Burke&Herbert
Financial Services Corp.

Burke & Herbert Bank & Trust Company Announces Third Quarter 2021 Results and Declares Fourth Quarter 2021 Dividend

October 29, 2021

Alexandria, VA – Burke & Herbert Bank & Trust Company (OTCPK: BHRB) reported financial results for the quarter ended September 30, 2021 and the year to date.

- Net income totaled $9.2 million for the quarter compared to $9.4 million the previous quarter and $5.8 million earned for the same quarter in 2020, and earnings per share for the quarter decreased to $49.88 from $50.54 the previous quarter and increased from $31.40 for the same 2020 quarter.
- For the nine months ended September 30, 2021, net income totaled $27.5 million, or $148.36 per share compared to $17.4 million, or $93.48 per share for the nine months ended September 30, 2020.

“We are pleased with the results for the quarter and the year to date,” said David P. Boyle, the Bank’s President & Chief Executive Officer. “In addition to growing net income 58% year over year, we continued to make great progress in executing on our strategic priorities. Most notably, we enhanced our commercial banking and lending depth with key additions to the team and expanded our market presence, opening a new loan production office in Ashburn, Virginia. We remain confident in our ability to deliver on our plans and position the Bank to create additional value for our shareholders,” he added.

In addition, at its meeting on October 28, 2021, the board of directors declared a $20.00 per share regular cash dividend to be paid on December 1, 2021 to shareholders of record as of the close of business on November 15, 2021.

“Our dividend announcement reflects another solid quarterly performance for the bank that further enhanced our strong capital and liquidity positions,” said E. Hunt Burke, the Bank’s Chairman. “We are pleased to continue our long history of delivering value to our shareholders in the form of cash dividends and are grateful for the ongoing support and confidence of our shareholders.”

Third Quarter 2021 – Comparison to prior year quarter

Total revenue for the quarter was $28.9 million or 6% higher than last year due to a 5% increase in net interest income and a 7% increase in noninterest income.

Revenue for the quarter included $18.4 million in interest and fees on loans, an 8% decrease, and $6.9 million in interest on investments, a 23% increase over the prior year. Loans, net of allowance for losses, ended the quarter at $1.66 billion or 13% lower than the prior year, while investment securities increased 36% to $1.44 billion. Total interest income for the quarter was $25.4 million or 1% lower than the same period a year ago.

Interest expense in the third quarter of $1.0 million was 59% lower than the same period last year due to a $1.4 million decline in interest paid on deposits as the Bank continued repricing higher cost deposits. Total deposits ended the quarter at $2.9 billion, or 7% higher than last year, with noninterest-bearing deposits increasing 16% and interest-bearing deposits increasing 3%. Noninterest income for the quarter increased 7% compared to last year to $4.5 million. The $0.3 million increase was driven primarily by higher fiduciary and wealth management revenue and other service charges and fees.

Provision for loan losses decreased by $3.5 million to $12 thousand reflecting the improved credit outlook compared to the same time a year ago. Overall, the Bank’s revenue after provision for loan losses reached $28.9 million for the third quarter, an increase of $5.1 million over last year.

Total noninterest expense increased by 5% from the prior year to $18.6 million for the quarter primarily due to increases in personnel expense, occupancy and other operating expense as the Bank continues to optimize the branch network and expand into newer markets.

September 30, 2021 Year-to-Date – Comparison to prior year-to-date period

Total revenue for the nine months was $85.5 million or 6% higher than last year due to an 8% increase in net interest income offset by a 6% decrease in noninterest income.

Revenue included $55.8 million in interest and fees on loans, which was 7% lower year-over-year. Interest on investments totaled $20.0 million, a 26% increase, as the Bank allocated excess liquidity to the investment portfolio as a result of the current lending environment. Total interest income for the nine months was $75.9 million or 1% lower than the same period one year ago. Interest expense of $3.4 million was 64% lower than the same period last year due to a $5.9 million decline in interest paid on deposits and a 12% decrease in borrowed funds expense.

Noninterest income decreased 6%, or $0.8 million, compared to last year to $12.9 million primarily due to $2.0 million of securities

gains recorded in 2020. Excluding securities gains, noninterest income increased 10% in the year-to-date comparison.

Provision for loan losses decreased by $11.8 million to $0.8 million reflecting the improved credit outlook compared to the same time a year ago. Revenue after provision for loan losses reached $84.7 million for the nine-month period, an increase of $16.6 million over the same period last year.

Total noninterest expense increased by 8% from the prior year to $54.1 million primarily due to an 8% increase in personnel expense and a 13% increase in occupancy and other operating expense. The Bank's efficiency ratio ended the nine months of 2021 at 63.2% compared to 61.7% 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, 2021, total shareholders' equity was $388.1 million, 3.7% higher than the prior year with book value per share increasing by $81.06 to $2,091.02.

For more information about the Bank's performance, please see our **financial statements**.

Burke & Herbert Bank & Trust Company, established in 1852, is the oldest bank in the Commonwealth of Virginia and the oldest continuously operated bank the Washington, DC area. The Bank offers a full range of personal and business banking products and services designed to meet customers' banking, borrowing, and investing needs. Burke & Herbert Bank & Trust Company is headquartered in Alexandria and operates more than 20 branches in Northern Virginia and greater Fredericksburg.

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