

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **October 26, 2023**



Summit Financial Group, Inc.
(Exact name of registrant as specified in its charter)

West Virginia
(State or other jurisdiction of
incorporation or organization)

0-16587
(Commission File Number)

55-0672148
(IRS Employer
Identification No.)

300 North Main Street
Moorefield West Virginia
(Address of principal executive offices)

26836
(Zip Code)

(304)530-1000
(Registrant's telephone number, including area code)

Not Applicable
(Former name or address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock, Par Value \$2.50 per share | SMMF | NASDAQ Global Select Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On October 26, 2023, Summit Financial Group, Inc. (“Summit”) issued a News Release announcing its earnings for the three and nine months ended September 30, 2023. This News Release is furnished as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

| Exhibit Number | Description |
|-----------------------|---|
| 99.1 | News Release issued on October 26, 2023 |
| 104 | Cover Page Interactive Data File (Embedded within the Inline XBRL document) |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 27, 2023

SUMMIT FINANCIAL GROUP, INC.

By: /s/ Julie R. Markwood

Julie R. Markwood

Executive Vice President and Chief Accounting Officer



FOR RELEASE 6:00 AM ET, October 26, 2023

Contact: Robert S. Tissue, Executive Vice President & CFO
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SUMMIT FINANCIAL GROUP REPORTS EARNINGS OF \$1.09 PER SHARE FOR THIRD QUARTER 2023

MOOREFIELD, WV – October 26, 2023 (GLOBE NEWSWIRE) – Summit Financial Group, Inc. (“Company” or “Summit”) (NASDAQ: SMMF) today reported financial results for the third quarter of 2023, highlighting robust core operating performance marked by continued notable strength in its net interest margin. The Company’s continued success underscores its position as an exceptional community bank, reflecting a sound strategy and solid operational execution.

The Company, which serves commercial and individual clients across West Virginia, the Washington D.C. metropolitan area, Virginia, Kentucky, the Eastern Shore of Maryland and Delaware through Summit Community Bank, Inc., reported net income applicable to common shares of \$16.1 million, or \$1.09 per diluted share, for the third quarter of 2023, as compared to \$7.98 million, or \$0.54 per diluted share, for the second quarter of 2023 and \$14.2 million, or \$1.11 per diluted share, for the third quarter of 2022. Higher earnings in Q3 2023 were driven primarily by lower provision for credit losses and acquisition-related expenses compared to Q2 2023 as Q2 included significant acquisition-related expenses attributable to the acquisition of PSB Holding Corp. and its bank subsidiary, Provident State Bank, Inc. (“PSB”) and higher provision for credit losses recorded on purchased non-credit deteriorated (“non-PCD”) loans from PSB and on a nonperforming commercial real estate participation loan.

"We are extremely encouraged by our achievements in the third quarter of 2023, as our strategic initiatives have continued to bear fruit in several critical areas," stated H. Charles Maddy III, President and Chief Executive Officer of Summit Financial Group. "Our core operational performance was robust, demonstrated by favorable net interest margin and a marked growth in our core deposits, reflecting the strong confidence our customers place in us."

Mr. Maddy continued, "A pivotal highlight of this quarter was the announcement of our merger of peers with Burke & Herbert Financial Services Corp. (“Burke & Herbert”) headquartered in Alexandria, Virginia, a renowned financial institution located in one of the best banking markets in the U.S. This significant step forward is not just a growth strategy but a commitment to expanding our service excellence and community impact. We anticipate this consolidation to be a cornerstone event in our history, positioning us for substantial opportunities in 2024 and beyond. Mr. Maddy concluded, "Looking ahead as we edge closer to the culmination of our strategic merger with Burke & Herbert, we remain committed to enhancing shareholder value, driven by our foundational strengths and synergistic growth plans. With our dedicated team, resilient strategies and community trust, we are optimistic and geared up for the opportunities and challenges ahead."

Key Highlights for the Third Quarter of 2023

- Summit Financial Group, Inc. entered into an Agreement and Plan of Reorganization with Burke & Herbert pursuant to which Summit will merge with and into Burke & Herbert, with Burke & Herbert as the surviving entity. Immediately following the Merger, Summit Community Bank, Inc., Summit's wholly owned banking subsidiary, will be merged with Burke & Herbert's wholly-owned banking subsidiary, Burke & Herbert Bank & Trust Company, with B&H Bank the surviving bank. The transaction is expected to close in Q1 2024.
- Our net interest margin ("NIM") decreased 1 basis point to 3.88 percent from the linked quarter and increased by 4 basis points from the prior-year quarter.
- Summit's core deposits experienced modest growth in the third quarter of 2023, up 1.1 percent from the linked quarter, showcasing customer confidence and a robust deposit base.
- The third quarter saw a modest increase in total loans, excluding mortgage warehouse lines of credit and acquired loans, registering an increase of 1.47 percent (5.87 percent annualized). This performance was further underscored by a year-over-year growth of 4.87 percent, a testament to our successful lending approach and effective customer acquisition.
- The Company's provision for credit losses totaled \$1.25 million in the third quarter of 2023 compared to \$8.00 million in the linked quarter. Included in the Company's Q2 2023 provision for credit losses was \$3.01 million to establish an allowance on non-PCD loans acquired from PSB in accordance with the Current Expected Credit Loss accounting standard and \$3.66 million to recognize an allowance on a nonperforming commercial real estate loan participation.
- Summit achieved an efficiency ratio of 47.15 percent, a marked improvement from 47.90 percent in the linked quarter, indicating optimized use of resources.
- Annualized non-interest expense ratio decreased to 2.10 percent of average assets from 2.41 percent in the previous quarter and increased from 2.01 percent in the same quarter last year. Excluding acquisition-related expenses, annualized non-interest expense would have been 2.01 percent of average assets in Q3 2023 and 2.05 percent of average assets for Q2 2023.

Results from Operations

Net interest income totaled \$41.3 million in the third quarter of 2023, marking an increase of 21.0 percent from the prior-year third quarter and 2.4 percent from the linked quarter. This robust growth is attributable primarily to our strategic expansion of the loan portfolio and optimizations in investment allocations. NIM for the third quarter 2023 was 3.88 percent compared to 3.89 percent for the linked quarter and 3.84 percent for the prior-year quarter, representing a stable margin performance despite volatile interest rates.

Summit recorded a \$1.25 million provision for credit losses in the third quarter of 2023. The provision for credit losses was \$8.0 million for the linked quarter, which included \$3.01 million to establish an allowance on non-PCD loans acquired from PSB in accordance with the CECL accounting standard and \$3.66 million, an allowance for a nonperforming loan participation with a regional bank secured by a shopping complex at the fair value of its collateral. The provision for credit losses was \$1.5 million in the third quarter of 2022.

Noninterest income, consisting primarily of service fee income from community banking activities and trust and wealth management fees, for third quarter 2023 was \$5.27 million compared to \$5.42 million for the linked quarter and \$4.89 million for the comparable period of 2022. The Company recorded realized securities losses on debt securities of \$12,000 in the third quarter of 2023 and \$211,000 in the linked quarter. In addition, the Company recognized net gains on equity investments of \$180,000 in the third quarter 2023 compared to \$150,000 in the linked quarter. Excluding gains and losses from debt securities and equity investments, the combined revenue from net interest income and non-interest income for Q3 2023 rose to \$46.4 million. This represents an increase of 1.3 percent from \$45.8 million in the linked quarter and a substantial 19.0 percent growth from \$39.0 million recorded in the third quarter of 2022.

