

Burke & Herbert
Financial Services Corp.

2022 Annual Report

Our Purpose

To serve and inspire people to achieve their financial goals and realize their dreams.

Our Core Values

 <p>INSPIRE TRUST</p>	 <p>ACT WITH INTEGRITY</p>	 <p>RESPECT ONE ANOTHER</p>	 <p>EMBRACE OUR DIFFERENCES</p>
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Cultivating a Strong Team

We are dedicated to fostering a diverse, close-knit environment where members of the Bank family uphold a culture of customer service and forge strong relationships with fellow staff, customers, and communities. Our 400+ team members represent a broad pool of talent from around the globe, with recent college graduates to veteran financial professionals. The Bank encourages development and mobility through programs that afford team members the opportunity to hone their skills and advance into new positions.

59 COUNTRIES REPRESENTED

- | | |
|-------------|-------------------------|
| AFGHANISTAN | LEBANON |
| ALBANIA | LIBERIA |
| ARMENIA | LITHUANIA |
| BANGLADESH | MEXICO |
| BOLIVIA | MONGOLIA |
| BULGARIA | MOROCCO |
| BRAZIL | NATIVE AMERICAN NATIONS |
| CHINA | NEPAL |
| COLUMBIA | NICARAGUA |
| COSTA RICA | NIGERIA |
| ECUADOR | PAKISTAN |
| EGYPT | PANAMA |
| EL SALVADOR | PERU |
| ENGLAND | PHILIPPINES |
| ERITREA | POLAND |
| ETHIOPIA | PUERTO RICO |
| GERMANY | RUSSIA |
| GHANA | SERBIA |
| GREECE | SIERRA LEONE |
| GUATEMALA | SRI LANKA |
| GUYANA | ST KITTS-CARIBBEAN |
| HONDURAS | SUDAN |
| INDIA | TRINIDAD AND TOBAGO |
| IRAN | TUNISIA |
| IRAQ | TURKEY |
| IRELAND | UAE |
| ITALY | UNITED STATES |
| JAMAICA | VIETNAM |
| JORDAN | ZIMBABWE |
| KOREA | |

