

2020 Annual Report



Burke & Herbert Bank

At Your Service Since 1852®

Our Brand Promise

At Burke & Herbert Bank, our customers are the focal point of our work. We know we must work hard to earn both their banking business and their loyalty. That's why we strive to deliver high-quality products and services designed to meet customers' banking, borrowing, and investing needs — products and services that help our customers to achieve their objectives and realize their dreams. It is why we are focused on exceeding customer expectations, making banking easy, convenient, and rewarding — for both consumers and businesses. And, it is why we will continue to provide friendly and attentive personal service, our signature for generations. When we say that we are “At Your Service,” we mean it.

Our Brand Mission

We believe that delivering on this promise of putting customers and their needs first will enable us to become the bank of choice for consumers and businesses throughout northern Virginia, and at the same time, deliver strong financial results and value to our shareholders.



To our Shareholders, Customers and Friends

The Covid-19 pandemic had a profound impact on 2020, affecting businesses, individuals, and economies worldwide as well as here at home. While the challenges resulting from the pandemic were unprecedented for our customers and our business, we are pleased to report that Burke & Herbert Bank persevered in 2020 to generate solid financial results and positive returns for our shareholders, while providing critical banking services to our customers and community.

Burke & Herbert Bank began the year with a plan focused on enhancing revenue generation, the customer experience, risk management, operational efficiency, and team member experience. In the first quarter, initiatives to support these objectives were underway or on our slate to begin soon. However, as the nation began to wrestle with the impacts of the global health and financial crisis, it became clear that certain elements of our plan would have to be delayed, as new issues took priority. We turned our attention to implementing new safety protocols for our team members and customers, and to supporting our customers facing financial hardships due to job loss and closed or limited business operations.

We drew resources from across the Bank to support the Small Business Administration's Paycheck Protection Program (PPP) and provide assistance to local businesses. Over 20% of our team contributed to the effort, working tirelessly to deliver more than 1,100 loans – approximately three times the Bank's typical annual business loan volume – in just twelve weeks.

Mindful of the Bank's role and responsibility as a critical business and economic lifeline in our community, we also reached out to serve the needs of our clients that were hardest hit. We redirected our credit and client-facing teams away from new loan originations (which had all but stopped aside from Paycheck Protection Program loans) to work with borrowers to defer payments, structure transactions to support continued operations, and help keep people in their homes.

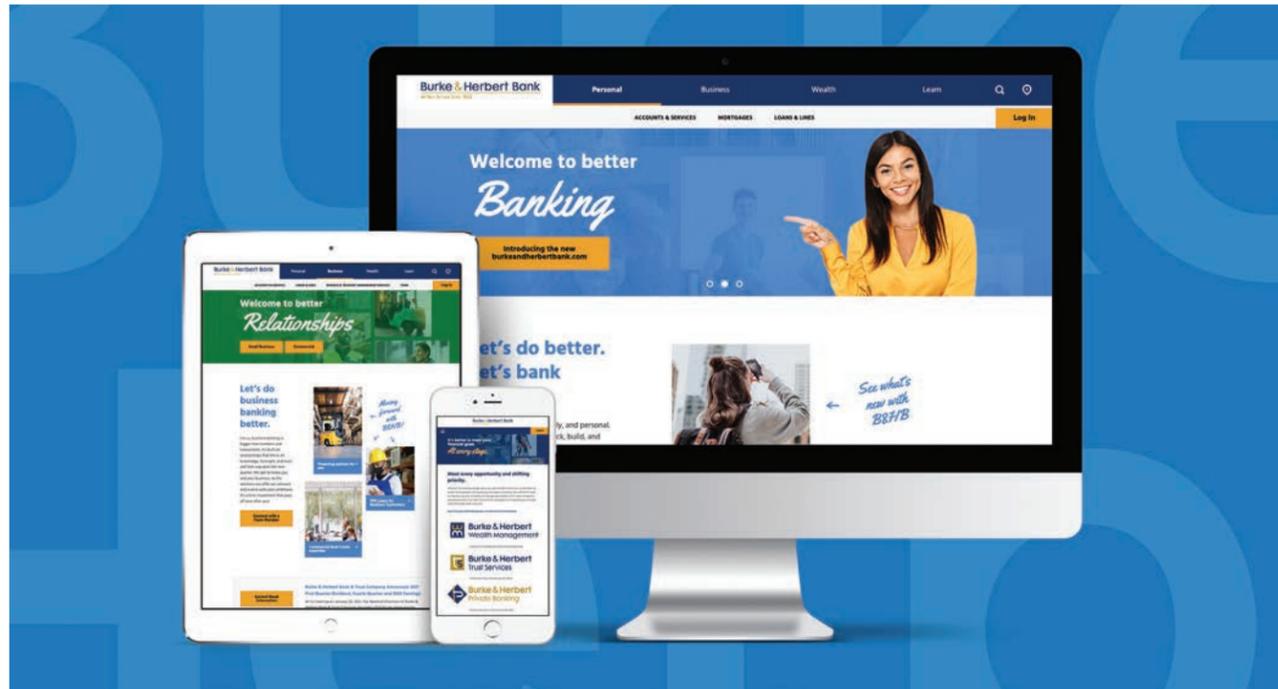
“Burke & Herbert Bank made the challenging process of applying for a Paycheck Protection Program Loan and then applying for loan forgiveness straightforward and smooth.