Total noninterest expense decreased to \$24.2 million in the third quarter of 2023, down 11.6 percent from \$27.3 million in the linked quarter primarily due to fewer acquisition-related expenses in the third quarter. Conversely, there was a 25.7 percent hike from \$19.2 million for the same quarter in the prior year, attributed mainly to the assimilation of operational costs from the newly integrated PSB operations.

Salary and benefit expenses were \$12.0 million in the third quarter of 2023, a nominal decrease from \$12.2 million in the preceding quarter but up from \$10.2 million in the same period last year. The year-over-year increase was primarily due to the PSB acquisition and higher group health insurance premiums.

Acquisition-related expenses were \$1.11 million for Q3 2023, representing legal, due diligence and fairness opinion costs relative to the Burke & Herbert merger, compared to \$4.16 million for the linked quarter, consisting of contract termination costs, executive and employee severance benefits and legal and consulting fees associated with the PSB acquisition, and none during Q3 2022.

Summit's efficiency ratio improved, registering 47.15 percent in the third quarter of 2023, a decrease from 47.95 percent in the third quarter of 2022, and marginally better than the 47.90 percent in the linked quarter. Concurrently, the non-interest expense to average assets ratio was optimized to 2.10 percent, compared to 2.41 percent in the previous quarter, indicating enhanced operational efficiency despite the expanded asset base post-PSB acquisition.

Balance Sheet

As of September 30, 2023, total assets were \$4.6 billion, an increase of \$687.5 million, or 17.6 percent since December 31, 2022. Excluding acquired PSB assets, total assets increased by \$119.2 million, or 3.0 percent since December 31, 2022.

Total loans net of unearned fees increased to \$3.6 billion as of September 30, 2023, from \$3.1 billion at December 31, 2022, and increased 17.0 percent from the third quarter of 2022. Total loans, excluding those related to mortgage warehouse lending and acquired loans, reached \$3.1 billion on September 30, 2023. This represents an increase of 1.65 percent (or 6.59 percent when annualized) during the quarter just ended.

Total commercial loans, including commercial and industrial (C&I) and commercial real estate (CRE), increased 0.3 percent (1.1 percent annualized) during the third quarter to \$2.3 billion as of September 30, 2023.

Residential real estate and consumer lending totaled \$737.2 million on September 30, 2023, reflecting an increase of 0.75 percent (3.0 percent annualized) during the third quarter.

As of September 30, 2023, mortgage warehouse lines of credit, sourced solely from a participation arrangement with a large regional bank, totaled \$114.7 million compared to \$130.4 million as of December 31, 2022, and \$194.7 million at the year-ago period end.

Deposits totaled \$3.8 billion on September 30, 2023, a 0.5 percent increase during the third quarter. Core deposits increased 1.1 percent during the third quarter 2023 to \$3.7 billion. Adjusted uninsured deposits (excluding uninsured public deposits otherwise secured or collateralized as required by law) were 34.2 percent of total deposits at September 30, 2023 compared to 29.8 percent at year-end 2022 and 24.4 percent at the year-ago period end.

Total shareholders' equity was \$416.5 million as of September 30, 2023, compared to \$354.5 million at December 31, 2022. Summit paid a quarterly common dividend of \$0.22 per share in the third quarter of 2023.

Tangible Book Value Per Share ("TBVPS") increased by \$0.29 to \$22.22 during the third quarter of 2023, representing a 1.3 percent increase. This increase was primarily due to retained earnings which more than offset the decline in the fair value of available for sale securities reflected in accumulated other comprehensive loss. Summit had 14,674,852 outstanding common shares at September 30, 2023, compared to 12,783,646 at year-end 2022.

As announced in the first quarter of 2020, the Board of Directors authorized the open market repurchase of up to 750,000 shares of the issued and outstanding shares of Summit's common stock, of which 323,577 shares have been repurchased to date. The timing and quantity of stock purchases under this repurchase plan are at the discretion of management. During the third quarter of 2023, no shares of Summit's common stock were repurchased under the Plan.

Asset Quality

The Company recorded net loan charge-offs ("NCOs") of \$118,000 during the third quarter 2023, representing 0.01 percent of average loans annualized, compared to \$3.8 million, representing 0.44 percent of average loans annualized, in the linked quarter. NCOs of \$8,000 represented 0.0 percent of average loans annualized in the year-ago period.

Summit's allowance for loan credit losses was \$47.2 million on September 30, 2023, \$45.7 million at the end of the linked quarter, and \$36.8 million on September 30, 2022. As of September 30, 2023, the allowance for loan credit losses stood at 1.31 percent of total loans, reflecting a slight increase compared to the rate of 1.26 percent recorded as of December 31, 2022. In terms of the allowance's coverage, it represented 367.7 percent of nonperforming loans at September 30, 2023, in contrast to the figure of 497.2 percent at December 31, 2022.

Summit's allowance for credit losses on unfunded loan commitments was \$6.91 million as of September 30, 2023, compared to \$7.33 million at the end of the linked quarter. During the most recent quarter, the allowance for credit losses on unfunded loan commitments decreased by \$420,000, primarily due to a reduction in unfunded loan balances.

As of September 30, 2023, nonperforming assets ("NPAs"), consisting of nonperforming loans, foreclosed properties, and repossessed assets, totaled \$17.4 million, or 0.38 percent of assets, compared to NPAs of \$12.9 million, or 0.33 percent of assets at year-end 2022.

About the Company

Summit Financial Group, Inc. is the \$4.6 billion financial holding company for Summit Community Bank, Inc. Its talented bankers serve commercial and individual clients throughout West Virginia, the Washington, D.C. metropolitan area, Virginia, Kentucky, Eastern Shore of Maryland and Delaware. Summit's focus on in-market commercial lending and providing other business banking services in dynamic markets is designed to leverage its highly efficient operations and core deposits in strong legacy locations. Residential and consumer lending, trust and wealth management, and other retail financial services are offered through convenient digital and mobile banking platforms, including MySummitBank.com and 54 full-service branch locations. More information on Summit Financial Group, Inc. (NASDAQ: SMMF), headquartered in West Virginia's Eastern Panhandle in Moorefield, is available at SummitFGI.com.

Non-GAAP Financial Measures

In addition to the results of operations presented in accordance with Generally Accepted Accounting Principles (GAAP), Summit's management uses, and this press release contains or references, certain non-GAAP financial measures, such as tangible common equity/tangible assets; efficiency ratio; return on average tangible equity and return on average tangible common equity. Summit believes these financial measures provide information useful to investors in understanding our operational performance and business and performance trends which facilitate comparisons with the performance of others in the financial services industry. Although Summit believes that these non-GAAP financial measures enhance investors' understanding of Summit's business and performance, these non-GAAP financial measures should not be considered an alternative to GAAP or are they necessarily comparable to non-GAAP performance measures presented by other companies.

