Burke & Herbert Financial Services Corp.

4Q24 Update (Nasdaq: BHRB)

January 2025

Cautionary Statement Regarding Forward-Looking Information

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the beliefs, goals, intentions, and expectations of Burke & Herbert Financial Services Corp. (the “Company”) regarding revenues, earnings, earnings per share, loan production, asset quality, and capital levels, among other matters; our estimates of future costs and benefits of the actions we may take; our assessments of expected losses on loans; our assessments of interest rate and other market risks; our ability to achieve our financial and other strategic goals; the expected cost savings, synergies, returns, and other anticipated benefits from the integration of Summit Financial Group, Inc. (“Summit”) following the recently completed merger of Summit with and into the Company; and other statements that are not historical facts.

Forward–looking statements are typically identified by such words as “believe,” “expect,” “anticipate,” “intend,” “outlook,” “estimate,” “forecast,” “project,” “will,” “should,” and other similar words and expressions, and are subject to numerous assumptions, risks, and uncertainties, which change over time. Additionally, forward–looking statements speak only as of the date they are made; the Company does not assume any duty, does not undertake, and specifically disclaims any obligation to update such forward–looking statements, whether written or oral, that may be made from time to time, whether because of new information, future events, or otherwise, except as required by law. Furthermore, because forward–looking statements are subject to assumptions and uncertainties, actual results or future events could differ, possibly materially, from those indicated in or implied by such forward-looking statements because of a variety of factors, many of which are beyond the control of the Company. Accordingly, you should not place undue reliance on forward-looking statements.

The risks and uncertainties that could cause actual results to differ from those described in the forward-looking statements include, but are not limited to, the following: costs or difficulties associated with newly developed or acquired operations; risks related to our ability to successfully integrate Summit into the Company and operate the combined company; changes in general economic trends (either nationally or locally in the areas in which we conduct, or will conduct, business), including inflation, interest rates, market and monetary fluctuations; increased competition; changes in consumer demand for financial services; our ability to control costs and expenses; adverse developments in borrower industries or declines in real estate values; changes in and compliance with federal and state laws and regulations that pertain to our business and capital levels; our ability to raise capital as needed; the effects of any cybersecurity breaches; and the other factors discussed in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of the Company’s Annual Report on Form 10–K for the year ended December 31, 2023, the Company’s Quarterly Report on Form 10-Q for the quarters ended March 31, 2024, June 30, 2024, and September 30, 2024, and other reports the Company files with the SEC.

Non-GAAP Financial Measures

This presentation contains certain financial measures determined by methods other than in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Such non-GAAP financial measures may include the following: fully tax-equivalent net interest margin, core operating earnings, core net income, tangible book value per common share, total risk-based capital ratio, tier one leverage ratio, tier one capital ratio, and the tangible common equity to tangible assets ratio. Management uses these non-GAAP financial measures to assess the performance of the Company’s core business and the strength of its capital position. Management believes that these non-GAAP financial measures provide meaningful additional information about the Company to assist investors in evaluating operating results, financial strength, and capitalization. The non-GAAP financial measures should be considered as additional views of the way our financial measures are affected by significant charges for credit costs and other factors. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. The computations of the non-GAAP financial measures used in this presentation are referenced in a footnote or in the appendix to this presentation.

Introduction

- Thank you for your interest in Burke & Herbert Financial Services Corp., and its wholly owned subsidiary Burke & Herbert Bank & Trust Company. A quintessential community banking institution, we are headquartered in Old Town Alexandria, Virginia, and have served the banking, borrowing and investing needs of businesses, organizations, families, and individuals since 1852.

- As a true community bank, we are deeply tied to the people, neighborhoods, and institutions where we live and work. Our employees form a diverse, dedicated, close-knit team that upholds a culture of customer service and forges strong and lasting relationships with our customers and shared communities. We are selective in our hiring, proud of the caliber of our people, and encourage a collegial environment in which each individual feels valued.

- On May 3, 2024, we merged with Summit Financial Group, Inc. (Summit), creating an $8 billion financial institution with more than 75 branches across Virginia, West Virginia, Maryland, Delaware, and Kentucky, with more than 800 employees serving our communities.