We have only been banking with Burke & Herbert Bank for just over a year, and I am so thankful that we made the switch.

The PPP Loan process would have been a very different experience with our previous banking relationship.” – Anne M.

BUILDING A BETTER CUSTOMER EXPERIENCE

While a number of initiatives and investments that initially had been planned for 2020 were necessarily delayed, we did not stop everything. Our team worked diligently to deliver enhancements and new conveniences for customers including new digital wallet services for Burke & Herbert Bank Visa® Debit Card holders, a new Private Banking program offering exclusive services and benefits for high-net worth clients, and an all-new website, providing a much-enhanced online experience for both customers and prospects. Significant progress also was made on initiatives to enhance and modernize the Bank's online and mobile banking platforms, offer new treasury management services, improve delivery of commercial loans, deepen skills and expand career opportunities for team members, and enhance customer relationships with the support of a new, comprehensive customer relationship management tool. We look forward to launching these exciting enhancements in 2021.



ACHIEVING STRONG RESULTS

The Bank realized solid financial results in 2020, with overall net income of \$26.5 million, ahead of the prior year by 56.1%. Earnings per share increased to \$142.21 and dividends totaled \$80 per share, consistent with the prior year. New loan volume, an important driver of revenue, was down from the previous year, due to the significant economic slow down. We also saw several large loans pay off during the second half of the year as borrowers were adjusting their debt and capital structures in response to the shifting economic environment.

New commercial loan volume and interest income from the Bank's loan portfolio were dampened by the pandemic and resulting decline in rates. Revenue from the loan portfolio declined by 7.6% year-over-year. Interest earned on our investment portfolio also declined in the low-rate environment, totaling \$23.2 million, 10.5% less than the previous year. Overall, the Bank's total interest income decreased by 8.3% from the prior year to total \$101.5 million.

The decline in interest income was more than offset by savings realized in interest expense, as higher rate deposits were replaced with lower rate ones. Although the Bank's deposit portfolio increased by 16.5% when compared to December 31, 2019, total interest paid on deposits declined by \$7.9 million (44.8%) year-over-year. Interest paid to the Federal Home Loan Bank declined by 59.2%, adding to the Bank's interest expense reduction. The Bank's total interest expense in 2020 was nearly halved from the prior year, declining by 47.4% (\$10.2 million) to \$11.3 million.

Provision for loan losses was increased to \$12.6 million in 2020 (from \$6.2 million in 2019), recognizing the pandemic-weakened economic conditions. As a result, the Bank's net interest income after provision for 2020 totaled \$77.6 million, \$5.4 million (6.5%) lower than the prior year.

BOOSTING REVENUE WHILE LOWERING COSTS

The Bank's non-interest income totaled \$18.5 million in 2020, increasing modestly (2.2%) from the prior year. ATM and debit card transaction revenues and deposit account service charges declined, reflecting pandemic-induced changes in customer behavior. However, fee income from our wealth services business increased by 4.6% year-over-year, contributing \$4.5 million and reflecting the value that customers continue to place on the expertise and service provided by our Wealth Advisors and Trust Officers. Likewise, increased sales of residential mortgage loans originated by the Bank and sold to investors, helped to boost service charges, commissions and fees by 11.5% over the prior year.