Forward-Looking Statements

This press release contains comments or information that constitute forward-looking statements (within the meaning of the Private Securities Litigation Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Words such as "expects", "anticipates", "believes", "estimates" and other similar expressions or future or conditional verbs such as "will", "should", "would" and "could" are intended to identify such forward-looking statements.

Although we believe the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially. Factors that might cause such a difference include: the effect of pandemics, including the negative impacts and disruptions on the communities we serve, and the domestic and global economy, which may have an adverse effect on our business; current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, geopolitical matters, and any slowdown in global economic growth; fiscal and monetary policies of the Federal Reserve; future provisions for credit losses on loans and debt securities; changes in nonperforming assets; changes in interest rates and interest rate relationships; demand for products and services; the degree of competition by traditional and non-traditional competitors; the successful integration of operations of our acquisitions; changes in banking laws and regulations; changes in tax laws; the impact of technological advances; the outcomes of contingencies; trends in customer behavior as well as their ability to repay loans; changes in the national and local economies, the impact of natural disasters, extreme weather events, military conflict (including the Russia/Ukraine conflict, the conflict in Israel and surrounding areas, the possible expansion of such conflicts and potential geopolitical consequences), terrorism or other geopolitical events; delays in completing the pending merger of Summit and Burke & Herbert, the failure to obtain necessary regulatory approvals and shareholder approvals or to satisfy any of the other conditions to the merger on a timely basis or at all, the possibility that the anticipated benefits of the merger are not realized when expected or at all, corporate strategies or objectives, including the impact of certain actions and initiatives, anticipated trends in Summit's business, regulatory developments, estimated synergies, cost savings and financial benefits of completed transactions, growth strategies, the inability to realize cost savings or improved revenues or to implement integration plans and other consequences associated with the proposed merger; and the other factors discussed in the "Risk Factors" section of Summit's Annual Report on Form 10-K for the year ended December 31, 2022, in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of Summit's Quarterly Report on Form 10-Q for the quarters ended March 31, 2023 and June 30, 2023, and other reports Summit files with the SEC. We undertake no obligation to revise these statements following the date of this press release.

Additional Information and Where to Find It

In connection with the proposed transaction, Burke & Herbert filed a registration statement on Form S-4 with the SEC on October 2, 2023. The registration statement includes a joint proxy statement of Burke & Herbert and Summit, which also constitutes a prospectus of Burke & Herbert, that was declared effective by the SEC on October 16, 2023. A copy of the joint proxy statement/prospectus has been sent to shareholders of Burke & Herbert and shareholders of Summit seeking certain approvals related to the proposed transaction.

The information contained herein does not constitute an offer to sell or a solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. INVESTORS AND SHAREHOLDERS OF BURKE & HERBERT AND SUMMIT AND THEIR RESPECTIVE AFFILIATES ARE URGED TO READ, THE REGISTRATION STATEMENT ON FORM S-4, THE JOINT PROXY STATEMENT/PROSPECTUS INCLUDED WITHIN THE REGISTRATION STATEMENT ON FORM S-4 AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTION, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT BURKE & HERBERT, SUMMIT AND THE PROPOSED TRANSACTION. Investors and shareholders will be able to obtain a free copy of the registration statement, including the joint proxy statement/prospectus, as well as other relevant documents filed with the SEC containing information about Burke & Herbert and Summit, without charge, at the SEC's website www.sec.gov. Copies of documents filed with the SEC by Burke & Herbert will be made available free of charge in the "Investor Relations" section of Burke & Herbert's website, www.burkeandherbertbank.com, under the heading "Financials." Copies of documents filed with the SEC by Summit will be made available free of charge in the "News" section of Summit's website, www.summitfji.com, under the heading "News / Presentations and Events" link.

Participants in Solicitation

Burke & Herbert, Summit, and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction under the rules of the SEC. Information regarding Burke & Herbert's directors and executive officers is available in its Registration Statement on Form 10, as amended and as ordered effective by the SEC on April 21, 2023. Information regarding Summit's directors and executive officers is available in its definitive proxy statement, which was filed with the SEC on March 31, 2023, and certain other documents filed by Summit with the SEC. Other information regarding the participants in the solicitation of proxies in respect of the proposed transaction and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus and other relevant materials to be filed with the SEC. Free copies of these documents, when available, may be obtained as described in the preceding paragraph.

SUMMIT FINANCIAL GROUP, INC. (NASDAQ: SMMF)
Quarterly Performance Summary (unaudited) -- Q3 2023 vs Q3 2022

| <i>Dollars in thousands</i> | For the Quarter Ended | | Percent Change |
|---|------------------------------|------------------|-----------------------|
| | 9/30/2023 | 9/30/2022 | |
| Statements of Income | | | |
| Interest income | | | |
| Loans, including fees | \$ 58,102 | \$ 38,784 | 49.8% |
| Securities | 6,357 | 3,497 | 81.8% |
| Other | 235 | 170 | 38.2% |
| Total interest income | 64,694 | 42,451 | 52.4% |
| Interest expense | | | |
| Deposits | 19,924 | 6,140 | 224.5% |
| Borrowings | 3,497 | 2,198 | 59.1% |
| Total interest expense | 23,421 | 8,338 | 180.9% |
| Net interest income | 41,273 | 34,113 | 21.0% |
| Provision for credit losses | 1,250 | 1,500 | -16.7% |
| Net interest income after provision for credit losses | 40,023 | 32,613 | 22.7% |
| Noninterest income | | | |
| Trust and wealth management fees | 819 | 725 | 13.0% |
| Mortgage origination revenue | 172 | 538 | -68.0% |
| Service charges on deposit accounts | 1,775 | 1,550 | 14.5% |
| Bank card revenue | 1,907 | 1,639 | 16.4% |
| Net gains on equity investments | 180 | 283 | -36.4% |
| Net realized losses on debt securities | (12) | (242) | -95.0% |
| Bank owned life insurance and annuity income | 311 | 229 | 35.8% |
| Other income | 113 | 165 | -31.5% |
| Total noninterest income | 5,265 | 4,887 | 7.7% |
| Noninterest expense | | | |
| Salaries and employee benefits | 11,959 | 10,189 | 17.4% |
| Net occupancy expense | 1,436 | 1,301 | 10.4% |
| Equipment expense | 2,361 | 1,851 | 27.6% |
| Professional fees | 400 | 372 | 7.5% |
| Advertising and public relations | 247 | 276 | -10.5% |
| Amortization of intangibles | 998 | 354 | 181.9% |
| FDIC premiums | 716 | 292 | 145.2% |
| Bank card expense | 972 | 726 | 33.9% |
| Foreclosed properties expense, net of (gains)/losses | 10 | 26 | -61.5% |
| Acquisition-related expense | 1,110 | — | n/m |
| Other expenses | 3,953 | 3,834 | 3.1% |
| Total noninterest expense | 24,162 | 19,221 | 25.7% |
| Income before income taxes | 21,126 | 18,279 | 15.6% |
| Income tax expense | 4,794 | 3,856 | 24.3% |
| Net income | 16,332 | 14,423 | 13.2% |
| Preferred stock dividends | 225 | 225 | n/a |
| Net income applicable to common shares | \$ 16,107 | \$ 14,198 | 13.4% |