Our Business Model

- Our business model is built on customer service
    - Understanding our customers' financial goals and offering our diverse products and services to help them achieve financial prosperity
- Our approach is concentrated on growing and deepening relationships across our businesses that meet our risk/return measures
- We are focused on our strategic priorities which are designed to enhance value over the long term
    - Being a trusted advisor
    - Growing fee revenue
    - Profitably expanding our markets

An Attractive Footprint

✓ *Indicates higher than U.S. National Average [1]*

Greater Washington D.C.

Capital of the U.S.

- Population: **6.44mm**
- Pop. CAGR: **1.01%** ✓
- Proj. Pop. CAGR: **0.54%** ✓
- Median HHI: **$118k** ✓
- Proj. Median HHI: **$132k** ✓

Charleston, WV

Capital of West Virginia

- Population: **252k**
- Median HHI: **$52k**
- Proj. Median HHI: **$60k**

Eastern Shore of MD [2]

- Population: **70k**
- Pop. CAGR: **0.24%**
- Median HHI: **$75k** ✓
- Proj. Median HHI: **$81k**

Hagerstown-Martinsburg, MD-WV

- Population: **302k**
- Pop. CAGR: **0.88%** ✓
- Proj. Pop. CAGR: **0.70%** ✓
- Median HHI: **$68k**
- Proj. Median HHI: **$74k**

Winchester, VA-WV

Fastest Growing Metro in VA

- Population: **147k**
- Pop. CAGR: **1.04%** ✓
- Proj. Pop. CAGR: **0.95%** ✓
- Median HHI: **$82k** ✓
- Proj. Median HHI: **$93k** ✓

Huntington-Ashland, WV-KY-OH

- Population: **354k**
- Median HHI: **$54k**
- Proj. Median HHI: **$59k**

Harrisonburg, VA

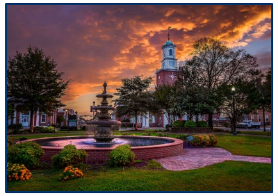
- Population: **137k**
- Pop. CAGR: **0.70%** ✓
- Proj. Pop. CAGR: **0.57%** ✓
- Median HHI: **$70k**
- Proj. Median HHI: **$81k**

Lexington-Fayette, KY

Horse Capital of the World

- Population: **523k**
- Pop. CAGR: **0.79%** ✓
- Proj. Pop. CAGR: **0.52%** ✓
- Proj. Median HHI: **$77k**

Salisbury, MD-DE



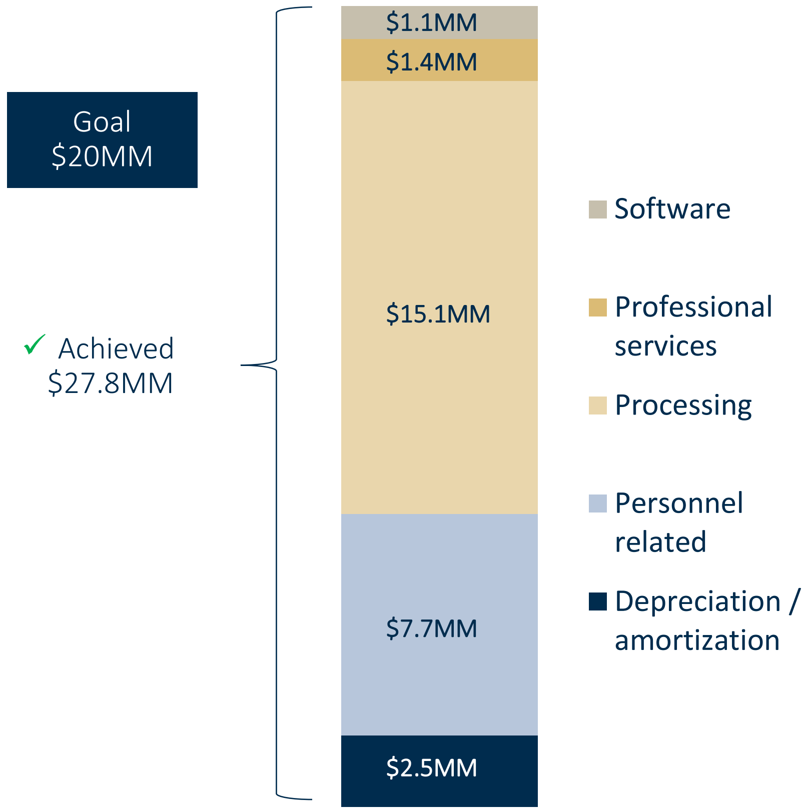
- Population: **436k**
- Pop. CAGR: **1.19%** ✓
- Proj. Pop. CAGR: **1.03%** ✓
- Median HHI: **$68k**
- Proj. Median HHI: **$74k**

