

Investor Presentation

First Quarter 2023 Highlights

F&M TRUST

Franklin Financial
Services Corporation

Forward Looking Statements

Certain statements appearing herein which are not historical in nature are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements refer to a future period or periods, reflecting Management's current views as to likely future developments, and use words "may," "will," "expect," "believe," "estimate," "anticipate," or similar terms. Because forward-looking statements involve certain risks, uncertainties and other factors over which the Corporation has no direct control, actual results could differ materially from those contemplated in such statements. These factors include (but are not limited to) the following: general economic conditions, changes in interest rates, changes in the rate of inflation and product and service prices, change in the Corporation's cost of funds, changes in government monetary policy, changes in government regulation and taxation of financial institutions, effects of government shutdowns and budget negotiations, impacts of the interruption, degradation or breach in security of our information and technology systems or other technological risks and attacks, acts of war, terrorism or geopolitical instabilities, changes in accounting policies or practices, changes in technology, the intensification of competition within the Corporation's market area, and other similar factors.

We caution readers not to place undue reliance on these forward-looking statements. They only reflect management's analysis as of this date. The Corporation does not revise or update these forward-looking statements to reflect events or changed circumstances. Please carefully review the risk factors described in other documents the Corporation files from time to time with the SEC, including the Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and any Current Reports on Form 8-K.

CEO Comments

While there were many national headlines in the first quarter of 2023, adding confusion and chaos to the banking world, the quarter was relatively calm for Franklin Financial Services Corporation. The Company continued to reposition its balance sheet against the rising interest-rate environment, focus on maintaining deposit relationships, and carefully grow the commercial loan portfolio with the recognition of a possible recession looming in the second half of the year.

With 92% of our depositor's funds collateralized, or FDIC insured, the direct impact of several bank failures during the quarter was negligible to the Company. Importantly, the decline in deposits at the beginning of the quarter as certain depositors sought higher-yielding products has slowed due to a focused effort by the bank that included direct customer communication and raising some deposit rates.

The Company remains focused on maintaining strong liquidity levels despite the challenges of the unrealized losses in our investment portfolio. Over the quarter, investments were liquidated when we could get a short earn back, a small amount of brokered CDs were acquired, and we borrowed under the new Federal Reserve Bank Term Funding Program to enhance our liquidity position, which will be further detailed later in this presentation. We remain diligent in addressing our liquidity needs but feel comfortable in our current position.

In the first quarter of 2023, we began to realize results from the work we put in during 2022 to develop and increase our commercial loan balances. Our Treasury team has also been effective in bringing commercial deposit relationships to the bank. We believe we will continue to see growth through the second quarter and into the third. At the moment, the fourth quarter seems a long way away. Credit quality is very strong right now and we are well-positioned to absorb any challenges that might arise later in the year.

The Company is taking a series of small steps to adjust to changing conditions without making large bets that could subject it to issues if there are additional dramatic moves in the economy. We remain optimistic for the future and focused on growth as we move the Company forward.

Thank you for your interest. Sincerely,



Mission, Vision & Core Values

Mission Statement

Delivering the right financial solutions from people you know and trust.

Vision

We are committed to remaining independent by growing our bank to meet the increasing needs of our employees, customers, communities, and shareholders. We strive to be a financial services leader in the markets we serve.