SUMMIT FINANCIAL GROUP, INC. (NASDAQ: SMMF)
Quarterly Performance Summary (unaudited) -- Q3 2023 vs Q3 2022

| | For the Quarter Ended | | Percent Change |
|---|-----------------------|------------|----------------|
| | 9/30/2023 | 9/30/2022 | |
| Per Share Data | | | |
| Earnings per common share | | | |
| Basic | \$ 1.10 | \$ 1.11 | -0.9% |
| Diluted | \$ 1.09 | \$ 1.11 | -1.8% |
| Cash dividends per common share | \$ 0.22 | \$ 0.20 | 10.0% |
| Common stock dividend payout ratio | 19.8% | 17.7% | 11.5% |
| Average common shares outstanding | | | |
| Basic | 14,672,176 | 12,766,473 | 14.9% |
| Diluted | 14,714,211 | 12,835,670 | 14.6% |
| Common shares outstanding at period end | 14,674,852 | 12,774,645 | 14.9% |
| Performance Ratios | | | |
| Return on average equity | 15.66% | 17.05% | -8.2% |
| Return on average tangible equity (C)(E) | 20.03% | 21.33% | -6.1% |
| Return on average tangible common equity (D)(E) | 20.95% | 22.20% | -5.6% |
| Return on average assets | 1.42% | 1.51% | -6.0% |
| Net interest margin (A) | 3.88% | 3.84% | 1.0% |
| Efficiency ratio (B) | 47.15% | 47.95% | -1.7% |

NOTES

(A) - Presented on a tax-equivalent basis assuming a federal tax rate of 21%.

(B) - Computed on a tax equivalent basis excluding acquisition-related expenses, gains/losses on sales of assets, write-downs of OREO properties to fair value and amortization of intangibles.

(C) - Return on average tangible equity = (Net income + Amortization of intangibles [after-tax]) / (Average shareholders' equity - Average intangible assets).

(D) - Return on average tangible common equity = (Net income + Amortization of intangibles [after-tax]) / (Average common shareholders' equity - Average intangible assets).

(E) - See Non-GAAP Financial Measures for additional information relating to the calculation of this item.

SUMMIT FINANCIAL GROUP, INC. (NASDAQ: SMMF)
Nine Month Performance Summary (unaudited) -- 2023 vs 2022

| <i>Dollars in thousands</i> | For the Nine Months Ended | | Percent Change |
|---|----------------------------------|------------------|-----------------------|
| | 9/30/2023 | 9/30/2022 | |
| Statements of Income | | | |
| Interest income | | | |
| Loans, including fees | \$ 157,999 | \$ 101,774 | 55.2% |
| Securities | 17,423 | 8,871 | 96.4% |
| Other | 610 | 262 | 132.8% |
| Total interest income | 176,032 | 110,907 | 58.7% |
| Interest expense | | | |
| Deposits | 51,775 | 10,489 | 393.6% |
| Borrowings | 8,481 | 5,785 | 46.6% |
| Total interest expense | 60,256 | 16,274 | 270.3% |
| Net interest income | 115,776 | 94,633 | 22.3% |
| Provision for credit losses | 10,750 | 5,450 | 97.2% |
| Net interest income after provision for credit losses | 105,026 | 89,183 | 17.8% |
| Noninterest income | | | |
| Trust and wealth management fees | 2,484 | 2,228 | 11.5% |
| Mortgage origination revenue | 513 | 1,194 | -57.0% |
| Service charges on deposit accounts | 5,110 | 4,625 | 10.5% |
| Bank card revenue | 5,462 | 4,748 | 15.0% |
| Net gains/(losses) on equity investments | 375 | (14) | n/m |
| Net realized losses on debt securities, net | (282) | (684) | -58.8% |
| Bank owned life insurance and annuity income | 1,078 | 843 | 27.9% |
| Other income | 334 | 348 | -4.0% |
| Total noninterest income | 15,074 | 13,288 | 13.4% |
| Noninterest expense | | | |
| Salaries and employee benefits | 34,922 | 29,920 | 16.7% |
| Net occupancy expense | 4,297 | 3,801 | 13.0% |
| Equipment expense | 6,752 | 5,484 | 23.1% |
| Professional fees | 1,246 | 1,242 | 0.3% |
| Advertising and public relations | 681 | 613 | 11.1% |
| Amortization of intangibles | 2,340 | 1,088 | 115.1% |
| FDIC premiums | 1,788 | 872 | 105.0% |
| Bank card expense | 2,620 | 2,249 | 16.5% |
| Foreclosed properties expense, net of (gains)/losses | 73 | 77 | -5.2% |
| Acquisition-related expense | 5,604 | 33 | n/m |
| Other expenses | 10,563 | 8,651 | 22.1% |
| Total noninterest expense | 70,886 | 54,030 | 31.2% |
| Income before income taxes | 49,214 | 48,441 | 1.6% |
| Income tax expense | 10,572 | 10,311 | 2.5% |
| Net income | 38,642 | 38,130 | 1.3% |
| Preferred stock dividends | 675 | 675 | 0.0% |
| Net income applicable to common shares | \$ 37,967 | \$ 37,455 | 1.4% |

SUMMIT FINANCIAL GROUP, INC. (NASDAQ: SMMF)
Nine Month Performance Summary (unaudited) -- 2023 vs 2022

| | For the Nine Months Ended | | Percent Change |
|---|---------------------------|------------|----------------|
| | 9/30/2023 | 9/30/2022 | |
| Per Share Data | | | |
| Earnings per common share | | | |
| Basic | \$ 2.70 | \$ 2.94 | -8.2% |
| Diluted | \$ 2.69 | \$ 2.92 | -7.9% |
| Cash dividends per common share | \$ 0.62 | \$ 0.56 | 10.7% |
| Common stock dividend payout ratio | 22.6% | 18.7% | 20.7% |
| Average common shares outstanding | | | |
| Basic | 14,048,567 | 12,755,576 | 10.1% |
| Diluted | 14,090,796 | 12,815,365 | 10.0% |
| Common shares outstanding at period end | 14,674,852 | 12,774,645 | 14.9% |
| Performance Ratios | | | |
| Return on average equity | 12.97% | 15.26% | -15.0% |
| Return on average tangible equity (C)(E) | 17.60% | 19.23% | -8.5% |
| Return on average tangible common equity (D)(E) | 17.42% | 20.00% | -12.9% |
| Return on average assets | 1.18% | 1.37% | -13.9% |
| Net interest margin (A) | 3.87% | 3.71% | 4.3% |
| Efficiency ratio (B) | 47.66% | 48.25% | -1.2% |

NOTES

(A) - Presented on a tax-equivalent basis assuming a federal tax rate of 21%.

(B) - Computed on a tax equivalent basis excluding acquisition-related expenses, gains/losses on sales of assets, write-downs of OREO properties to fair value and amortization of intangibles.

(C) - Return on average tangible equity = (Net income + Amortization of intangibles [after-tax]) / (Average shareholders' equity - Average intangible assets).

(D) - Return on average tangible common equity = (Net income + Amortization of intangibles [after-tax]) / (Average common shareholders' equity - Average intangible assets).

(E) - See Non-GAAP Financial Measures for additional information relating to the calculation of this item.

