

# 2021 1st Quarter Earnings Report



**Burke & Herbert Bank**

At Your Service Since 1852®

# To our Shareholders, Customers and Friends

We are pleased to report that Burke & Herbert Bank achieved a solid start to 2021. The Bank's net income for the first quarter totaled \$8.9 million, a 29% improvement over the same period a year ago, with earnings per share increasing by \$11.00 year-over-year to \$47.95.

Income for the quarter included \$6.5 million in interest on investments, a 16% increase over the prior year, and \$18.8 million in interest and fees on loans, which was 7% lower year-over-year. Interest income from loans was dampened by lower loan balances and narrower margins resulting from the pandemic and the low rate environment. The Bank's total interest income in the first quarter was \$25.3 million, 2% lower than the same period one year ago.

The first quarter's decline in interest income was more than offset by a decrease in the Bank's interest expense. Interest expense in the first quarter was 70% lower than the same period last year, driven primarily by a \$2.8 million decline in interest paid on deposits as the Bank continued repricing higher-rate deposits. Also helping to lower overall interest expense, the Bank's borrowing costs declined by 28% year-over-year. Additionally, the Bank's provision for loan losses decreased by \$1.6 million, or 75%, from last year's level, reflecting an improving credit outlook. Overall, the Bank's net interest income after provision for loan losses reached \$23.5 million for the first quarter, an increase of \$4.0 million over the same period one year ago.

The Bank's non-interest income for the first quarter totaled \$3.9 million. This was \$1.9 million lower than the prior year primarily due to \$1.9 million of securities gains realized in the first quarter of last year. Fee income from our wealth services business increased by 12% from the prior year, contributing \$1.2 million for the quarter, while income from service charges, commissions and fees was \$2.0 million for the quarter, essentially the same year-over-year.

Total non-interest expenses decreased by 1% from the prior year. The Bank saw a \$0.6 million increase in occupancy and other operating expenses, while salaries and benefits expense was \$0.7 million lower. The Bank's overhead efficiency ratio continued to improve, dropping from 65% one year ago to 63% at the end of the first quarter.

Burke & Herbert Bank's balance sheet continued to grow. Total assets increased by 12% over the prior year, reaching \$3.5 billion as of March 31, a new all-time high for the Bank. Our loan portfolio stood at \$1.8 billion at quarter-

end, 3% lower year-over-year, but essentially flat from year-end 2020. The Bank's investment portfolio grew by 11% from year-end to \$1.3 billion as of March 31, for a year-over-year increase of 65%.

The Bank's asset expansion continued to be primarily funded by growth in core deposits. At quarter-end, total deposits were \$2.9 billion, an increase of 3.0% from year end 2020, and 15% higher than last year. All of the increase was in non-maturity deposit accounts with \$269 million of the increase in demand deposit balances, the Bank's lowest cost source of funding.

Burke & Herbert Bank continues to be well capitalized, with capital ratios that are well above regulatory requirements. As of March 31, 2021, total stockholders' equity stood at \$376.0 million, 6% higher than the prior year. The Bank's book value per share increased by \$115.26 year-over-year, and dividends were maintained at \$20 per share for the quarter.

While the interest rate environment continues to pose some challenges for the financial industry, we are working hard to enhance and grow the Bank in 2021, with an emphasis on our commercial banking business. In the first quarter, we welcomed Greg Mellors to the Bank's leadership team. In his role as Senior Vice President of Commercial Banking, Mr. Mellors is leading the effort to grow the Bank's commercial and industrial banking platform. The Bank also welcomed Commercial Relationship Managers, Jeff Rouse and Lee Pugh -- two veteran commercial bankers with significant experience in the greater Fredericksburg, Virginia market. The addition of Mr. Rouse and Mr. Pugh mark the exciting expansion of the Bank's reach beyond the northern Virginia/greater Washington market for the first time.

As the economy continues to improve, Burke & Herbert Bank is well positioned to help our clients rebound from the pandemic, resulting in additional success and value for our shareholders. On behalf of all of us at Burke & Herbert Bank, thank you for your support.