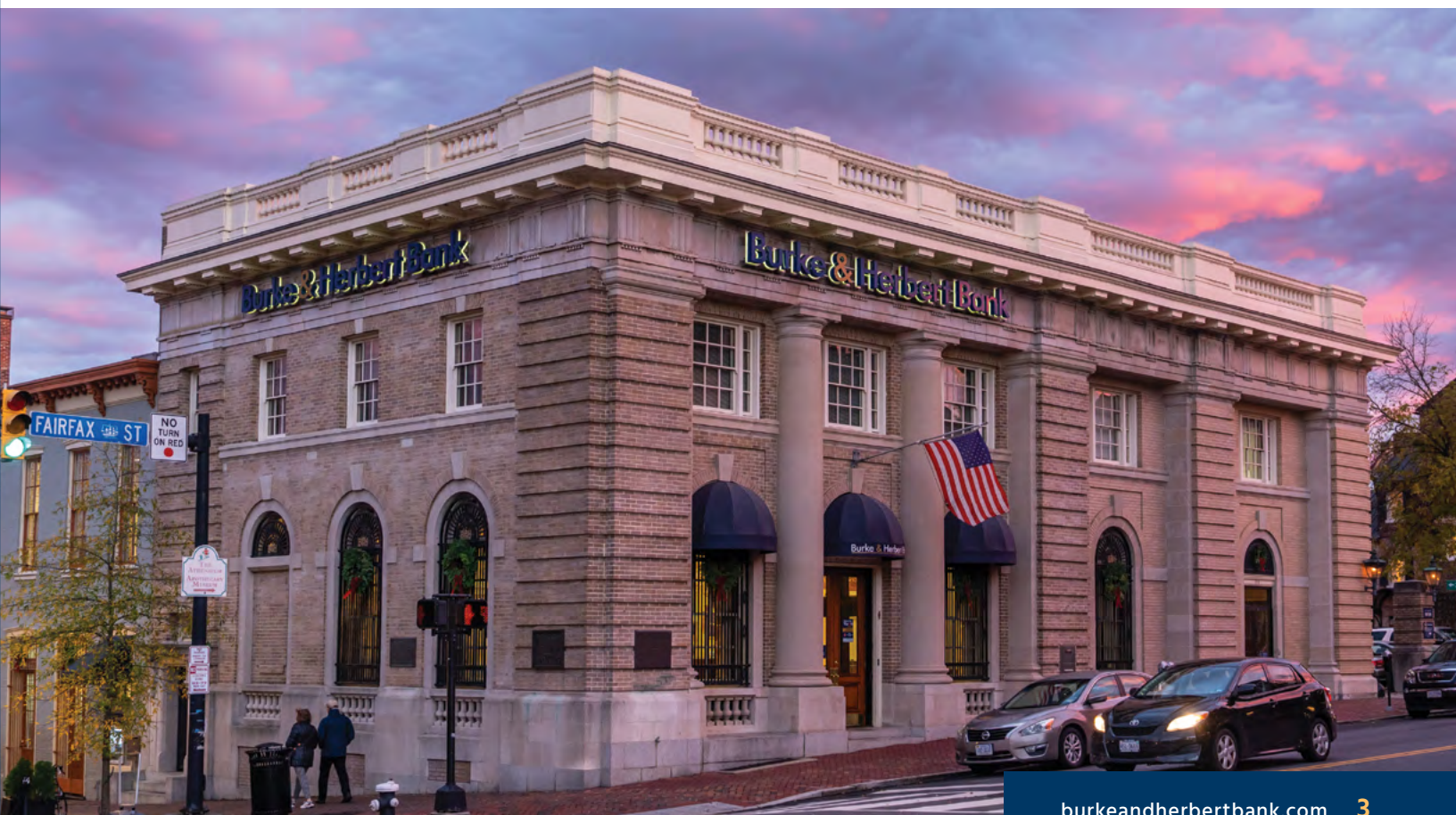


- ALBANIAN
- AMHARIC
- ARABIC
- ARMENIAN
- BENGALI
- BULGARIAN
- CANTONESE
- CHIBARWE
- DAGHBANI
- DARI
- ENGLISH
- FARSI
- FRENCH
- GERMAN
- GREEK
- GUYANESE CREOLE
- HAITIAN CREOLE
- HAUSA
- HINDI
- IGBO
- ITALIAN
- KOREAN
- KRIO
- LITHUANIAN
- MANDARIN
- MONGOLIAN
- NAVAJO
- NEPALESE
- PASHTO
- POLISH
- PORTUGUESE
- RUSSIAN
- SERBIAN
- SINHALA
- SPANISH
- TAGALOG
- TAMIL
- TIGRINYA
- TURKISH
- TWI
- URDU
- VIETNAMESE
- YORUBA

43
LANGUAGES
SPOKEN

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TO OUR SHAREHOLDERS, CUSTOMERS AND FRIENDS

In many respects, 2022 was one of the most gratifying years in Burke & Herbert Bank's long and storied history.

Despite a challenging and ever changing economic landscape, characterized by inflationary pressures, unprecedented interest rate changes, and a possible recession driven by circumstances both domestic and international, we remained resolute in our duty to our customers, communities, employees and shareholders. We continue to carry out our mission and duties by serving as a quintessential community bank, honoring our history while building an exciting future, as we embark on a new period of growth by expanding our model in existing markets and entering new ones.