SUMMIT FINANCIAL GROUP, INC. (NASDAQ: SMMF)
Five Quarter Performance Summary (unaudited)

| <i>Dollars in thousands</i> | For the Quarter Ended | | | | |
|---|------------------------------|------------------|------------------|-------------------|------------------|
| | 9/30/2023 | 6/30/2023 | 3/31/2023 | 12/31/2022 | 9/30/2022 |
| Statements of Income | | | | | |
| Interest income | | | | | |
| Loans, including fees | \$ 58,102 | \$ 54,413 | \$ 45,485 | \$ 43,589 | \$ 38,784 |
| Securities | 6,357 | 6,247 | 4,819 | 4,181 | 3,497 |
| Other | 235 | 203 | 171 | 70 | 170 |
| Total interest income | 64,694 | 60,863 | 50,475 | 47,840 | 42,451 |
| Interest expense | | | | | |
| Deposits | 19,924 | 17,851 | 14,000 | 10,194 | 6,140 |
| Borrowings | 3,497 | 2,699 | 2,286 | 3,293 | 2,198 |
| Total interest expense | 23,421 | 20,550 | 16,286 | 13,487 | 8,338 |
| Net interest income | 41,273 | 40,313 | 34,189 | 34,353 | 34,113 |
| Provision for credit losses | 1,250 | 8,000 | 1,500 | 1,500 | 1,500 |
| Net interest income after provision for credit losses | 40,023 | 32,313 | 32,689 | 32,853 | 32,613 |
| Noninterest income | | | | | |
| Trust and wealth management fees | 819 | 854 | 811 | 750 | 725 |
| Mortgage origination revenue | 172 | 169 | 171 | 286 | 538 |
| Service charges on deposit accounts | 1,775 | 1,943 | 1,392 | 1,526 | 1,550 |
| Bank card revenue | 1,907 | 1,987 | 1,568 | 1,513 | 1,639 |
| Net gains on equity investments | 180 | 150 | 45 | 280 | 283 |
| Net realized losses on debt securities | (12) | (211) | (59) | (24) | (242) |
| Bank owned life insurance and annuity income | 311 | 431 | 336 | 367 | 229 |
| Other income | 113 | 100 | 122 | 167 | 165 |
| Total noninterest income | 5,265 | 5,423 | 4,386 | 4,865 | 4,887 |
| Noninterest expense | | | | | |
| Salaries and employee benefits | 11,959 | 12,156 | 10,807 | 10,532 | 10,189 |
| Net occupancy expense | 1,436 | 1,528 | 1,333 | 1,328 | 1,301 |
| Equipment expense | 2,361 | 2,361 | 2,030 | 1,769 | 1,851 |
| Professional fees | 400 | 471 | 376 | 386 | 372 |
| Advertising and public relations | 247 | 264 | 170 | 280 | 276 |
| Amortization of intangibles | 998 | 999 | 343 | 351 | 354 |
| FDIC premiums | 716 | 742 | 330 | 352 | 292 |
| Bank card expense | 972 | 951 | 696 | 679 | 726 |
| Foreclosed properties expense, net of (gains)/losses | 10 | 48 | 15 | 159 | 26 |
| Acquisition-related expenses | 1,110 | 4,163 | 331 | 81 | — |
| Other expenses | 3,953 | 3,641 | 2,968 | 2,932 | 3,834 |
| Total noninterest expense | 24,162 | 27,324 | 19,399 | 18,849 | 19,221 |
| Income before income taxes | 21,126 | 10,412 | 17,676 | 18,869 | 18,279 |
| Income tax expense | 4,794 | 2,203 | 3,575 | 3,783 | 3,856 |
| Net income | 16,332 | 8,209 | 14,101 | 15,086 | 14,423 |
| Preferred stock dividends | 225 | 225 | 225 | 225 | 225 |
| Net income applicable to common shares | \$ 16,107 | \$ 7,984 | \$ 13,876 | \$ 14,861 | \$ 14,198 |

SUMMIT FINANCIAL GROUP, INC. (NASDAQ: SMMF)
Five Quarter Performance Summary (unaudited)

| | For the Quarter Ended | | | | |
|---|------------------------------|------------------|------------------|-------------------|------------------|
| | 9/30/2023 | 6/30/2023 | 3/31/2023 | 12/31/2022 | 9/30/2022 |
| Per Share Data | | | | | |
| Earnings per common share | | | | | |
| Basic | \$ 1.10 | \$ 0.54 | \$ 1.09 | \$ 1.16 | \$ 1.11 |
| Diluted | \$ 1.09 | \$ 0.54 | \$ 1.08 | \$ 1.16 | \$ 1.11 |
| Cash dividends per common share | | | | | |
| | \$ 0.22 | \$ 0.20 | \$ 0.20 | \$ 0.20 | \$ 0.20 |
| Common stock dividend payout ratio | 19.8% | 36.7% | 18.1% | 16.9% | 17.7% |
| Average common shares outstanding | | | | | |
| Basic | 14,672,176 | 14,668,923 | 12,783,851 | 12,775,703 | 12,766,473 |
| Diluted | 14,714,211 | 14,703,636 | 12,830,102 | 12,837,637 | 12,835,670 |
| Common shares outstanding at period end | | | | | |
| | 14,674,852 | 14,672,147 | 12,786,404 | 12,783,646 | 12,774,645 |
| Performance Ratios | | | | | |
| Return on average equity | 15.66% | 7.99% | 15.55% | 17.50% | 17.05% |
| Return on average tangible equity (C)(E) | 20.03% | 10.86% | 19.10% | 21.75% | 21.33% |
| Return on average tangible common equity (D)(E) | 20.95% | 11.37% | 20.10% | 22.96% | 22.20% |
| Return on average assets | 1.42% | 0.73% | 1.43% | 1.54% | 1.51% |
| Net interest margin (A) | 3.88% | 3.89% | 3.83% | 3.80% | 3.84% |
| Efficiency ratio (B) | 47.15% | 47.90% | 48.00% | 46.40% | 47.95% |

NOTES

(A) - Presented on a tax-equivalent basis assuming a federal tax rate of 21%.

(B) - Computed on a tax equivalent basis excluding acquisition-related expenses, gains/losses on sales of assets, write-downs of OREO properties to fair value and amortization of intangibles.

(C) - Return on average tangible equity = (Net income + Amortization of intangibles [after-tax]) / (Average shareholders' equity - Average intangible assets).

(D) - Return on average tangible common equity = (Net income + Amortization of intangibles [after-tax]) / (Average common shareholders' equity - Average intangible assets).

(E) - See Non-GAAP Financial Measures for additional information relating to the calculation of this item.