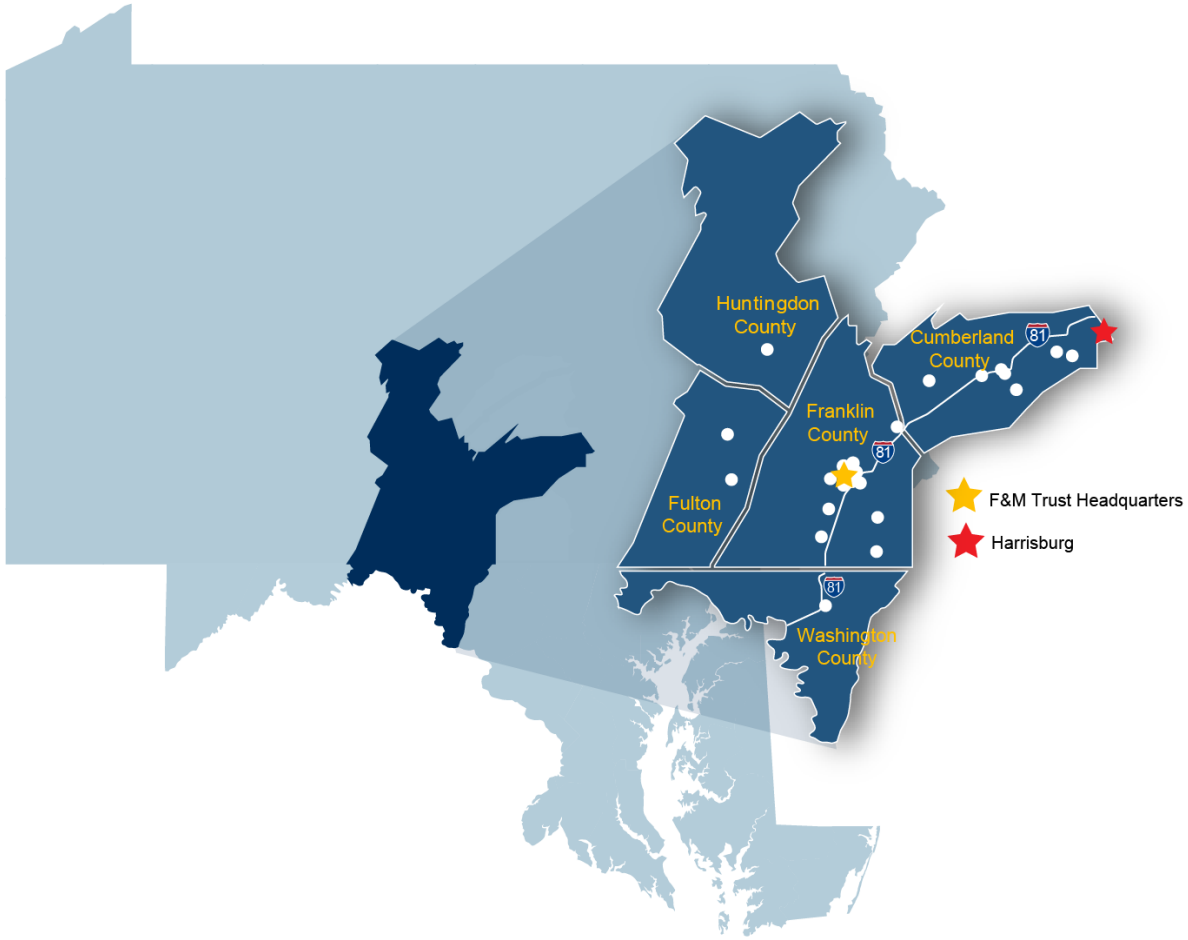
Core Values

The employees, officers, and directors are committed to the core values of integrity, teamwork, excellence, accountability, and concern for our customers and the communities we serve.

Overview of Franklin Financial

- Franklin Financial, which was formed in 1983, is a holding company headquartered in Franklin County, PA
- Franklin Financial's wholly-owned subsidiary, F&M Trust, was founded in Chambersburg, PA in 1906
- Total assets of the Company were $1.71 billion as of March 31, 2023
- As of March 31, 2023, Franklin Financial reported $1.07 billion in brokerage and trust assets under management
- Franklin Financial stock is trading on the Nasdaq Stock Market (NASDAQ: FRAF)

A Market Share Leader



- 22 locations in Franklin, Cumberland, Fulton, and Huntingdon counties PA, and Washington County MD.
- #1 Deposit Market Share in Chambersburg (53.5%)
- #1 Deposit Market Share in Franklin County (40.5%)
- #2 Deposit Market Share in Fulton County (36.4%)
- Began operation in MD in June 2022

Source: Federal Deposit Insurance Corporation; Deposit Market Share Report; June 30, 2022

Experienced and Cohesive Executive Team

Executive	Title	Years of Banking Experience	Joined F&M Trust	Prior Experience
Timothy G. Henry	*President & Chief Executive Officer*	**41**	2016	*Fulton, Centra Bank, BlueRidge Bank, Susquehanna Bank, BB&T*
Mark R. Hollar	*Executive Vice President, Chief Financial Officer & Treasurer*	**35**	1994	*ValleyBank & Trust*
Charles B. Carroll, Jr.	*Executive Vice President, Chief Operating Officer*	**29**	2023	*S&T Bank, FirstMerit / Huntington National Bank, BBVA Compass*
Lorie Heckman	*Senior Vice President, Chief Risk Officer*	**37**	1986	
Steven D. Butz	*Senior Vice President, Chief Commercial Services Officer*	**38**	2013	*PNC, Waypoint, Sovereign, Graystone Tower, Susquehanna Bank*
Scott Ehrig, CFP, CIMA	*Senior Vice President, Chief Investment & Trust Services Officer*	**30**	2020	*FMA Advisory, Wilmington Trust, M&T Investment Group, JP Morgan*