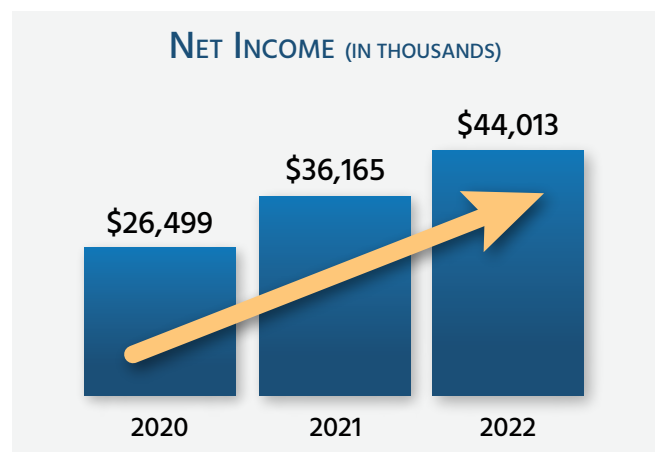
In 2022, our commercial banking team expanded into Richmond, Virginia and Bethesda, Maryland. Work is also in process to open our first Richmond branch in 2023, followed by more as we grow. Along with that growth came the acquisition of a new Corporate Center in Alexandria, Virginia, where we plan to unite a large portion of our workforce, which is currently dispersed across multiple locations. Consolidating our team allows us to improve collaboration, work more efficiently, and continue to strengthen our culture of community and service to one another.

As we grow it is vital that we honor our history by delivering high-quality products and services designed to meet customers' banking, borrowing, and investing needs.

Another exciting development in 2022 was the formation of Burke & Herbert Financial Services Corp., which is now the bank holding company for Burke &

Herbert Bank & Trust Company. That was followed by a forty-for-one stock split and our announcement of the intent to list our shares on the Nasdaq stock exchange, with the timing contingent upon a number of factors. As we said when all of these actions were announced, we believe doing this will ultimately lead to increased value for our shareholders.

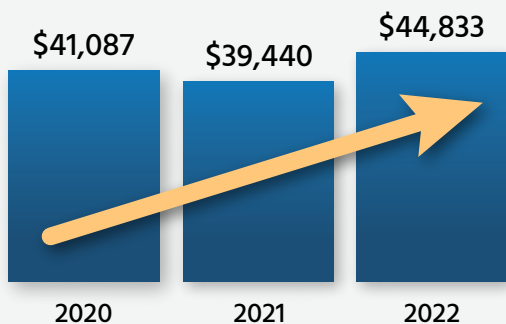
As we grow it is vital that we honor our history by delivering high-quality products and services designed to meet customers' banking, borrowing, and investing needs; by giving back and supporting our communities to help improve the neighborhoods where they live and work; by treating our employees with respect and supporting each other with a servant leader attitude; and by delivering strong financial results.



In 2022, we reported net income of \$44.0 million, the highest in our history. It is important to note that this result was driven in part by the release of prior credit loss provisions back into income. Excluding credit loss provisions and income taxes, an important term also known as Pretax Pre-Provision Earnings, we reported \$44.8 million, an increase of 14% from the prior year.

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PRETAX PRE-PROVISION EARNINGS¹ (IN THOUSANDS)

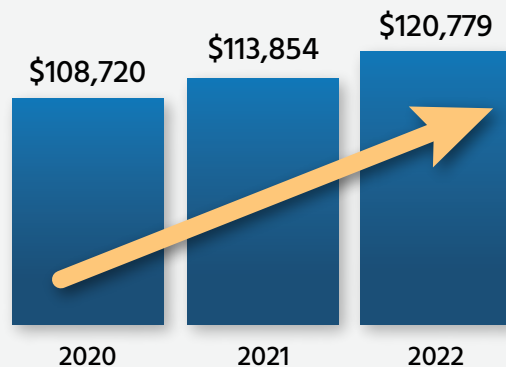


(1) This is a non-GAAP measure and is revenue minus noninterest expense.

We were able to accomplish this by growing revenue to nearly \$121 million, an increase of 6% from last year, while growing expenses 2% to \$76 million. Strategic investments such as our expansion into new markets, the addition of banking talent focused on specific lending segments, our enhanced digital services, a successful Private Banking program and the addition of new wealth advisors in our Wealth Services business, modernized online and mobile banking platforms, and an overall renewed emphasis on relationship-based banking resulted in an ending loan portfolio of over \$1.88 billion and a deposit base of \$2.92 billion.