SUMMIT FINANCIAL GROUP, INC. (NASDAQ: SMMF)
Selected Balance Sheet Data (unaudited)

| <i>Dollars in thousands, except per share amounts</i> | 9/30/2023 | 6/30/2023 | 3/31/2023 | 12/31/2022 | 9/30/2022 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | | |
| Cash and due from banks | \$ 23,159 | \$ 23,341 | \$ 16,488 | \$ 16,469 | \$ 16,141 |
| Interest bearing deposits other banks | 36,398 | 39,902 | 54,328 | 28,248 | 29,510 |
| Debt securities, available for sale | 511,403 | 512,038 | 431,933 | 405,201 | 383,965 |
| Debt securities, held to maturity | 94,715 | 95,200 | 95,682 | 96,163 | 96,640 |
| Equity investments | 31,241 | 30,818 | 29,867 | 29,494 | 20,314 |
| Other investments | 19,579 | 16,014 | 12,696 | 16,029 | 18,105 |
| Loans, net | 3,551,686 | 3,506,880 | 3,059,099 | 3,043,919 | 3,038,377 |
| Property held for sale | 4,505 | 4,742 | 5,128 | 5,067 | 5,193 |
| Premises and equipment, net | 62,721 | 60,967 | 54,491 | 53,981 | 54,628 |
| Goodwill and other intangible assets, net | 75,425 | 76,423 | 61,807 | 62,150 | 62,502 |
| Cash surrender value of life insurance policies and annuities | 85,076 | 84,790 | 72,019 | 71,640 | 71,216 |
| Derivative financial instruments | 44,527 | 39,951 | 34,758 | 40,506 | 42,179 |
| Other assets | 63,773 | 61,204 | 49,111 | 47,825 | 48,529 |
| Total assets | \$ 4,604,208 | \$ 4,552,270 | \$ 3,977,407 | \$ 3,916,692 | \$ 3,887,299 |
| Liabilities and Shareholders' Equity | | | | | |
| Deposits | \$ 3,754,495 | \$ 3,735,034 | \$ 3,299,846 | \$ 3,169,879 | \$ 3,108,072 |
| Short-term borrowings | 258,054 | 232,150 | 140,150 | 225,999 | 273,148 |
| Long-term borrowings and subordinated debentures, net | 123,892 | 123,776 | 123,660 | 123,543 | 123,427 |
| Other liabilities | 51,315 | 48,136 | 44,205 | 42,741 | 40,978 |
| Total liabilities | 4,187,756 | 4,139,096 | 3,607,861 | 3,562,162 | 3,545,625 |
| Preferred stock and related surplus | 14,920 | 14,920 | 14,920 | 14,920 | 14,920 |
| Common stock and related surplus | 130,508 | 130,227 | 90,939 | 90,696 | 90,345 |
| Retained earnings | 289,641 | 276,762 | 271,712 | 260,393 | 248,084 |
| Accumulated other comprehensive income (loss) | (18,617) | (8,735) | (8,025) | (11,479) | (11,675) |
| Total shareholders' equity | 416,452 | 413,174 | 369,546 | 354,530 | 341,674 |
| Total shareholders' equity | \$ 4,604,208 | \$ 4,552,270 | \$ 3,977,407 | \$ 3,916,692 | \$ 3,887,299 |
| Book value per common share | \$ 27.36 | \$ 27.14 | \$ 27.73 | \$ 26.57 | \$ 25.58 |
| Tangible book value per common share (A)(C) | \$ 22.22 | \$ 21.93 | \$ 22.90 | \$ 21.70 | \$ 20.69 |
| Tangible common equity to tangible assets (B)(C) | 7.2% | 7.2% | 7.5% | 7.2% | 6.9% |

NOTES

(A) - Tangible book value per share = (Common stock and related surplus plus Retained earnings plus Accumulated other comprehensive income/loss - Intangible assets) / Common shares outstanding.

(B) - Tangible common equity to tangible assets = (Common stock and related surplus plus Retained earnings plus Accumulated other comprehensive income/loss - Intangible assets) / (Total assets - Intangible assets).

(C) - See Non-GAAP Financial Measures for additional information relating to the calculation of this item.

SUMMIT FINANCIAL GROUP INC. (NASDAQ: SMMF)
Loan Composition (unaudited)

| <i>Dollars in thousands</i> | 9/30/2023 | 6/30/2023 | 3/31/2023 | 12/31/2022 | 9/30/2022 |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Commercial | \$ 511,951 | \$ 511,457 | \$ 498,268 | \$ 501,844 | \$ 512,771 |
| Mortgage warehouse lines | 114,734 | 118,785 | 86,240 | 130,390 | 194,740 |
| Commercial real estate | | | | | |
| Owner occupied | 547,886 | 566,447 | 469,560 | 467,050 | 473,298 |
| Non-owner occupied | 1,217,029 | 1,193,927 | 1,036,358 | 1,004,368 | 960,627 |
| Construction and development | | | | | |
| Land and development | 114,354 | 117,371 | 102,351 | 106,362 | 104,437 |
| Construction | 349,049 | 309,709 | 290,556 | 282,935 | 248,564 |
| Residential real estate | | | | | |
| Conventional | 497,076 | 483,998 | 395,312 | 386,874 | 382,203 |
| Jumbo | 113,837 | 117,219 | 111,475 | 92,103 | 87,449 |
| Home equity | 81,967 | 86,050 | 70,167 | 71,986 | 72,756 |
| Consumer | 44,288 | 44,429 | 36,531 | 35,372 | 35,116 |
| Other | 6,748 | 3,169 | 3,117 | 3,534 | 3,166 |
| Total loans, net of unearned fees | 3,598,919 | 3,552,561 | 3,099,935 | 3,082,818 | 3,075,127 |
| Less allowance for loan credit losses | 47,233 | 45,681 | 40,836 | 38,899 | 36,750 |
| Loans, net | <u>\$ 3,551,686</u> | <u>\$ 3,506,880</u> | <u>\$ 3,059,099</u> | <u>\$ 3,043,919</u> | <u>\$ 3,038,377</u> |
| Unfunded loan commitments | <u>\$ 943,508</u> | <u>\$ 957,278</u> | <u>\$ 907,757</u> | <u>\$ 925,657</u> | <u>\$ 889,854</u> |

SUMMIT FINANCIAL GROUP INC. (NASDAQ: SMMF)
Deposit Composition (unaudited)

| <i>Dollars in thousands</i> | 9/30/2023 | 6/30/2023 | 3/31/2023 | 12/31/2022 | 9/30/2022 |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Core deposits | | | | | |
| Non interest bearing checking | \$ 630,055 | \$ 679,139 | \$ 552,716 | \$ 553,616 | \$ 619,067 |
| Interest bearing checking | 2,144,737 | 2,024,341 | 1,886,011 | 1,743,299 | 1,475,643 |
| Savings | 477,348 | 512,129 | 462,631 | 496,751 | 582,922 |
| Time deposits | 469,530 | 465,026 | 327,037 | 343,423 | 397,662 |
| Total core deposits | 3,721,670 | 3,680,635 | 3,228,395 | 3,137,089 | 3,075,294 |
| Brokered deposits | 32,825 | 54,399 | 71,451 | 32,790 | 32,778 |
| Total deposits | \$ 3,754,495 | \$ 3,735,034 | \$ 3,299,846 | \$ 3,169,879 | \$ 3,108,072 |
| Estimated uninsured deposits (A) | \$ 1,283,610 | \$ 1,189,908 | \$ 933,703 | \$ 946,188 | \$ 757,038 |

(A) - Excludes uninsured public funds otherwise secured or collateralized as required by law