**E. Hunt Burke**  
Chairman of the Board



**David P. Boyle**  
President & Chief  
Executive Officer

# Balance Sheet

As of March 31 (in thousands)  
(unaudited)

	2021	2020
<b>ASSETS</b>		
Cash & Due from Banks	\$ 176,057	\$ 243,707
Total Investments	1,297,137	788,224
Loans, Total	1,838,846	1,890,381
Reserve for Loan Losses	(33,373)	(20,423)
Loans, Net	1,805,473	1,869,958
Premises & Equipment	39,108	40,199
Other Assets	187,571	182,168
<b>TOTAL ASSETS</b>	<b>\$ 3,505,346</b>	<b>\$ 3,124,256</b>
<b>LIABILITIES</b>		
Demand Deposits	\$ 902,191	\$ 633,319
Interest Checking Deposits	542,616	423,142
Time & Savings Deposits	<u>1,427,317</u>	<u>1,447,045</u>
Total Deposits	2,872,124	2,503,506
Other Borrowed Funds	227,035	225,000
Other Liabilities	30,157	39,475
<b>TOTAL LIABILITIES</b>	<b>3,129,316</b>	<b>2,767,981</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock	4,000	4,000
Surplus	10,244	10,061
Retained Earnings	371,104	359,499
Net Income Year to Date	8,913	6,901
Accumulated Other Comprehensive Income	9,675	2,140
Common Stock Repurchased	(27,906)	(26,326)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>376,030</b>	<b>356,275</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$ 3,505,346</b>	<b>\$ 3,124,256</b>

**The Bank's transfer agent is:** American Stock Transfer (AST), 6201 15th Avenue, Brooklyn, NY 11219.  
Visit AST online at [astfinancial.com](http://astfinancial.com) or call 1-888-509-4619.  
To request a copy of Burke & Herbert Bank's audited financial statements, please call us at 703-684-1655.

# Income Statement

As of March 31, Three Months Ended (in thousands)  
(unaudited)

	2021	2020
<b>INTEREST INCOME</b>		
Interest on Investments	\$ 6,499	\$ 5,588
Interest & Fees on Loans	<u>18,820</u>	<u>20,187</u>
<b>TOTAL INTEREST INCOME</b>	<b>25,319</b>	<b>25,775</b>
<b>INTEREST EXPENSE</b>		
Interest on Deposits	902	3,662
Interest on Other Borrowed Funds	<u>361</u>	<u>503</u>
<b>TOTAL INTEREST EXPENSE</b>	<b>1,263</b>	<b>4,165</b>
<b>NET INTEREST INCOME BEFORE PROVISION</b>		
	24,056	21,610
Provision for Loan Losses	<u>512</u>	<u>2,087</u>
<b>NET INTEREST INCOME AFTER PROVISION</b>	<b>23,544</b>	<b>19,523</b>
<b>NON-INTEREST INCOME</b>		
Fiduciary & Wealth Management Income	1,226	1,090
Service Charges, Commissions & Fees	1,991	1,992
Net Gain (loss) on Securities	(4)	1,943
Income on Bank Owned Life Insurance	546	584
Other	<u>177</u>	<u>205</u>
<b>TOTAL NON-INTEREST INCOME</b>	<b>3,936</b>	<b>5,814</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries & Benefits	10,685	11,401
Occupancy Expense	1,555	1,442
Other Operating Expenses	<u>5,374</u>	<u>4,906</u>
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>17,614</b>	<b>17,749</b>
<b>NET INCOME BEFORE TAX</b>		
	9,866	7,588
Income Tax Expense	<u>953</u>	<u>687</u>
<b>NET INCOME</b>	<b>\$ 8,913</b>	<b>\$ 6,901</b>

## FINANCIAL HIGHLIGHTS

Basic Earnings per Share	\$ 47.95	\$ 36.95
Number of Shares Outstanding	185,551	186,404
Dividend per Share	\$ 20.00	\$ 20.00
Book Value per Share	\$ 2,026.56	\$ 1,911.30
Return on Average Assets	1.05%	0.93%
Return on Average Equity	9.43%	7.77%
Overhead Efficiency Ratio	62.93%	64.72%
Gross Loans to Deposits	64.09%	75.51%



# Burke & Herbert Bank

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