A high-quality, diverse revenue stream is important in order to deliver strong results through economic cycles. In 2022, our net interest income reached \$103.7 million, or 7% more than we posted in 2021 and our noninterest income, excluding losses on the strategic sales of securities, was 2% higher. We continued throughout the year investing in our fee-based businesses and products including our Wealth Services business, Treasury Management offerings and Mortgage capabilities.

REVENUE¹ (IN THOUSANDS)



(1) Net interest income plus noninterest income

A culture of continuous improvement enables us to fund strategic investments that deliver best-in-class efficiency metrics. For 2022, our efficiency ratio, calculated as noninterest expense divided by revenue, was 62.9% versus 65.4% last year and in light of our many strategic investments, we are pleased with the outcome. Our focus will remain on generating positive operating leverage by growing revenue faster than expenses in order to continuously improve our bottom line. We also remain committed to delivering strong risk-adjusted returns and are cautiously optimistic that asset quality will remain stable in the new year. In 2022, asset quality was solid, resulting in a recapture of a prior loan loss provision of \$7.5 million and a year-end allowance to loans of 1.11%.

Our financial results and strategic positioning would not be possible without a strong management team and our dedicated employees who live out our core values every day to inspire trust, act with integrity, respect one another, and embrace our differences. On behalf of the entire Burke & Herbert Bank team, thank you for your ongoing support and confidence in our ability to deliver value to you.

David P. Boyle
 Chair of the Board, President
 and Chief Executive Officer
 Burke & Herbert
 Financial Services Corp.

E. Hunt Burke
 Chair of the Board
 Burke & Herbert Bank
 & Trust Company

A SPECIAL NOTE FROM DAVID P. BOYLE

In December of 2022, E. Hunt Burke informed the Burke & Herbert Financial Services Corp. Board of Directors that he was stepping down as Chair with me assuming that role on January 1, 2023. Hunt remains a member of that Board and will continue as Chair of the Board of Directors of Burke & Herbert Bank & Trust Company. Hunt has been the Chair of the Bank board since 2010. When he joined the board in 1995, our total assets were just under \$600 million with revenue of \$25 million. Under his leadership and guidance, we are now five times that size and strategically positioned for further growth and success. Hunt has been a mentor and friend to me since I joined in 2019, and I will be forever grateful to him for his leadership and support. I look forward to continuing to work with him as we execute our strategic priorities during such an exciting time.



David P. Boyle
*Chair of the Board, President
and Chief Executive Officer
Burke & Herbert Financial
Services Corp.*

E. Hunt Burke
*Chair of the Board
Burke & Herbert Bank
& Trust Company*

DELIVERING FOR OUR CUSTOMERS

Throughout 2022, the Bank's ongoing investments in expanding our geographic reach, growing our team, and enhancing our offerings with new products and services all combined to bring outstanding value and convenience to our customers.

COMMERCIAL BANKING

The Bank maintained its steady rate of expansion in 2022, with the establishment of commercial lending offices in two new markets: Richmond, Virginia and Bethesda, Maryland. The Richmond office opening continued the Bank's expansion beyond northern Virginia which began in 2021, and positions the Bank to serve the vibrant and growing business community in the state's capital region with a team that is locally based and well-connected to the Richmond market. Moreover, the opening of our new commercial lending office in Bethesda, Maryland, besides being the Bank's first established operation outside of Virginia, puts

our lending team into a new market that is rich with commercial real estate companies, dealmakers and new opportunities.

In conjunction with building a wider physical footprint, the Bank dramatically increased the size of its commercial banking team in 2022, hiring additional staff in both customer-facing and operational roles. At year-end, headcount in the Bank's commercial banking business was up significantly over the prior year, while recruiting continues into 2023. In addition, we enhanced our capabilities to meet customer and market demands, by rolling out several new loan products in 2022, alongside the formation of specialized teams to focus on the borrowing needs of particular industry verticals and environments, including owner-occupied real estate, medical/dental practices, government contractors and equipment financing.