SUMMIT FINANCIAL GROUP INC. (NASDAQ: SMMF)
Regulatory Capital Ratios (unaudited)

| | 9/30/2023 | 6/30/2023 | 3/31/2023 | 12/31/2022 | 9/30/2022 |
|-------------------------------------|-----------|-----------|-----------|------------|-----------|
| Summit Financial Group, Inc. | | | | | |
| CET1 Risk-based Capital | 8.9% | 8.7% | 8.9% | 8.6% | 8.2% |
| Tier 1 Risk-based Capital | 9.7% | 9.5% | 9.8% | 9.5% | 9.2% |
| Total Risk Based Capital | 13.5% | 13.3% | 14.0% | 13.5% | 13.1% |
| Tier 1 Leverage | 8.5% | 8.4% | 8.7% | 8.5% | 8.4% |
| Summit Community Bank, Inc. | | | | | |
| CET1 Risk-based Capital | 11.6% | 11.3% | 11.9% | 11.6% | 11.3% |
| Tier 1 Risk-based Capital | 11.6% | 11.3% | 11.9% | 11.6% | 11.3% |
| Total Risk Based Capital | 12.7% | 12.5% | 13.1% | 12.6% | 12.2% |
| Tier 1 Leverage | 10.1% | 9.9% | 10.6% | 10.4% | 10.3% |

SUMMIT FINANCIAL GROUP, INC. (NASDAQ: SMMF)
Asset Quality Information (unaudited)

| <i>Dollars in thousands</i> | For the Quarter Ended | | | | |
|--|------------------------------|------------------|------------------|-------------------|------------------|
| | 9/30/2023 | 6/30/2023 | 3/31/2023 | 12/31/2022 | 9/30/2022 |
| Gross loan charge-offs | \$ 226 | \$ 4,009 | \$ 164 | \$ 250 | \$ 265 |
| Gross loan recoveries | (108) | (118) | (227) | (249) | (257) |
| Net loan charge-offs | <u>\$ 118</u> | <u>\$ 3,891</u> | <u>\$ (63)</u> | <u>\$ 1</u> | <u>\$ 8</u> |
| Net loan charge-offs to average loans (annualized) | 0.01% | 0.44% | -0.01% | 0.00% | 0.00% |
| Allowance for loan credit losses | \$ 47,233 | \$ 45,681 | \$ 40,836 | \$ 38,899 | \$ 36,750 |
| Allowance for loan credit losses as a percentage of period end loans | 1.31% | 1.29% | 1.32% | 1.26% | 1.19% |
| Allowance for credit losses on unfunded loan commitments ("ULC") | \$ 6,912 | \$ 7,332 | \$ 6,572 | \$ 6,947 | \$ 7,597 |
| Allowance for credit losses on ULC as a percentage of period end ULC | 0.73% | 0.81% | 0.72% | 0.75% | 0.85% |
| Nonperforming assets: | | | | | |
| Nonperforming loans | | | | | |
| Commercial | \$ 783 | \$ 254 | \$ 402 | \$ 93 | \$ 347 |
| Commercial real estate | 6,402 | 5,970 | 1,700 | 1,750 | 1,860 |
| Residential construction and development | 750 | 772 | 813 | 851 | 902 |
| Residential real estate | 4,787 | 4,298 | 4,322 | 5,117 | 6,083 |
| Consumer | 124 | 46 | 65 | 12 | 8 |
| Total nonperforming loans | <u>12,846</u> | <u>11,340</u> | <u>7,302</u> | <u>7,823</u> | <u>9,200</u> |
| Foreclosed properties | | | | | |
| Commercial real estate | 297 | 297 | 297 | 297 | 297 |
| Commercial construction and development | 2,187 | 2,187 | 2,187 | 2,187 | 2,332 |
| Residential construction and development | 1,924 | 2,161 | 2,293 | 2,293 | 2,293 |
| Residential real estate | 97 | 97 | 351 | 290 | 271 |
| Total foreclosed properties | <u>4,505</u> | <u>4,742</u> | <u>5,128</u> | <u>5,067</u> | <u>5,193</u> |
| Total nonperforming assets | <u>\$ 17,351</u> | <u>\$ 16,082</u> | <u>\$ 12,430</u> | <u>\$ 12,890</u> | <u>\$ 14,393</u> |
| Nonperforming loans to period end loans | 0.36% | 0.32% | 0.24% | 0.25% | 0.30% |
| Nonperforming assets to period end assets | 0.38% | 0.35% | 0.31% | 0.33% | 0.37% |

SUMMIT FINANCIAL GROUP, INC. (NASDAQ: SMMF)
Loans Past Due 30-89 Days (unaudited)

| <i>Dollars in thousands</i> | 9/30/2023 | 6/30/2023 | 3/31/2023 | 12/31/2022 | 9/30/2022 |
|------------------------------|------------------|------------------|------------------|-------------------|------------------|
| Commercial | \$ 3,300 | \$ 1,006 | \$ 463 | \$ 3,168 | \$ 1,329 |
| Commercial real estate | 781 | 513 | 1,000 | 641 | 1,550 |
| Construction and development | 793 | 161 | 3,459 | 317 | 236 |
| Residential real estate | 4,620 | 4,933 | 2,311 | 6,231 | 2,824 |
| Consumer | 440 | 389 | 252 | 253 | 216 |
| Other | 37 | 17 | 13 | 22 | 4 |
| Total | <u>\$ 9,971</u> | <u>\$ 7,019</u> | <u>\$ 7,498</u> | <u>\$ 10,632</u> | <u>\$ 6,159</u> |

SUMMIT FINANCIAL GROUP, INC. (NASDAQ: SMMF)
Average Balance Sheet, Interest Earnings & Expenses and Average Rates
Q3 2023 vs Q2 2023 vs Q3 2022 (unaudited)