Experienced and Cohesive Executive Team

Executive	Title	Years of Banking Experience	Joined F&M Trust	Prior Experience
Louis J. Giustini	*Senior Vice President, Chief Retail Services Officer*	**35**	2022	*Hagerstown Trust, Columbia Bank, Fulton Bank*
Karen K. Carmack, DM	*Senior Vice President, Chief Human Resources Officer*	**28**	2000	*ACNB*
Matthew D. Weaver	*Senior Vice President, Chief Marketing Officer*	**23**	2014	*Susquehanna Bank, Clifton LarsonAllen, IMRE*
David Long	*Senior Vice President, Chief Technology Officer*	**16**	2022	*Howard Bank*

Well-Established Company

- Market share leader in core deposit, loan, and asset-management segments in economically stable and historically growing markets
- Recently hired executive team members with extensive banking industry experience and market knowledge, adding to an experienced management team
- Consistently strong core operating fundamentals with a diverse revenue mix
- Strong regulatory capital position, sound risk management, and neutral to slightly asset-sensitive balance sheet positioned to benefit from rising interest rates
- Historically stable core deposit base, which becomes more valuable in a rising rate environment
- A well-diversified loan portfolio with an emphasis on small-business relationships without reliance on participation loans
- Accelerating digital transformation and technology adoption to support business growth and service

First Quarter 2023 Financial Updates

- Net interest income for the first quarter of 2023 was $12.8 million compared to $14.6 million for the fourth quarter of 2022
- Continue to adjust deposit rates in response to market conditions
- Net interest margin was 3.41% for the first quarter compared to 3.58% for the fourth quarter of 2022
- Provision for credit loss was $529 thousand for the first quarter of 2023 compared to $650 thousand for the fourth quarter of 2022, due primarily to loan growth
- Allowance for loan loss ratio of 1.31%; non-performing asset ratio of 0.01%
- Capital position remained strong with a total risk-based capital ratio of 17.21% and a leverage ratio of 9.58%

First Quarter 2023 Financial Updates

- Maintained the dividend at $0.32 per share for the second quarter of 2023
- Loan-to-deposit ratio of 72% is up slightly and allows for lending opportunities at higher interest rates
- Fee income from new mortgages originated for sale in the secondary market was flat from the fourth quarter of 2022 and down $181 thousand compared to the first quarter of 2022
- Deposits decreased 3.2% from year-end 2022
- Loans were up 2.6% from year-end 2022, primarily in the commercial loan portfolio
- Sold $33 million of investment securities at a loss of $602 thousand as part of portfolio restructuring

Digital Transformation

- Registered Zelle® users increased 19.06% and mobile banking users increased 5.3% from the first quarter of 2022 to the first quarter of 2023 as customers continue to transition to digital banking channels
- Treasury services improved digital solutions to help business customers streamline payment and collection processes, manage liquidity, and prevent fraud, resulting in increased fee income and deposits
- Business online banking customers increased 9.2% from the first quarter of 2022 to the first quarter of 2023
- Utilize AI-driven predictive modeling to deliver targeted marketing content through the bank's online and mobile banking platforms, website, and at the point-of-sale
- Launched Salesforce in Retail, Commercial and Investment & Trust Services segments of the bank

Outlook for the Remainder of 2023

- The Company will continue building for the future by leveraging our investments in our physical, technological, and sales infrastructure including:
  - Further integration of Salesforce into sales, operations, and marketing
  - Expanding our presence in the Pennsylvania and Maryland markets
  - Expanding the use of digitization in both customer interface and operational workflows
- The focus on cross-selling between Commercial, Retail, and Investment & Trust Services lines of business, to the benefit of the bank's customers, continues with improvement due to the adoption and use of Salesforce throughout the bank
- Commercial loan growth will continue due to the integration of new commercial relationship managers, improved underwriting processes, and growth into new regional markets for the bank