BETHESDA, MARYLAND

Open Industrial

Open Industrial, a Bethesda-based real estate investment company specializing in industrial outdoor storage properties, turned to Burke & Herbert Bank to finance its acquisition of Minnick Industrial Park in 2022, representing the Bank's first deal originated out of our Bethesda, MD commercial banking office. In the following months, Open Industrial financed three additional deals through the Bank.

"We were delighted with the financing package that Burke & Herbert Bank put together for Minnick Industrial Park," commented Blake Potolicchio, Managing Partner at Open Industrial. "We also appreciated the extraordinary level of service the Bank provided, including taking our calls at all hours of the day.

All of the deals we completed with Burke & Herbert Bank this year were complex, involved many moving parts, and took place during a time of extreme volatility in the capital markets. Each time, Burke & Herbert Bank stood by us throughout the process and addressed our financing needs quickly and diligently. We deeply appreciate it and look forward to building our partnership."



Left-to-right: Max Ward, *Director of Acquisitions, Open Industrial*; Blake Potolicchio, *Managing Partner, Open Industrial*; Relationship Manager Michael Solomon, *Burke & Herbert Bank*;

WARRENTON, VIRGINIA

Global Plumbing

“We started Global Plumbing in 2018. We had just gotten married and we wanted to build a business together. Richard was already a plumbing contractor, and had his personal accounts at Burke & Herbert Bank, while Faith banked elsewhere. When we launched Global Plumbing, we went to Rich’s local Burke & Herbert Bank branch to ask for guidance on setting up the right bank account and banking services that our new business would need.

Fatima took time to look at our whole picture to understand our banking needs – not just for our new business, but for our family, too. Faith was so impressed she left her previous bank and brought her accounts to Burke & Herbert Bank. Our business soon started to grow and we needed to hire help and invest in more equipment, including a fleet of service vehicles. We were in great hands. Burke & Herbert Bank has provided financing for all of our trucks, and also a line of credit for working capital and cash flow needs.

When we decided to move to a larger house in Warrenton, we turned to Burke & Herbert Bank for our home mortgage. We love Burke & Herbert Bank, and have all of our accounts there – for our kids, too! We know we’d never find the same level of personal attention and care anywhere else.”



Left-to-right: Walter Clarke, *Head of Small Business, Burke & Herbert Bank*; Fatima El-Hilali, *Manager, Reids Prospect Branch, Burke & Herbert Bank*; Faith Shifflett, *Co-Owner, Global Plumbing*; Richard Shifflett, *Co-Owner, Global Plumbing*

CONSUMER AND SMALL BUSINESS BANKING

Burke & Herbert Bank continues to evolve as our customers’ needs evolve, and this transformation is especially significant in our consumer and small business banking business. Our digital strategy incorporates multiple initiatives that are centered on enhancing our customer online experience, and we worked throughout 2022 to build out new digital platforms which are due to launch for business and commercial customers in 2023.

The Bank’s branch network plays a key role in our efforts to meet the banking and borrowing needs of local small businesses, as we pursue our goal of being the small business bank of choice in our markets. Building on an initiative begun in 2021, the Bank has continued to build small business acumen throughout the branch network to further assist the team in meeting the needs of small businesses in our community.

MORTGAGE AND CONSUMER LENDING

Although the residential real estate market was challenged in 2022 by rising interest rates and declining home purchase and refinancing volumes, the Bank made significant progress in expanding the size, scope and profitability of our residential mortgage business. We welcomed Mark Ragland as a new Senior Vice President and Director of the Bank's Consumer Mortgage business in early 2022. In the face of quickly changing market conditions, the Bank quickly rolled out a new 7/1 ARM, repriced our proprietary 5/5 ARM, and introduced a new 5% down mortgage, all of which were popular with customers. In addition, the Bank doubled the number of Mortgage Loan Officers and continued to enhance our online mortgage application platform, enabling us to serve more clients. In response to changing market conditions, we also introduced a new fixed-rate introductory offer on our Home Equity Line of Credit, helping to boost consumer loan volumes as well.