Non-interest expense decreased to \$67.7 million, \$16.7 million (19.8%) lower than the prior year. The key driver of this cost savings was a nearly \$12 million (22.6%) reduction in salaries and benefits. Additionally, management was able to reduce most other operating expenses in various amounts as we worked to adjust our business model during the pandemic. These expense savings contributed to a significant improvement in the Bank's overhead efficiency ratio, which ended the year at 62.2%.

EXPANDING OUR BUSINESS

Burke & Herbert Bank's balance sheet grew significantly in 2020. Total assets increased by 19.8% over the previous year, to stand at an all-time high of \$3.4 billion on December 31.

Our loan portfolio stood at \$1.8 billion as of December 31, a decrease of 2.3% from the prior year. However, our investment portfolio grew by 67.5% year-over-year to reach nearly \$1.2 billion by December 31. Growth in our balance sheet was fueled by a considerable increase in total deposits, which rose by \$394 million (16.5%) year-over-year to stand at nearly \$2.8 billion by year-end.

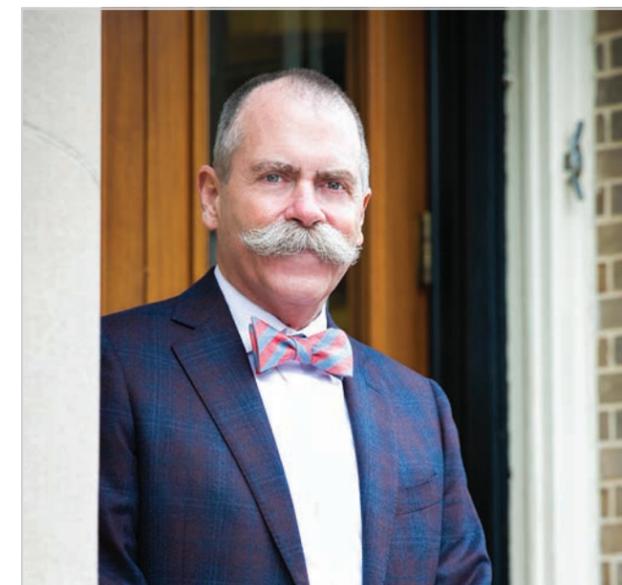
We believe that we have many reasons to be optimistic about the future and are moving forward enthusiastically with our initiatives to expand and diversify our commercial banking program, upgrade our digital banking services, and enhance customer and team member experiences — all designed to continue making banking *better* at Burke & Herbert Bank.

LOOKING AHEAD WITH CONFIDENCE

We are extremely proud of our team's hard work, determination, and continued commitment to serving our customers and our community, despite the unique challenges of 2020. At one of the most challenging times in recent history, Burke & Herbert Bank performed well and emerged as a stronger bank. We believe that we have many reasons to be optimistic about the future and are moving forward enthusiastically with our initiatives to expand and diversify our commercial banking program, upgrade our digital banking services, and enhance customer and team member experiences — all designed to continue making banking *better* at Burke & Herbert Bank. On behalf of the entire Burke & Herbert Bank team, thank you for your support and confidence.


E. Hunt Burke
 Chairman of the Board


David P. Boyle
 President & Chief Executive Officer



E. Hunt Burke, *Chairman of the Board*



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

Balance Sheet

December 31 (in thousands)	2020	2019
ASSETS		
Cash & Due from Banks	\$ 228,704	\$ 83,747
Total Investments	1,171,893	699,694
Loans, Total	1,841,986	1,855,171
Reserve for Loan Losses	<u>(32,697)</u>	<u>(24,201)</u>
Loans, Net	1,809,289	1,860,970
Premises & Equipment	40,494	41,188
Other Assets	182,264	180,340
TOTAL ASSETS	\$ 3,432,644	\$ 2,865,939
LIABILITIES		
Demand Deposits	\$ 852,008	\$ 621,424
Interest Checking Deposits	538,289	386,617
Time & Savings Deposits	<u>1,397,670</u>	<u>1,385,971</u>
Total Deposits	2,787,967	2,394,012
Other Borrowed Funds	225,000	75,000
Other Liabilities	34,800	43,399
TOTAL LIABILITIES	3,047,767	2,512,411
STOCKHOLDERS' EQUITY		
Common Stock	3,724	3,739
Surplus	10,178	10,032
Retained Earnings	348,603	346,515
Net Income Year to Date	26,499	16,978
Accumulated Other Comprehensive Income	22,580	1,426
Common Stock Repurchased	<u>(26,707)</u>	<u>(25,162)</u>
TOTAL STOCKHOLDERS' EQUITY	384,877	353,528
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 3,432,644	\$ 2,865,939

