F&M TRUST

Franklin Financial Services Corporation

SHAREHOLDER LETTER 2025

DEAR SHAREHOLDERS,

As I complete my first year as the President and CEO of your company, I am proud to share that 2025 was an outstanding year, achieving several records. Our net income reached $21.2 million, representing a 91.2% increase over the prior year and marking the highest earnings in the bank's 120-year history.

Reflections on a Record Year and Key Strengths

Our performance in 2025 was due to the hard work and dedication of our team. The investments we've made in infrastructure and technology fueled our growth over the last three years and set us up for success in the years to come.

According to our 2025 financial reports, net loans grew by 11.6%, driven mainly by increases in commercial and residential real estate loans. We also saw steady deposit growth, all while maintaining competitive deposit costs and ensuring that more than 87% of deposits are either FDIC insured or collateralized. The company's total assets surpassed $2.2 billion, and our Wealth Management division's assets under management increased by 8.6% to $1.4 billion. Our market expansion efforts have yielded strong results, particularly with the opening of our new Community Office in Dauphin County, which now holds over $54 million in deposits, has originated more than $6 million in consumer loans, and opened 474 new deposit accounts as of December 31, 2025. Additionally, our service area has expanded to include wealth management, commercial financing, and residential lending offerings in Maryland, West Virginia, and neighboring counties in Pennsylvania.

CRAIG BEST
PRESIDENT & CEO

Over the last 15 months, we have engaged with a wide range of stakeholders including shareholders and institutional investors. Many have asked for my perspective on the bank and why someone should consider investing in Franklin Financial. While there are numerous reasons, the following key strengths stand out as compelling factors for current and prospective investors.

Exceptionally Strong Deposit Franchise

Our company has consistently demonstrated solid deposit growth, maintaining low funding costs that rank among the best in our peer group. In response to the challenges posed by interest rate pressures over recent years, we formed a Deposit Committee that meets weekly to develop strategies for both deposit growth and retention. A significant milestone last year was the launch of our Private Banking program at F&M Trust – the first in our history. Through this program, we aim to deliver an integrated and personalized experience to our wealth management clients by bringing together our full range of services and expertise. This approach will help us strengthen our reputation as a trusted financial partner and attract new customer deposits that might otherwise be unattainable.

Diversified Revenue Streams Including Wealth Management Fee Income

Our Wealth Management division has been a key area of growth and differentiation, contributing to a significant increase in noninterest income in 2025 compared to the previous year. This sets us apart from many other community banks. Our long-term strategic objective is to grow our assets under management to $2 billion, further enhancing the stability and diversity of our revenue streams.

Solid Credit Quality

The bank maintains a strong record of credit quality, with our nonperforming loans to total loans ratio remaining historically low compared to peer institutions with $1 to $3 billion in assets. As of

Continued on next page >

During 2025, Franklin Financial was accepted into the Russell 2000 Index for the second time since joining the NASDAQ in 2019.

> Continued from previous page

December 31, 2025, we continue to be "well-capitalized" under regulatory guidelines.

Consistent Earnings Performance

Our company has a proven track record of delivering solid earnings. In 2025, we achieved all-time high results, surpassing our previous record set in 2021 with $19.6 million in earnings. These accomplishments reflect our focused efforts and strategic decision-making, and we are optimistic about continuing to build on this momentum. Our ongoing initiatives are designed to drive greater efficiencies and ensure that we continue to meet the evolving needs of our customers.

Strong Employee Culture and Community Commitment

Our organization's service culture is a defining characteristic of our brand, frequently mentioned by new team members as a unique differentiator. This supportive environment allows individuals and teams to maximize performance and position us for sustained success. In 2025, employees volunteered over 2,200 hours to local organizations, and dozens of employees hold positions of leadership in community groups and serve on the boards of directors for local nonprofit agencies. Additionally, the bank donates an average of at least $900,000 to hundreds of organizations across its regional footprint, including student scholarships and grants through Pennsylvania's EITC program. I also had the privilege of participating in Banktoberfest for the first time – a tradition since 2016 that emphasizes team building, exceeding expectations, and community service. Past events have contributed to environmental conservation, supported area food pantries, provided essentials for at-risk veterans, and helped youth foster care agencies.