Source: S&P Global Market Intelligence. Current population and HHI metrics are for the year 2023. Population CAGR is based on through 2023; Projected population and HHI CAGRs are based on 2023 actual through 2028 projected (1) U.S. National Benchmark defined as the median for HHI metrics and as the growth rate pertaining to the total U.S. population for population CAGR metrics; U.S. population CAGR is 0.62%; U.S. projected population CAGR is 0.42%; U.S. median HHI is $74k; U.S. projected HHI is $83k (2) Eastern Shore of MD is made up of the Easton, MD and Cambridge, MD MSAs; Median HHI calculated using a weighted average based on pro forma deposits

Delivering on Expectations – Merger Related Statistics

Key merger-related metrics	Aug. 24, 2023[1]	June 30, 2024	Sept. 30, 2024	Dec. 31, 2024
✓ Tangible book value per common share[2]	$34.57	$39.11	$42.32	$42.06
✓ Tangible common equity/tangible assets[2]	6.4%	7.6%	8.2%	8.2%
✓ Leverage ratio[3]	8.1%	9.0%	9.7%	9.8%
✓ Common equity tier 1 ratio[3]	10.4%	10.9%	11.4%	11.5%
✓ Tier 1 capital ratio[3]	10.6%	11.3%	11.8%	11.9%
✓ Total capital ratio[3]	12.5%	13.9%	14.5%	14.6%

Merger Related Cost Saves



Identified annualized cost saves

(1) Estimated at August 24, 2023, Summit merger announcement date assuming December 31, 2023, close. Actual closing was May 3, 2024. (2) Non-GAAP measure. See the appendix for further information. (3) December 31, 2024, is estimated.

Balance Sheet Trends

Balance Sheet ($ in 000s)	Dec. 31, 2024	Sept. 30, 2024	June 30, 2024
Assets			
Cash and Cash Equivalents	$ 135,314	$ 291,765	$ 211,920
Investments	1,465,930	1,453,263	1,430,039
Loans Held for Sale	2,331	4,216	3,268
Gross Loans, (excluding HFS loans)	5,672,236	5,574,037	5,616,724
Allowance for Loan Losses	(68,040)	(67,817)	(68,017)
Net Loans	5,604,196	5,506,220	5,548,707
Goodwill and Other Intangibles	90,083	94,381	98,678
Other Assets	514,331	515,068	517,581
Total Assets	**7,812,185**	**7,864,913**	**7,810,193**
Liabilities			
Total Deposits	6,515,239	6,600,825	6,639,571
Short-term Borrowings	365,000	320,163	285,161
Subordinated Debentures	111,885	110,482	109,064
Other Liablities	89,904	95,384	83,271
Total Liabilities	7,082,028	7,126,854	7,117,067
Shareholders' Equity			
Common Stock	7,770	7,767	7,752
Preferred Stock	10,413	10,413	10,413
Additional Paid-in Capital	401,172	400,377	399,553
Retained Earnings	434,106	422,844	403,422
AOCIncome/(Loss)	(95,720)	(75,758)	(100,430)
Treasury Stock	(27,584)	(27,584)	(27,584)
Total Shareholders' Equity	730,157	738,059	693,126
Total Liabilities & Shareholders' Equity	**$ 7,812,185**	**$ 7,864,913**	**$ 7,810,193**

Highlights

- Our objective is to build and maintain a fortress balance sheet
  - Maintain credit discipline through the cycle
  - Ensure proper allowances for credit losses
  - Stay liquid and have multiple sources of liquidity
  - Manage capital for the long term
  - Stress test the balance sheet for severe shocks
  - Continually improve risk, governance, and controls
  - Operate an effective risk-adjusted return culture
- Loan to deposit ratio of 87.1%
- Brokered deposits to total deposits of 3.8%
- Uninsured deposits to total deposits of 29.6%
- Relatively neutral interest rate position