The Bank's transfer agent is: American Stock Transfer (AST), 6201 15th Avenue, Brooklyn, NY 11219.
Visit AST online at 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

December 31, Twelve Months Ended (in thousands)	2020	2019
INTEREST INCOME		
Interest on Investments	\$ 23,236	\$ 25,952
Interest & Fees on Loans	<u>78,308</u>	<u>84,734</u>
TOTAL INTEREST INCOME	101,544	110,686
INTEREST EXPENSE		
Interest on Deposits	9,696	17,572
Interest on Other Borrowed Funds	<u>1,585</u>	<u>3,884</u>
TOTAL INTEREST EXPENSE	11,281	21,456
NET INTEREST INCOME BEFORE PROVISION		
	90,263	89,230
Provision for Loan Losses	<u>12,648</u>	<u>6,243</u>
NET INTEREST INCOME AFTER PROVISION	77,615	82,987
NON-INTEREST INCOME		
Fiduciary & Wealth Management Income	4,451	4,254
Service Charges, Commissions & Fees	9,757	8,750
Net Gains on Securities	1,944	3,192
Income on Bank Owned Life Insurance	2,303	1,913
Other	<u>89</u>	<u>41</u>
TOTAL NON-INTEREST INCOME	18,544	18,150
NON-INTEREST EXPENSE		
Salaries & Benefits	40,945	52,929
Occupancy Expense	6,003	6,527
Other Operating Expenses	<u>20,772</u>	<u>24,958</u>
TOTAL NON-INTEREST EXPENSE	67,720	84,414
NET INCOME BEFORE TAX		
	28,439	16,723
Income Tax Expense	<u>1,940</u>	<u>(255)</u>
NET INCOME	\$ 26,499	\$ 16,978
FINANCIAL HIGHLIGHTS		
Basic Earnings per Share	\$ 142.21	\$ 90.63
Number of Shares Outstanding	186,202	186,958
Dividend per Share	\$ 80.00	\$ 80.00
Book Value per Share	\$ 2,066.99	\$ 1,890.95
Return on Average Assets	0.82%	0.58%
Return on Average Equity	7.23%	4.79%
Overhead Efficiency Ratio	62.24%	78.68%
Gross Loans to Deposits	66.07%	78.75%

Meet the Team



Terry Cole
Executive Vice President
Chief Marketing Officer



Joseph F. Collum
Executive Vice President
Director, Branch &
Business Banking



Emily S. Debeniotis
Senior Vice President
Director, Human Resources



Nicholas Greksouk
Senior Vice President
Finance



Shannon B. Rowan
Executive Vice President
Director of Wealth
Management & Trust Services