Outlook for the Remainder of 2023

- Deposit balances will moderate due to the tension between rising rates and the bank's efforts to control interest costs and manage liquidity needs
- Competition for deposits and quality loans may have an adverse effect on NIM
- The negative effect of Accumulate Other Comprehensive Income on book capital should level off as investments move to maturity (average portfolio duration is under 4.4 years)
- Fee income from the Investment & Trust Services division should continue to grow with the addition of new clients/assets and should only be moderated by the general performance of both the bond and equity markets
- With increased focus on finding operating efficiencies, both internally and with our external third-party vendors, we expect to see an improved efficiency ratio going into 2024

Summary

- The Company continues to be well capitalized and positioned to successfully develop new Commercial and Investment & Trust relationships
- The bank is positioned to fund growth
- Asset quality is good, and the Company is well provisioned for losses should they occur in future quarters due to economic factors
- The Company is actively working to bring more digitally based products and services to its customers
- The Company is positioning for future growth and expansion following the completed consolidation and move to a new corporate headquarters and operations center, the addition of Salesforce, transitioning of senior leadership, and a new full-service community office in Maryland

Financial Updates

First Quarter Ended March 31, 2023

F&M TRUST

Franklin Financial Services Corporation

Balance Sheet Highlights

Dollars in Thousands (000's)	3/31/2023	12/31/2022	12/31/2021	12/31/2020
Total Assets	$1,711,285	$1,699,579	$1,773,806	$1,535,038
Cash and Cash Equiv.	$86,563	$64,899	$175,149	$57,146
Investments	$458,154	$487,247	$530,292	$397,331
Net Loans	$1,063,337	$1,036,866	$983,746	$992,915
Deposits	$1,502,110	$1,551,448	$1,584,359	$1,354,573
Shareholders' Equity	$123,583	$114,197	$157,065	$145,176

Income Statement Highlights

Dollars in Thousands (000's)	Quarter Ended 3/31/2023	Quarter Ended 12/31/2022	Quarter Ended 3/31/2022
Interest Income	$16,583	$16,997	$11,534
Interest Expense	$3,746	$2,392	$726
Net Interest Income	$12,837	$14,605	$10,808
Provision for Losses	$529	$650	--
Noninterest Income[1]	$3,851	$3,690	$3,873
Noninterest Expense	$12,019	$13,196	$11,266
Net Income	$3,292	$3,717	$3,012

[1]Excludes net securities gains/losses in all periods

Key Performance Measures

Percent (%)	Quarter Ended 3/31/2023	Quarter Ended 12/31/2022	Quarter Ended 3/31/2022
Return on Avg. Assets	0.80	0.84	0.69
Return on Avg. Equity	11.33	13.58	7.96
Efficiency Ratio[1]	70.70	70.42	75.50
Net Interest Margin	3.41	3.58	2.66
Noninterest Inc[2] / Operating Revenue	23.08	20.17	26.38

[1]See GAAP versus Non-GAAP reconciliation;
[2]Excludes securities gains in all periods

Balance Sheet Strength

Percent (%)	Quarter Ended 3/31/2023	Quarter Ended 12/31/2022	Quarter Ended 3/31/2022
Risk-Based Capital Ratio (Total)	17.21	17.21	18.09
Leverage Ratio (Tier 1)	9.58	8.95	8.59
Common Equity Ratio (Tier 1)	14.24	14.22	14.94
Tangible Common Equity Ratio	6.73	6.22	7.29
Nonperforming Assets[1] / Total Assets	0.01	0.01	0.42
Allowance for Loan Loss as a % of Loans	1.31	1.35	1.50
Allowance to Nonaccrual Loans	NM[2]	NM[3]	203.49

[1]Nonperforming assets = nonaccrual loans, loans 90-days past due and other real estate owned; [2]Not meaningful = 11,757.50%; [3]Not meaningful = 11,812.50%

Market Statistics

Per Share Measure / Market Valuation	Quarter Ended 3/31/2023	Quarter Ended 12/31/2022	Quarter Ended 3/31/2022
Diluted Earnings Per Share	$0.75	$0.84	$0.67
Cash Dividend Yield	4.32%	3.55%	3.81%
Regular Cash Dividends Paid	$0.32	$0.32	$0.32
Dividend Payout Ratio	42.68%	37.77%	47.18%
Market Value Per Share	$29.64	$36.10	$33.58
Book Value	$28.07	$26.01	$30.77
Tangible Book Value[1]	$26.02	$23.96	$28.75
Market Cap ($M)	$130.50	$158.48	$149.67
Price / Book (%)	105.59%	138.79%	109.13%
Price / Tangible Book (%)	113.91%	150.67%	116.80%
Price / LTM EPS (X)	8.62	10.74	8.42