Income Statement Trends

Income Statement ($ in 000s)	Dec. 31, 2024		Sept. 30, 2024	
Interest income	*3 months ended*	*12 months ended*	*3 months ended*	*9 months ended*
Loans	$ 97,940	$ 311,421	$ 103,730	$ 213,481
Securities	13,059	50,060	13,211	37,001
Other Interest Income	1,794	4,680	1,585	2,886
Total Interest Income	**112,793**	**366,161**	**118,526**	**253,368**
Interest expense				
Deposits	35,919	118,664	39,441	82,745
Borrowed Funds	3,383	14,189	3,080	10,806
Subordinated Debt and other interest	2,781	7,523	2,826	4,742
Total Interest Expense	**42,083**	**140,376**	**45,347**	**98,293**
Net Interest Income	**70,710**	**225,785**	**73,179**	**155,075**
Provision expense	833	24,220	147	23,387
Net Interest Income after Provision	**69,877**	**201,565**	**73,032**	**131,688**
Non-interest income				
Fiduciary and wealth management	2,429	8,411	2,352	5,982
Service charges and fees	4,447	15,594	5,453	11,147
Other non-interest income	4,915	12,161	2,811	7,246
Total Non-interest Income	**11,791**	**36,166**	**10,616**	**24,375**
Non-interest expense				
Salaries and other benefits	30,658	94,275	25,536	63,617
Occupancy	3,630	11,577	3,412	7,947
Other operating	27,122	91,981	21,878	64,859
Total Non-interest Expense	**61,410**	**197,833**	**50,826**	**136,423**
Income tax expense	465	4,190	5,200	3,725
Net income	**19,793**	**35,708**	**27,622**	**15,915**
Preferred stock dividends	225	675	225	450
Net income applicable to common shares	**$ 19,568**	**$ 35,033**	**$ 27,397**	**$ 15,465**

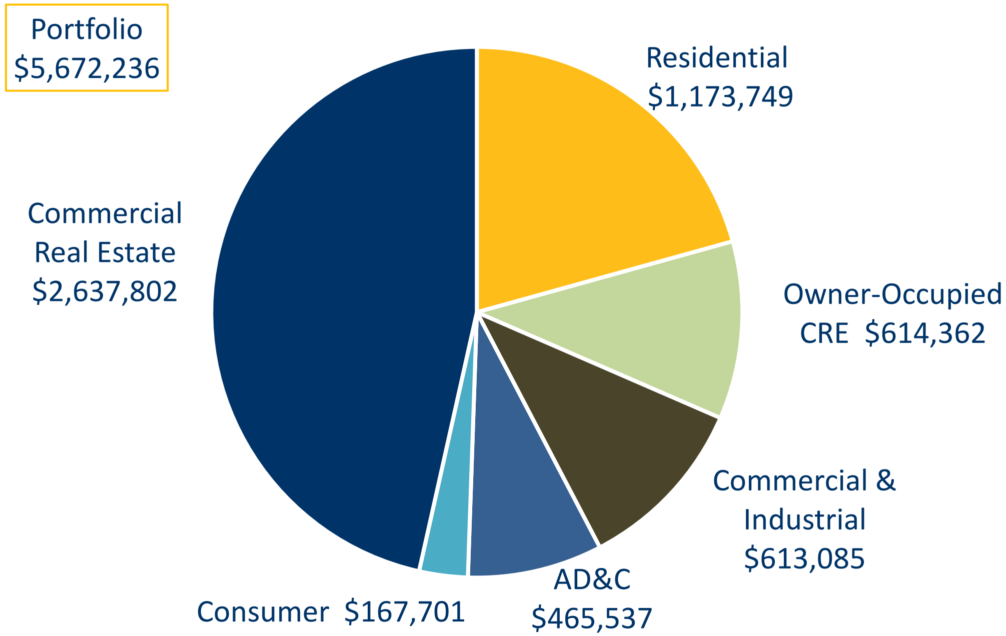
Operating Net Income (non-GAAP)	Dec. 31, 2024	Sept. 30, 2024
	3 months ended	*3 months ended*
Net income applicable to common shares	$ 19,568	$ 27,397
Addback significant items (tax effected):		
Merger-related	7,069	2,449
Total significant items	7,069	2,449
Operating net income	$ 26,637	$ 29,846
Weighted average dilutive shares	15,038,442	15,040,145
Adjusted diluted EPS	$ 1.77	$ 1.98
Non-interest expense	$ 61,410	$ 50,826
Remove significant items:		
Merger-related[1]	8,948	3,101
Total significant items	8,948	3,101
Adjusted non-interest expense	$ 52,462	$ 47,725

(1) See appendix for reconciliation of merger-related expenses.