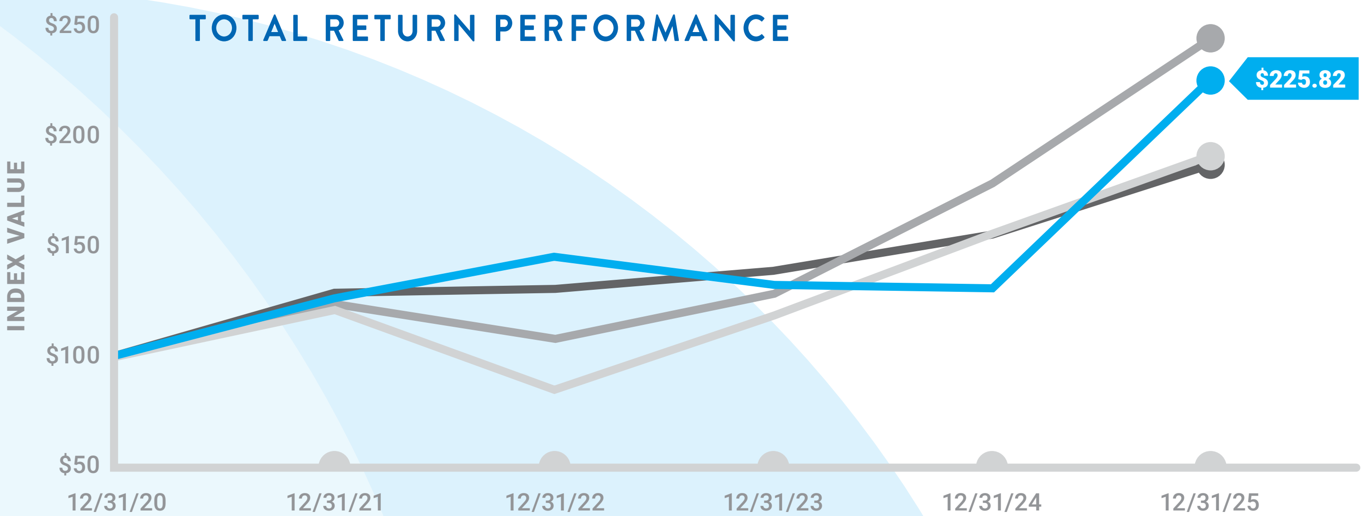
In conclusion, we wish to express our gratitude to our shareholders, customers, and employees for entrusting us with the leadership of this organization. Through our shared commitment, we have advanced the value of Franklin Financial Services Corporation and F&M Trust, setting new benchmarks for performance. We are eager to continue building on our achievements to deliver enhanced results and further strengthen our position as a respected independent community bank.

Sincerely yours,

Craig Best
President & CEO
Franklin Financial Services Corporation and F&M Trust

Chad Carroll
Senior Executive Vice President and Chief Operating Officer
F&M Trust

TOTAL RETURN PERFORMANCE



LEGEND

Frankin Financial Services Corp. · NASDAQ Composite Index · S&P US BMI Banks - Mid-Atlantic Region · Peer Group

A few images from the year – strong leadership connections plus some of the many volunteer and financial contributions we've made in the communities we serve.


Chad Carroll, SEVP & COO


American Literacy Tour

Wildheart Farm Work Day


Habitat for Humanity of Franklin County


United Way of Franklin County May of Caring


Greencastle Tutti Fruiti 2025


ARC Carnival Volunteers


Mont Alto Carnival


Chambersburg Old Market Day

Banktoberfest 2025 – More than 250 employees volunteered to assemble hundreds of bank-donated *Comfort Buddies*, which are plush animals for first responders to assist children facing difficult circumstances.

F&M TRUST

Franklin Financial Services Corporation

CONSOLIDATED FINANCIAL HIGHLIGHTS 2025

(Dollars in thousands, except per share)	**2025**	2024
PERFORMANCE MEASUREMENTS		
Net income	**$ 21,226**	$ 11.099
Return on average assets	**0.94%**	0.54%
Return on average equity	**13.55%**	8.05%
Net interest margin, fully tax equivalent	**3.25%**	2.95%
SHAREHOLDERS' VALUE (Per common share)		
Diluted earnings per share	**$ 4.74**	$ 2.51
Basic earnings per share	**4.76**	2.52
Regular cash dividends paid	**1.31**	1.28
Book value	**39.11**	32.69
Market value*	**50.20**	29.90
Market value/book value ratio	**128.36%**	91.47%
Price/earnings multiple year-to-date	**10.59**	11.91
Current quarter dividend yield**	**2.63%**	4.28%
Dividend payout ratio	**27.54%**	50.72%
BALANCE SHEET HIGHLIGHTS		
Total assets	**$ 2,239,018**	$ 2,197,841
Debt securities	**454,568**	508,604
Loans, net	**1,540,583**	1,380,424
Deposits	**1,835,772**	1,815,647
Shareholders' equity	**175,242**	144,716
SAFETY AND SOUNDNESS		
Risk-based capital ratio (Total)	**13.27%**	13.85%
Leverage ratio (Tier 1)	**8.17%**	7.92%
Common equity ratio (Tier 1)	**11.45%**	11.31%
Nonperforming loans/gross loans	**0.55%**	0.02%
Nonperforming assets/total assets	**0.38%**	0.01%
Allowance for loan loss/loans	**1.32%**	1.26%
Net loan (charge-offs) recoveries/average loans	**0.00%**	(0.03)%
ASSETS UNDER MANAGEMENT		
Wealth Management Services (Fair value)	**$ 1,273,421**	$ 1,169,282
Held at third-party brokers (Fair value)	**147,880**	139,872

*Based on the closing price of FRAF as quoted on the Nasdaq Capital Market
**Annualized