WEALTH SERVICES

The Wealth Services business performed well in 2022. The continued development of our Private Banking business, new additions to our team of Wealth Advisors, and enduring efforts to increase awareness

and referrals from the Bank's customer base all were instrumental in driving this success. While most major asset classes posted double-digit losses for 2022, the business continued to generate steady revenue growth, fueled by a combination of advisory fees and fixed income transactional revenue. Despite a loss of over 18% in the S&P 500 Index, strong advisory sales growth and solid portfolio performance allowed overall Assets Under Management (AUM) to finish nearly flat relative to the all-time high reached at the end of 2021.

ALEXANDRIA, VIRGINIA

Private Banking

Terry and Lynn McCreary moved to Alexandria from the Midwest in July, 2021 and as they settled in, wanted to establish a relationship with a local bank. Committed to doing business in their new home town, the McCrearys sought a community bank that offered a full suite of financial services, state of the art technology and an unwavering focus on customer service. Terry, a retired lender, noted "as a career mortgage banker, I appreciate the value of a local banking relationship. Burke & Herbert Bank has such deep roots here in Old Town. It's a true community bank – not a national bank that just has branches here."

While considering banks, Terry and Lynn received several referrals to Burke & Herbert Bank, including a recommendation from their realtor. They met with H.B. Swoope and Chris Talbert, whose commitment to the bank and passion for its customers was evident from the start. "Everyone at Burke & Herbert Bank worked to understand our needs and our preferences and worked to deliver both," Lynn commented. "H.B. is accessible, responsive and fun, too. I don't think we've ever waited for anything from him."



Left-to-right: Chris Talbert, *Burke & Herbert Wealth Services*; H.B. Swoope, *Burke & Herbert Private Banking*; Lynn McCreary, *Burke & Herbert Bank client*; Terry McCreary, *Burke & Herbert Bank client*

SERVING OUR COMMUNITY

Throughout our history, we have stayed true to our heritage as a locally-based community institution, nurturing deep roots and giving back to the communities where we work and live. At the same time, we continually work to deliver the banking, borrowing and investing services our customers require.



Burke & Herbert Bank’s identity as a community bank includes the promise to give back to each community where we do business. As such, the Bank supports many local institutions, both through direct financial support and through participation in a variety of initiatives such as Finance Park, where Bank team members work directly with local middle school students on a financial literacy curriculum. For the eighth straight year, in 2022 Burke & Herbert Bank teamed up with NBC Sports Washington, broadcasters of the Washington Capitals, to raise awareness and donate funds to a deserving local non-profit. The “Burke & Herbert Bank Scores for Kids” program resulted in a donation of \$27,500 for GrandInvolve, to support the placement of volunteers in Title I schools

ABOVE: Bank volunteers at Featherstone Elementary, Prince William County, VA

RIGHT, Left-to-right: Melissa Mollet, Reporter, NBC-4 Washington; Joseph Collum, Executive Vice President, Branch and Business Banking, Burke & Herbert Bank; Alex Lim, General Manager, Crest Advanced Dry Cleaners; Major Mark Woodcock, Salvation Army National Capital Area Command

in Fairfax County. For the 2022-23 season, the Bank has designated “Serve Our Willing Warriors” as the “Burke & Herbert Bank Scores for Veterans” program recipient.