Expectations for 2025

- Loan growth in high single digits
- Deposit growth in low single digits
- Net interest margin 4.05% - 4.10%
- Operating leverage > 10% versus 4Q24 annualized adjusted
- Top quartile returns on assets and equity relative to peers

Loan Portfolio as of 4Q24 ($ in 000s)



Loan Segment	Adjustable Rate	Fixed Rate
Commercial Real Estate	$ 1,111,665	$ 1,526,137
Residential	577,347	596,402
Owner-occupied CRE	314,447	299,915
AD&C	355,847	109,690
Commercial & Industrial	421,104	191,981
Consumer	123,159	44,542
	$ 2,903,569	$ 2,768,667

Commercial Real Estate Category	$ by Asset Class	% by Asset Class
Retail Real Estate	$ 577,747	22%
Multi-Family	491,924	19
Office Bldgs/Condos	398,331	15
Hotels/Motels	375,433	14
Industrial/Warehouse	262,632	10
Other	205,434	8
Nursing-Assisted Living	132,846	5
Self-Storage	124,672	4
Restaurants and Gas Stations	68,783	3
	$ 2,637,802	100%

- The commercial real estate (CRE) portfolio is well-diversified across asset classes
  - CRE as a percentage of bank total risk-based capital is estimated at 337%
  - AD&C as a percentage of bank total risk-based capital is estimated at 51%
- The CRE loan portfolio geographic footprint is spread across the West Virginia and greater DC / Maryland / Virginia (DMV) area with minimal office building exposure within Washington D.C.
- In line with our overall strategy, we are focused on commercial & industrial loan growth and greater portfolio granularity

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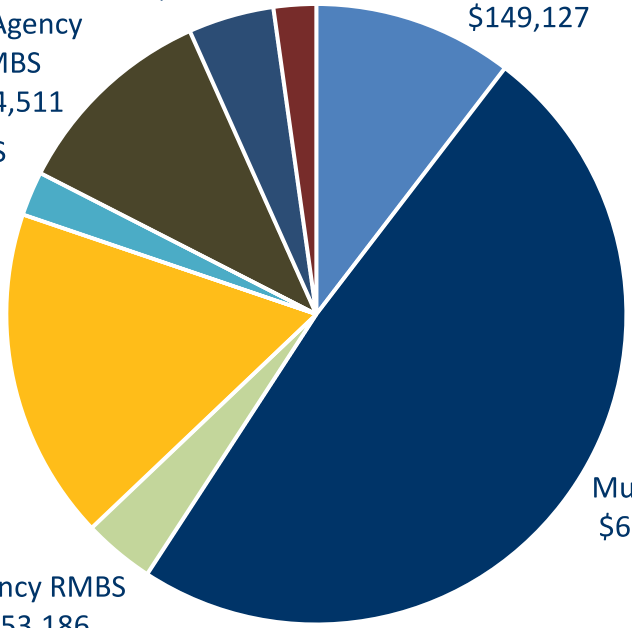
Security Portfolio as of 4Q24 ($in 000s)