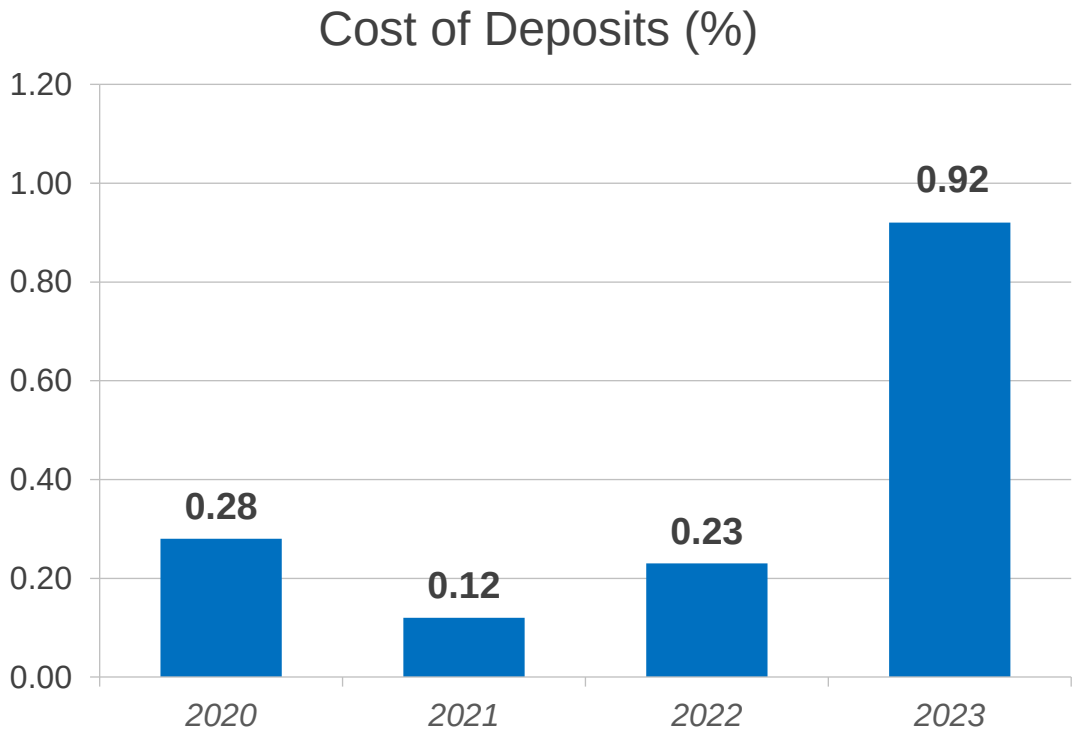
[1]See GAAP versus Non-GAAP reconciliation