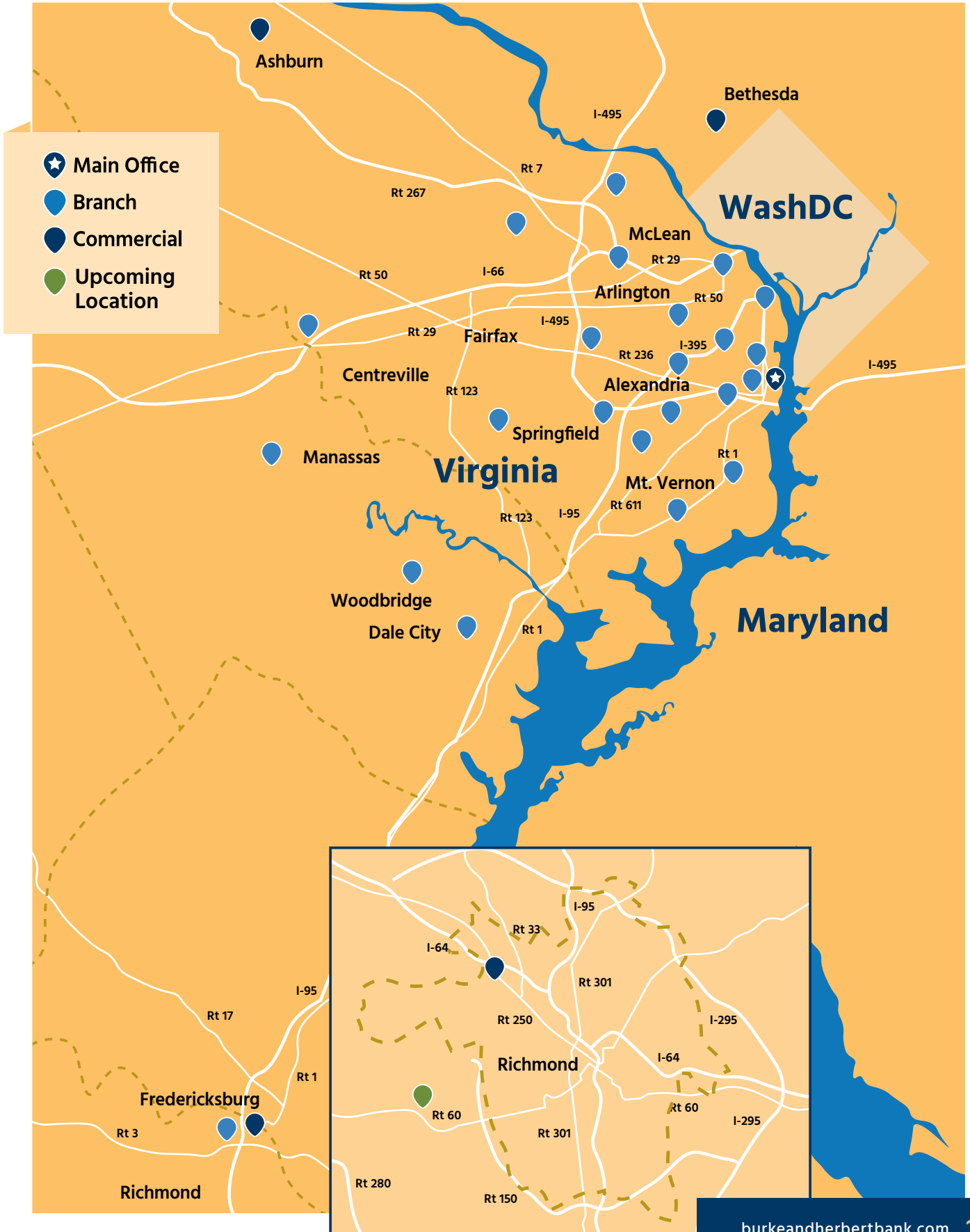


ABOVE, Left-to-right: Joe Beninati, Washington Capitals on-air announcer, NBC Sports Washington; Dorothy Keenan, Executive Director, GrandInvolve; David Boyle, President & CEO, Burke & Herbert Financial Services Corp.; Nardos King, Interim Chief Equity Officer, Fairfax County Public Schools

For the second year, in 2022 the Bank served as the title sponsor for the Old Town Festival of Speed & Style, drawing thousands of visitors to Alexandria to celebrate all things automotive and raise funds for two local non-profits: Alive! and The Campagna Center. Also in 2022, the Bank was proud to sponsor the “Share the Warmth” coat drive for the 12th year, in partnership with NBC Washington, collecting and delivering nearly 4,000 coats to help neighbors in need.



BURKE & HERBERT BANK SERVICE AREA



Burke & Herbert Financial Services Corp.

703.684.1655
burkeandherbertbank.com

