period

Total revenue for the nine months was \$88.7 million or 4% higher than last year due to a 4% increase in net interest income offset by 1% decrease in noninterest income.

Revenue included \$52.5 million in interest and fees on loans, which was 6% lower year-over-year. Interest on investments totaled \$27.3 million, a 37% increase, as the Bank allocated excess liquidity to the investment portfolio throughout the year with the benefit of higher yields. Total interest income for the nine months was \$80.1 million compared to \$75.9 million the same period one year ago. Interest expense of \$4.3 million was 27% higher than the same period last year due to a \$1.4 million increase in borrowed funds expense offset by a \$0.6 million decline in interest paid on deposits.

Noninterest income was essentially stable compared to last year at \$12.9 million. Other noninterest income decreased 26% primarily due to lower mortgage activity, offset by a 4% increase in fiduciary and wealth management revenue and a 10% increase in service charges and fees.

The provision for loan losses for the nine months was a recapture of \$7.6 million compared to \$0.8 million expense for the prior year. Revenue after provision for loan losses reached \$96.2 million for the nine-month period, an increase of \$11.5 million over the same period last year.

Total noninterest expense increased by 10% from the prior year to \$59.5 million primarily due to an 8% increase in personnel related expense and a 13% increase in occupancy and other operating expense. The Bank's efficiency ratio ended the nine months of 2022 at 67.1% compared to 63.2% for the same period a year ago. Burke & Herbert Bank continues to be well-capitalized, with capital ratios that are well above regulatory requirements. As of September 30, 2022, total shareholders' equity was \$255.5 million, 34% lower than the prior year with book value per share decreasing by \$714.89 to \$1,376.13. The decrease was primarily driven by the higher rate environment that impacted the value of the investment 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. 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.