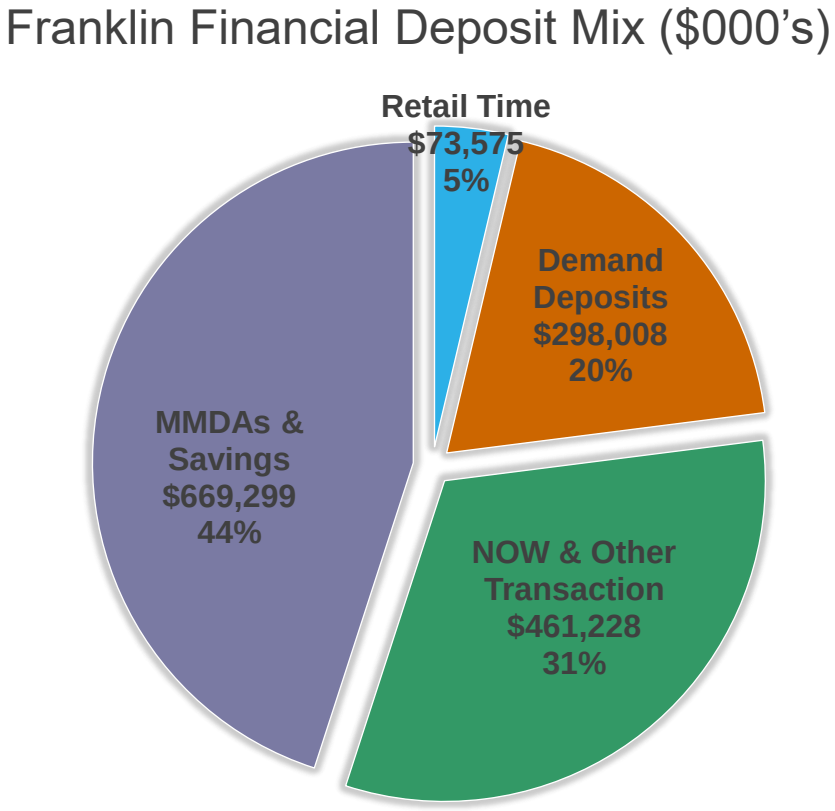
Balanced Revenue Model

Annualized Noninterest Income Source as a percentage of Average Assets as of March 31, 2023	2023 Franklin Financial	Median PA Banks Peer[1]
Trust	0.42%	0.03%
Service Charges on Deposits	0.14%	0.10%
Gain on Sale of Loans	0.02%	0.01%
Other	0.23%	0.27%
Total Noninterest Income[2]	0.93%	0.54%

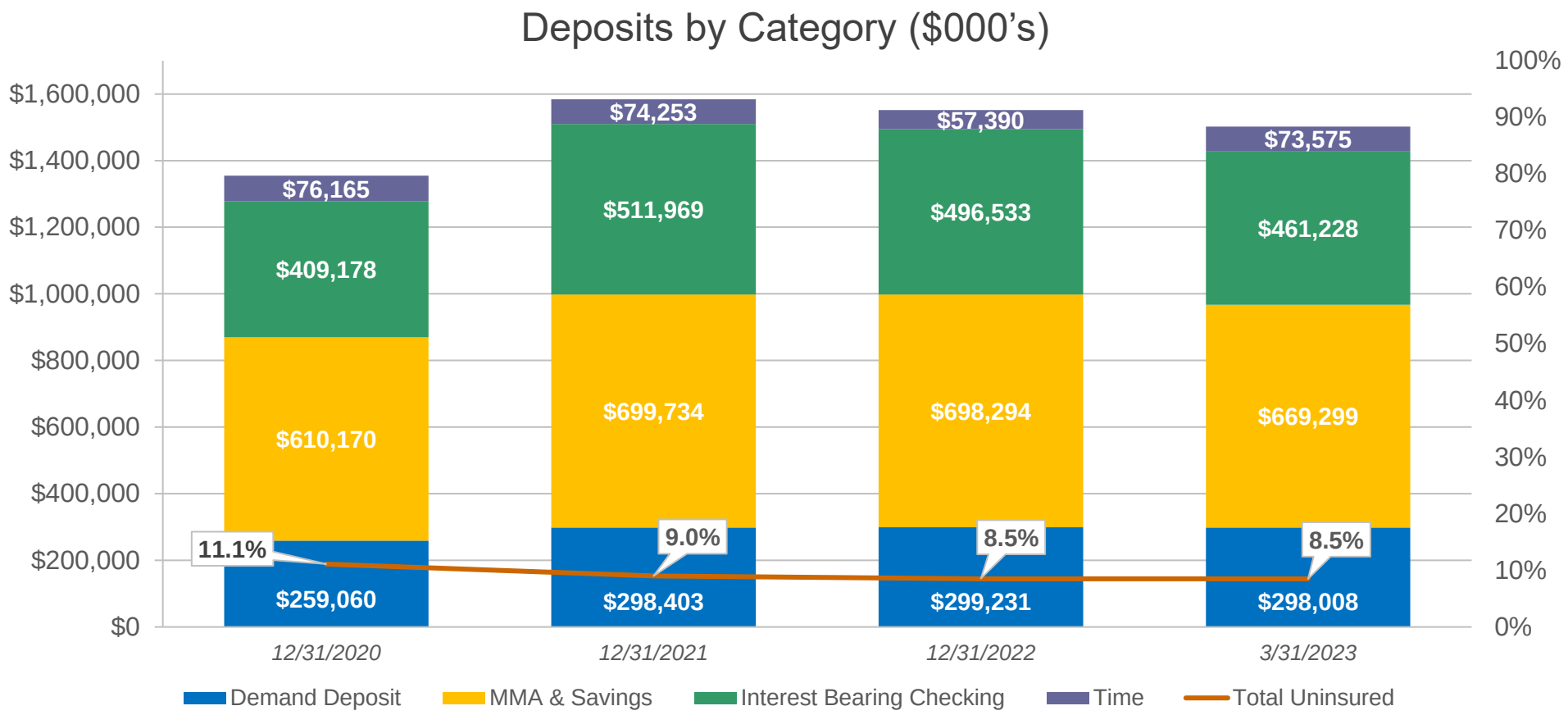
[1]S&P Capital IQ: PA Banks and Holding Companies with assets between $1-3 billion reporting for the last twelve months ended as of December 31, 2022; Source: S&P Global Market Intelligence; [2]Excludes net gains/losses on securities