Kendrick Smith
Executive Vice President
Operations



Jeffrey L. Stryker
Senior Executive
Vice President & Chief
Financial Officer



Jeffrey A. Welch
Executive Vice President
Chief Credit Officer

Bank Officers

EXECUTIVE OFFICERS

David P. Boyle
President & Chief Executive Officer

Jeffrey L. Stryker
Senior Executive Vice President &
Chief Financial Officer

EXECUTIVE VICE PRESIDENTS

Terry Cole
Marketing

Joseph F. Collum
Branch & Business Banking

Shannon B. Rowan
Trust & Wealth Management

Kendrick Smith
Operations

Jeffrey A. Welch
Credit

SENIOR VICE PRESIDENTS

Jeffrey M. Aleshire
Commercial Real Estate Lending

Paul G. Brown
Commercial Banking

Emily S. Debeniotis
Human Resources

Nicholas Greksouk
Finance

Gregory P. Mellors
Commercial & Industrial Lending

Alexis F. Santin
Treasury Management

PRINCIPAL VICE PRESIDENTS

M. Patricia Barron
Trust

Joseph D. Bonaccorsy
Consumer Lending

Araba A. Brobbey
Branch Banking

Derrick M. Copeland
Corporate Security

Teresa M. DeMarco
Loan Operations

Mary S. Edwards
Commercial Credit

Nicholas J. Fitzgerald
Project Management

Carl A. Ford
Information Technology

Yvette M. Golladay
Marketing

Philip J. Harvilla
Commercial Credit

John W. Hill
Commercial & Industrial Lending

Ramita KC
Branch Banking

Daniel S. Kendle
Accounting

Joseph R. Matussek
Operations

Debra L. Mills
Project Management

John E. Osborn
Commercial Credit

Lee Pugh
Commercial & Industrial Lending

Leonid Rann
Commercial & Industrial Lending

Jeffrey Rouse
Commercial & Industrial Lending

Jennifer P. Schmidt
Compliance

Catherine E. Slepitz
Operations

Henry B. Swoope, V
Private Banking

John A. Tomasello
Consumer Mortgage

Sandra N. Vasquez
Branch Banking

David F. Wallace
Learning & Development

VICE PRESIDENTS

Khalil Y. Abu-Ghannam

Daniel A. Andryszak

Penelope M. Barnett

Suman Barua

Josefina M. Beck

Berhane H. Beraki

Francis A. Blackmon, III

Dawn N. Boynton

Kenneth G. Brown

Noemie C. Cam

Tonya L. Chappell

Travis H. Clarke

Walter C. Clarke

Karen M. Clinton

Ivan C. Colov

John D. Convery, Jr.

Andrea J. Cordray

Erik J. Darm

Erica S. Dwyre

Fatima Z. El-Hilali

Marco A. Erazo

Elias Y. Faddoul

Michael J. Giles

Stephen Greksouk

Ahmed Hachim

Justin D. Hall

James W. Harper

Victoria A. Hatfield

John Hays

Ryan N. Hausmann

Lenny X. Hesser

James I. Holmes

Nancy Hong

Adriana C. Johnson

Shon B. Koly

Robert G. Korman, Jr.

Edward W. Kraemer, Jr.

Brian T. Lawrence

Stephanie Lawrence

Marina Lubbers

Cheryle L. Mack

Vicki Y. Madden-Jackson

Ali Mahmood

Sheila P. McCree

Christine M. McNamara

Andrew J. Merickel

Jason Mihm

Ann Marie Moore

Christopher R. Morgan

Amit Nagpal

Hector D. Ochoa

Mauricio D. Perea

Jane Petty

Jerry Porter

Elizabeth L. Ray

Noble W. Rubenstein

Matthew W. Rucker

Cindy Y. Sanchez

Iwona Saoudi

Michael Solomon

Dean Sosa

Kripa Subramanian

Erica K. Swanton

Christopher J. Talbert

Matthew T. Tikoyan

Christopher A. Tomasino

Board of Directors

E. Hunt Burke, Chairman

64, has been a Director since 1995 and has been the Chairman of the Board since 2010. He serves on the Loan and Asset-Liability Management & Investment Committees. Mr. Burke is a fifth generation lineal descendent of one of the Bank's founders.

S. Laing Hinson, Vice Chairman

66, has been a Director since 2007 and has served as the Board's Vice Chairman since 2014. He chairs the Nominating & Governance Committee and serves on the Audit and Asset-Liability Management & Investment Committees. Mr. Hinson is a founding Principal of I-95 Business Parks Management LLC and S. L. Hinson Associates, LLLP, commercial real estate development firms headquartered in Alexandria, VA.

Mark G. Anderson

58, has been a Director since 2017. He chairs the Loan Committee and serves on the Audit, Compensation, and Asset-Liability Management & Investment Committees. Mr. Anderson is the President of MGAC, Inc., a national provider of project management, cost management, procurement and technology solutions for major capital construction projects with offices in Washington, D.C., New York, Toronto, Seattle, and Los Angeles.

Julian F. Barnwell, Jr.

65, has been a Director since 2001. He chairs the Asset-Liability Management & Investment Committee and serves on the Loan, Nominating & Governance, Trust, and Wealth Management Committees. Mr. Barnwell is the President and Chief Executive Officer of Design & Production, Inc., an exhibit project management, production and technology systems company that provides services to museums, educational institutions, visitor centers, information centers, science and nature centers, and major expositions throughout the United States and abroad.

Katherine D. Bonnafé

55, has been a Director since 2018. She serves on the Loan and Compensation Committees. Ms. Bonnafé is the Chief Executive Officer of Combined Creative, LLC, a real estate asset management and development company headquartered in Washington, D.C.