Portfolio FV
$1,432,371

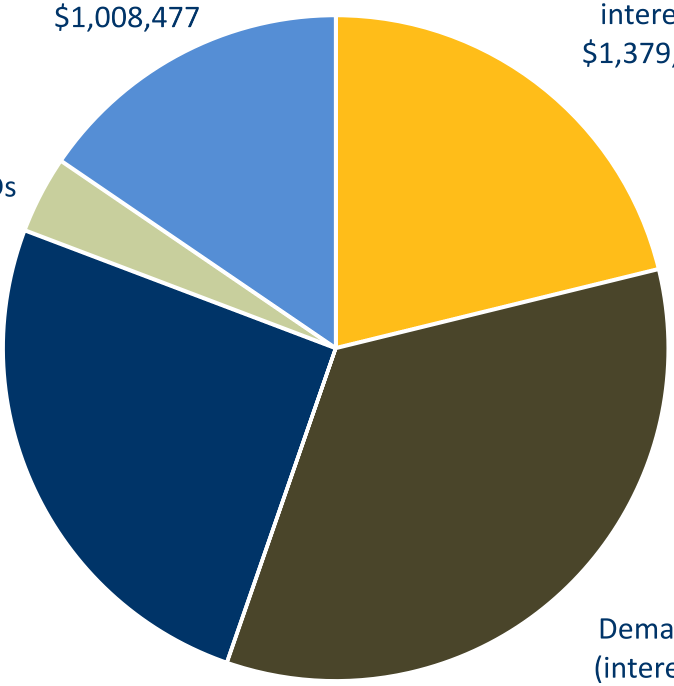


Category	Net Unrealized Losses	Amortized Cost	WA Yield
U.S. Treasury & Agency	$ 16,492	$ 165,619	1.31%
Municipal	78,457	777,181	2.76
Agency RMBS	4,058	57,244	3.63
Non-Agency RMBS	12,088	259,964	4.09
Agency CMBS	720	33,791	4.85
Non-Agency CMBS	4,110	158,621	3.92
Asset-Backed	252	64,308	6.05
Other	1,041	32,861	7.37
	$ 117,218	$1,549,589	3.26%

- Portfolio duration is approximately 4.5 years
- 81% of unrealized losses have a duration of approximately 5.5 years; remainder less than 2.5 years
- Unrealized losses are the result of the interest rate environment
- AOCI accretion is expected to be approximately 5.5% per quarter assuming a stagnant interest rate environment
- The current portfolio is held as available-for-sale, and there is no intent to reclassify any part
- Majority of non-agency CMBS and ABS are equity enhanced through structure and credit support

Funding Sources as of 4Q24 ($ in 000s)

Deposits
$6,515,239



Category	Average Rate QTD
Demand (non-interest bearing)	– %
Demand (interest bearing)	2.51
Money Market & Savings	1.60
Brokered Certificate of Deposits	4.45
Time Deposits & Other	4.57
Total Interest-Bearing Deposits	2.76
Total Deposits	2.17%

- Loan-to-deposit ratio of 87.1% and loan + security-to-deposit ratio of 109.6%
- Brokered deposits represent 3.8% of total deposits
- Uninsured deposits totaled $1.9 billion, representing 29.6% of total deposit balance
- Borrowings totaled $365 million with a total capacity of $4.4 billion and remaining capacity of $4.1 billion
- Stress tests are performed on liquidity and capital on a quarterly basis
- We believe we have ample liquidity to withstand significant stress

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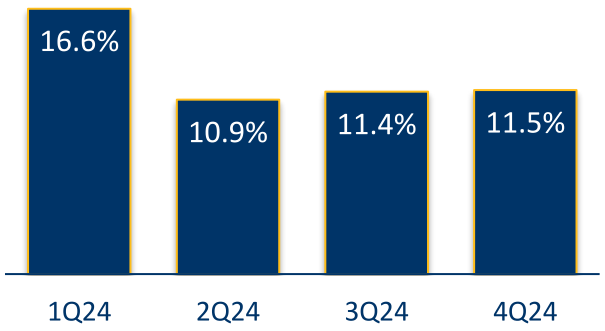
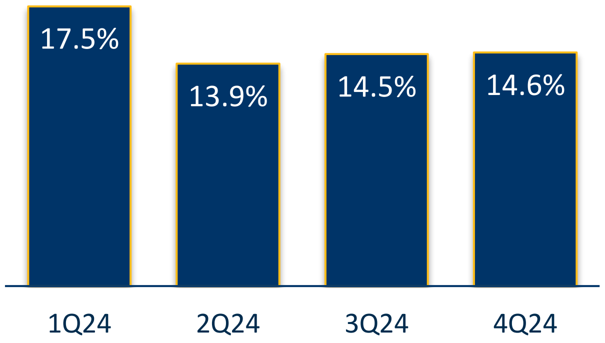
Capital Ratio Trends[1]