| | Q3 2023 | | | Q2 2023 | | | Q3 2022 | | |
|---|---------------------|------------------|--------------|---------------------|--------------------|--------------|---------------------|--------------------|--------------|
| | Average Balances | Earnings/Expense | Yield/Rate | Average Balances | Earnings / Expense | Yield / Rate | Average Balances | Earnings / Expense | Yield / Rate |
| <i>Dollars in thousands</i> | | | | | | | | | |
| ASSETS | | | | | | | | | |
| Interest earning assets | | | | | | | | | |
| Loans, net of unearned interest (1) | | | | | | | | | |
| Taxable | \$ 3,591,583 | \$ 58,040 | 6.41% | \$ 3,516,306 | \$ 54,374 | 6.20% | \$ 3,018,219 | \$ 38,741 | 5.09% |
| Tax-exempt (2) | 3,911 | 78 | 7.91% | 4,144 | 49 | 4.74% | 4,834 | 54 | 4.43% |
| Securities | | | | | | | | | |
| Taxable | 417,299 | 4,972 | 4.73% | 428,039 | 4,900 | 4.59% | 283,645 | 2,273 | 3.18% |
| Tax-exempt (2) | 211,150 | 1,754 | 3.30% | 209,931 | 1,705 | 3.26% | 203,951 | 1,549 | 3.01% |
| Interest bearing deposits other banks and | | | | | | | | | |
| Federal funds sold | 39,200 | 235 | 2.38% | 35,218 | 203 | 2.31% | 49,048 | 170 | 1.38% |
| Total interest earning assets | 4,263,143 | 65,079 | 6.06% | 4,193,638 | 61,231 | 5.86% | 3,559,697 | 42,787 | 4.77% |
| Noninterest earning assets | | | | | | | | | |
| Cash & due from banks | 24,229 | | | 23,588 | | | 17,455 | | |
| Premises & equipment | 62,085 | | | 60,872 | | | 54,976 | | |
| Intangible assets | 76,037 | | | 80,445 | | | 62,705 | | |
| Other assets | 219,150 | | | 212,104 | | | 171,409 | | |
| Allowance for loan credit losses | (46,498) | | | (44,312) | | | (35,381) | | |
| Total assets | <u>\$ 4,598,146</u> | | | <u>\$ 4,526,335</u> | | | <u>\$ 3,830,861</u> | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Interest bearing liabilities | | | | | | | | | |
| Interest bearing demand deposits | \$ 2,057,035 | \$ 15,053 | 2.90% | \$ 1,985,134 | \$ 13,423 | 2.71% | \$ 1,454,815 | \$ 4,276 | 1.17% |
| Savings deposits | 493,565 | 2,035 | 1.64% | 528,694 | 2,000 | 1.52% | 611,075 | 1,243 | 0.81% |
| Time deposits | 505,824 | 2,836 | 2.22% | 513,236 | 2,428 | 1.90% | 461,134 | 621 | 0.53% |
| Short-term borrowings | 267,935 | 1,988 | 2.94% | 207,418 | 1,212 | 2.34% | 191,421 | 850 | 1.76% |
| Long-term borrowings and subordinated | | | | | | | | | |
| debentures | 123,839 | 1,509 | 4.83% | 123,843 | 1,487 | 4.82% | 123,368 | 1,348 | 4.34% |
| Total interest bearing liabilities | 3,448,198 | 23,421 | 2.69% | 3,358,325 | 20,550 | 2.45% | 2,841,813 | 8,338 | 1.16% |
| Noninterest bearing liabilities | | | | | | | | | |
| Demand deposits | 681,035 | | | 706,391 | | | 609,424 | | |
| Other liabilities | 51,669 | | | 50,863 | | | 41,339 | | |
| Total liabilities | <u>4,180,902</u> | | | <u>4,115,579</u> | | | <u>3,492,576</u> | | |
| Shareholders' equity - preferred | | | | | | | | | |
| Shareholders' equity - preferred | 14,920 | | | 14,920 | | | 14,920 | | |
| Shareholders' equity - common | | | | | | | | | |
| Shareholders' equity - common | 402,324 | | | 395,836 | | | 323,365 | | |
| Total liabilities and shareholders' equity | <u>\$ 4,598,146</u> | | | <u>\$ 4,526,335</u> | | | <u>\$ 3,830,861</u> | | |
| NET INTEREST EARNINGS | | <u>\$ 41,658</u> | | | <u>\$ 40,681</u> | | | <u>\$ 34,449</u> | |
| NET INTEREST MARGIN | | | <u>3.88%</u> | | | <u>3.89%</u> | | | <u>3.84%</u> |

(1) For purposes of this table, nonaccrual loans are included in average loan balances.

(2) Interest income on tax-exempt securities and loans has been adjusted assuming a Federal tax rate of 21% for all periods presented. The tax equivalent adjustment resulted in an increase in interest income of \$385,000, \$368,000 and \$336,000 for Q3 2023, Q2 2023 and Q3 2022, respectively.

SUMMIT FINANCIAL GROUP, INC. (NASDAQ: SMMF)
Average Balance Sheet, Interest Earnings & Expenses and Average Rates
YTD 2023 vs YTD 2022 (unaudited)

| <i>Dollars in thousands</i> | YTD 2023 | | | YTD 2022 | | |
|--|------------------|--------------------|--------------|------------------|--------------------|--------------|
| | Average Balances | Earnings / Expense | Yield / Rate | Average Balances | Earnings / Expense | Yield / Rate |
| ASSETS | | | | | | |
| Interest earning assets | | | | | | |
| Loans, net of unearned interest (1) | | | | | | |
| Taxable | \$ 3,400,167 | \$ 157,813 | 6.21% | \$ 2,898,380 | \$ 101,640 | 4.69% |
| Tax-exempt (2) | 4,706 | 235 | 6.68% | 5,108 | 170 | 4.45% |
| Securities | | | | | | |
| Taxable | 386,825 | 13,283 | 4.59% | 300,371 | 5,695 | 2.53% |
| Tax-exempt (2) | 212,484 | 5,241 | 3.30% | 187,575 | 4,021 | 2.87% |
| Interest bearing deposits other banks and Federal funds sold | | | | | | |
| | 36,261 | 610 | 2.25% | 53,142 | 262 | 0.66% |
| Total interest earning assets | 4,040,443 | 177,182 | 5.86% | 3,444,576 | 111,788 | 4.34% |
| Noninterest earning assets | | | | | | |
| Cash & due from banks | 21,766 | | | 17,671 | | |
| Premises & equipment | 59,053 | | | 55,486 | | |
| Intangible assets | 72,887 | | | 63,061 | | |
| Other assets | 207,111 | | | 159,912 | | |
| Allowance for loan losses | (43,466) | | | (33,705) | | |
| Total assets | \$ 4,357,794 | | | \$ 3,707,001 | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| Liabilities | | | | | | |
| Interest bearing liabilities | | | | | | |
| Interest bearing demand deposits | \$ 1,954,761 | \$ 39,276 | 2.69% | \$ 1,260,907 | \$ 6,015 | 0.64% |
| Savings deposits | 500,647 | 5,949 | 1.59% | 660,855 | 2,505 | 0.51% |
| Time deposits | 469,864 | 6,550 | 1.86% | 506,654 | 1,969 | 0.52% |
| Short-term borrowings | 214,322 | 4,024 | 2.51% | 179,813 | 1,918 | 1.43% |
| Long-term borrowings and subordinated debentures | 123,717 | 4,457 | 4.82% | 123,279 | 3,867 | 4.19% |
| Total interest bearing liabilities | 3,263,311 | 60,256 | 2.47% | 2,731,508 | 16,274 | 0.80% |
| Noninterest bearing liabilities | | | | | | |
| Demand deposits | 648,789 | | | 600,766 | | |
| Other liabilities | 48,554 | | | 41,541 | | |
| Total liabilities | 3,960,654 | | | 3,373,815 | | |
| Shareholders' equity - preferred | | | | | | |
| | 14,920 | | | 14,920 | | |
| Shareholders' equity - common | | | | | | |
| | 382,220 | | | 318,266 | | |
| Total liabilities and shareholders' equity | \$ 4,357,794 | | | \$ 3,707,001 | | |
| NET INTEREST EARNINGS | | \$ 116,926 | | | \$ 95,514 | |
| NET INTEREST MARGIN | | | 3.87% | | | 3.71% |

(1) For purposes of this table, nonaccrual loans are included in average loan balances.

(2) Interest income on tax-exempt securities and loans has been adjusted assuming a Federal tax rate of 21% for all periods presented. The tax equivalent adjustment resulted in an increase in interest income of \$1,150,000 and \$881,000 for YTD 2023 and YTD 2022 periods, respectively.