David P. Boyle

57, has been a Director since 2020. Mr. Boyle is the President and CEO of the Bank. He serves on the Loan, Bank Secrecy Act, Asset-Liability Management & Investment, Trust, and Wealth Management Committees. Prior to joining the Bank in 1999, Mr. Boyle was Chief Financial Officer of Orrstown Financial Services and has served in several senior market and finance roles at PNC Financial Services and predecessors.

Tyrone B. Bradley

74, has been a Director since 2009. He serves on the Audit, Bank Secrecy Act, and Compensation Committees. Mr. Bradley is President and Chief Operating Officer of Bradley/Parker & Associates, P.C., an architectural firm located in Alexandria, VA.

James M. Burke

66, has been a Director since 2014. He chairs the Bank Secrecy Act Committee and serves on the Trust, Wealth Management, and Loan Committees. He is the founder and President of Burke Capital Corporation, a San Francisco financial consulting company. Mr. Burke is a fifth generation lineal descendent of one of the Bank's founders.

Nicholas Carosi III

73, has been a Director since 2007. He chairs the Audit Committee and serves on the Compensation, Loan, Trust and Wealth Management Committees. Mr. Carosi is the Chairman of the Board of Arban & Carosi, Inc., an architectural precast concrete company headquartered in Woodbridge, VA.

Kathleen K. Diamond

73, has been a Director since 2018. She serves on the Bank Secrecy Act, Loan, Trust, and Wealth Management Committees. Ms. Diamond is the Principal Consultant of Kathleen Diamond & Co., an entrepreneur, and a 40-year veteran of the language services industry.

Michael D. Lubeley

73, has been a Director since 2012. He chairs the Trust and Wealth Management Committees and serves on the Loan and Nominating & Governance Committees. Mr. Lubeley is a Shareholder Emeritus of Walsh Colucci Lubeley & Walsh P.C., a Virginia-based law firm with offices in Arlington County, Prince William County, Leesburg, and Winchester, VA.

Shawn P. McLaughlin

61, has been a Director since 2008. He chairs the Compensation Committee and serves on the Trust, Wealth Management, Nominating & Governance, and Asset-Liability Management & Investment Committees. Mr. McLaughlin is the President and Chief Executive Officer of McLaughlin Ryder Investments, Inc., a financial services firm based in Alexandria, VA.

Jose D. Riojas

66, has been a Director since 2018. Brigadier General (U.S. Army, Retired) Riojas serves on the Bank Secrecy Act, Asset-Liability Management & Investment, Trust, and Wealth Management Committees. General Riojas is the owner of Jose D. Riojas, LLC, a consultancy company specializing in Executive Coaching.

Jeffrey L. Stryker

64, has been a Director since 2017. He serves on the Loan and Asset-Liability Management & Investment Committees. Mr. Stryker is a Senior Executive Vice President of the Bank and has served as its Chief Financial Officer since 1999.

Kenneth L. Wainstein

59, has been a Director since 2016. He serves on the Audit, Compensation, and Bank Secrecy Act Committees. Mr. Wainstein is a partner in the law firm of Davis Polk & Wardwell LLP, in Washington, D.C.

Branches

ALEXANDRIA CITY

100 South Fairfax Street (Main Office)
1705 Fern Street (Fairlington)
1775 Jamieson Avenue (Carlyle)
306 East Monroe Avenue
155 North Paxton Street (Landmark)

ARLINGTON

500 23rd Street South (Crystal City)
3020 Clarendon Boulevard

FAIRFAX COUNTY

8738 Cooper Road, Alexandria
5519 Franconia Road, Alexandria
6210 Interparcel Road, Alexandria (Kingstowne)
2604 Sherwood Hall Lane, Alexandria
5733 Telegraph Road, Alexandria
4235 Annandale Road, Annandale
9516 Old Keene Mill Road, Burke
14122 Lee Highway, Centreville
5705 Seminary Road, Falls Church (Skyline)
6705 Whittier Avenue, McLean
6200 Backlick Road, Springfield
302 Maple Avenue West, Vienna

FALLS CHURCH

225 West Broad Street

CITY OF MANASSAS

9103 Centreville Road, Manassas

PRINCE WILLIAM COUNTY

4605 Daisy Reid Avenue, Lake Ridge (Reid's Prospect)
14008 Smoketown Road, Woodbridge





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