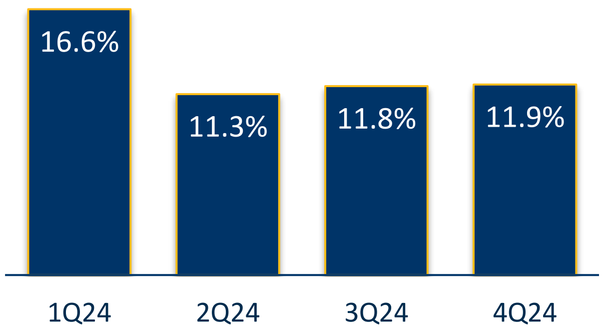
Common Equity Tier 1 Ratio



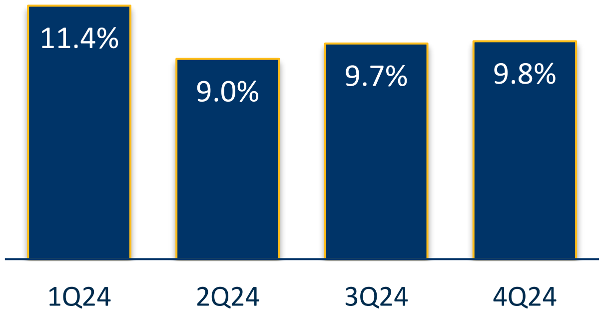
Total Capital Ratio



Tier 1 Capital Ratio



Leverage Ratio

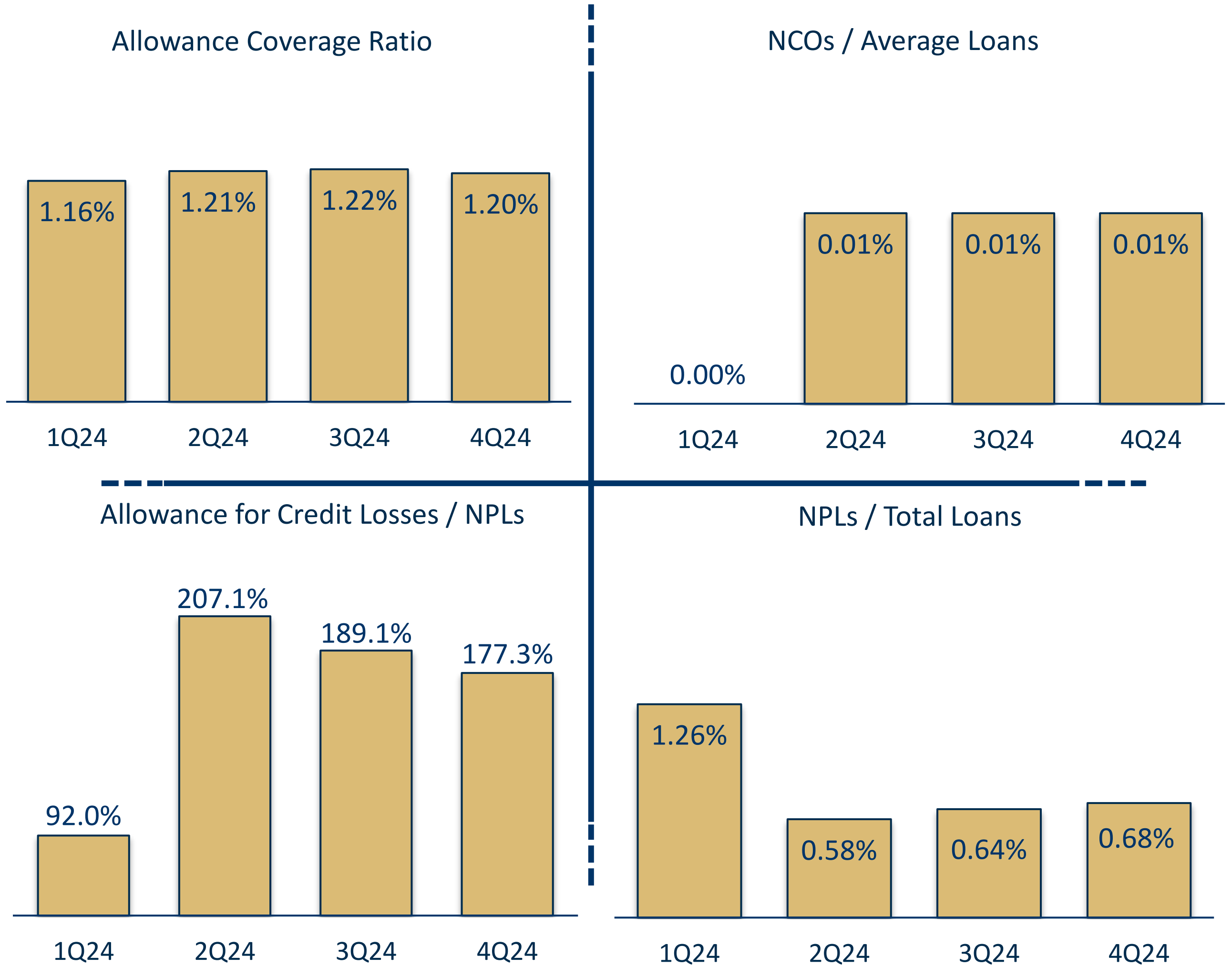


(1) All 4Q24 capital ratios are estimated.

Capital Management

- We take a forward-looking, disciplined approach to capital management that emphasizes acceptable risk-adjusted returns over the long-term
- Our capital management priorities include
  - Supporting customers
  - Funding business investments
  - Maintaining appropriate capital in light of economic conditions and regulatory expectations
  - Returning excess capital to shareholders
- Modeled stress scenarios include evaluating the impact of deposit shocks, interest rate scenarios, and general balance sheet repositioning
- Stress scenarios result in capital levels well above well-capitalized levels

Asset Quality Trends



Credit Management

- Our objective is to maintain a moderate risk profile through the economic cycle
- Credit risk management is embedded in our risk culture and in our decision-making processes
  - Managed through specific policies and processes
  - Measured and evaluated against our risk appetite and credit concentration limits
  - Reported, along with specific mitigation activities, to management and the Board of Directors through our governance structure
- Underwriting guidelines are adjusted to reflect current market conditions
- Loan reviews include ongoing monitoring procedures that involve additional stress testing of interest rate movements and collateral performance

Final Thoughts

- Our business model is built on customer service
  - Understanding our customers' financial goals and offering our diverse products and services to help them achieve financial prosperity
- Our approach is concentrated on growing and deepening relationships across our businesses that meet our risk/return measures
- We are focused on our strategic priorities which are designed to enhance value over the long term
  - Being a trusted advisor
  - Growing fee revenue
  - Profitably expanding our markets

Appendix: Notes on Non-GAAP Financial Measures

Total Common Equity, Tangible Book Value & Tangible Assets: Tangible common equity measures are capital adequacy metrics that may be meaningful to the Company, as well as analysts and investors, in assessing the Company's use of equity and in facilitating comparisons with peers. These non-GAAP measures are valuable indicators of a financial institution's capital strength since they eliminate intangible assets from stockholders' equity and retain the effect of accumulated other comprehensive income/(loss) in stockholders' equity.

	Dec. 31, 2024	Sept. 30, 2024	June 30, 2024
Common Shareholders' Equity	$ 719,744	$ 727,646	$ 682,713
Less: Goodwill and intangible assets, net	90,083	94,381	98,678
Tangible common equity (non-GAAP)	629,661	633,265	584,035
Shares outstanding at end of period	14,969,104	14,963,003	14,932,169
Tangible book value per common share	$ 42.06	$ 42.32	$ 39.11
Total Assets	7,812,185	7,864,913	7,810,193
Less: Goodwill and Intangible assets, net	90,083	94,381	98,678
Tangible assets (non-GAAP)	$ 7,722,102	$ 7,770,532	$ 7,711,515

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Appendix: Noninterest Expense Reconciliation

	Dec. 31, 2024	QTD Merger Related	Adjusted non-interest expense	Sept. 30, 2024	QTD Merger Related	Adjusted non-interest expense
		3 months ended			*3 months ended*	
Salaries and wages	$ 25,818	$ (2,926)	$ 22,892	$ 20,858	$ -	$ 20,858
Pensions and other employee benefits	4,840	(36)	4,804	4,678	-	4,678
Occupancy	3,630	-	3,630	3,412	(63)	3,349
Equipment rentals, depreciation & maintenance	4,531	(332)	4,199	4,699	(1,249)	3,450
Other Operating	22,591	(5,654)	16,937	17,179	(1,789)	15,390
Total non-interest expense	**$ 61,410**	**$ (8,948)**	**$ 52,462**	**$ 50,826**	**$ (3,101)**	**$ 47,725**

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