Deposit Mix

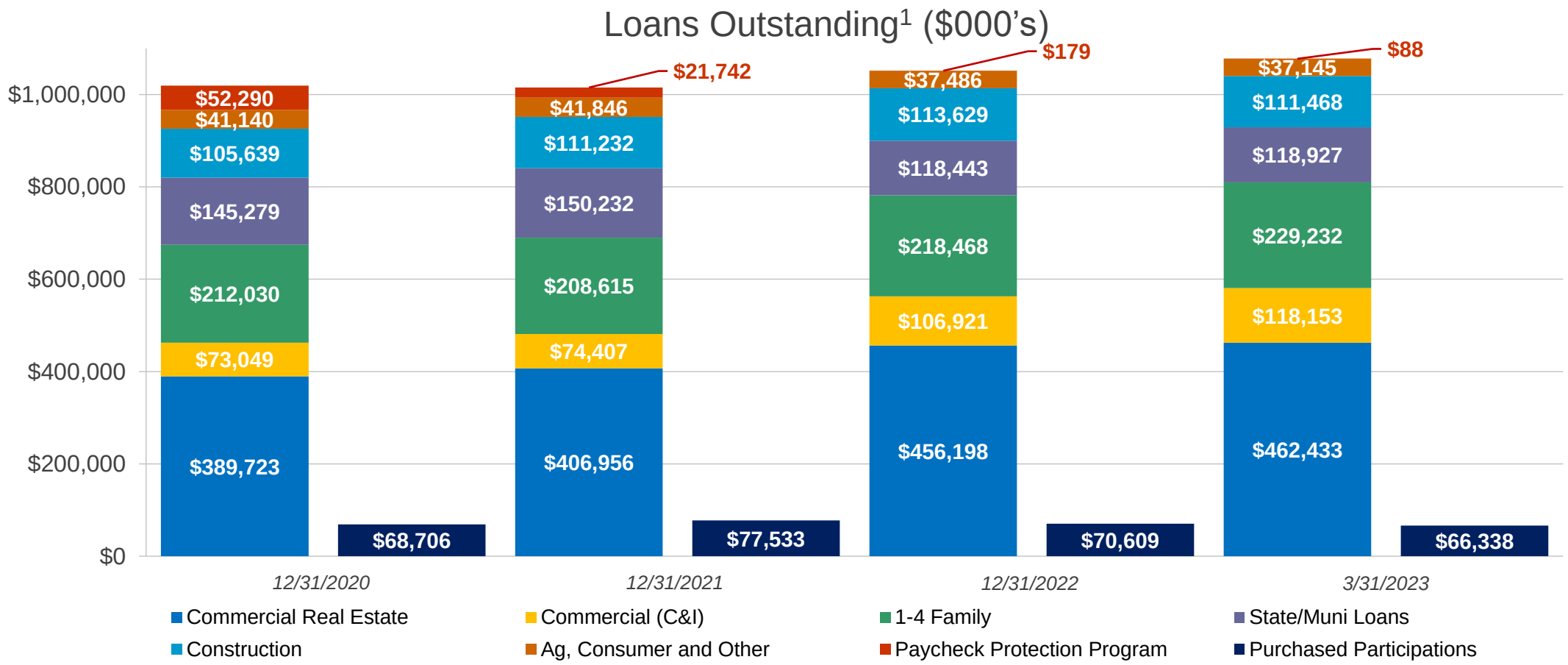

Cost of Deposits (%)
1.20
1.00
0.80
0.60
0.40
0.20
0.00
0.28
0.12
0.23
0.92
2020
2021
2022
2023


Franklin Financial Deposit Mix ($000's)
Retail Time
$73,575
5%
Demand
Deposits
$298,008
20%
NOW & Other
Transaction
$461,228
31%
MMDAs &
Savings
$669,299
44%

Deposits by Category

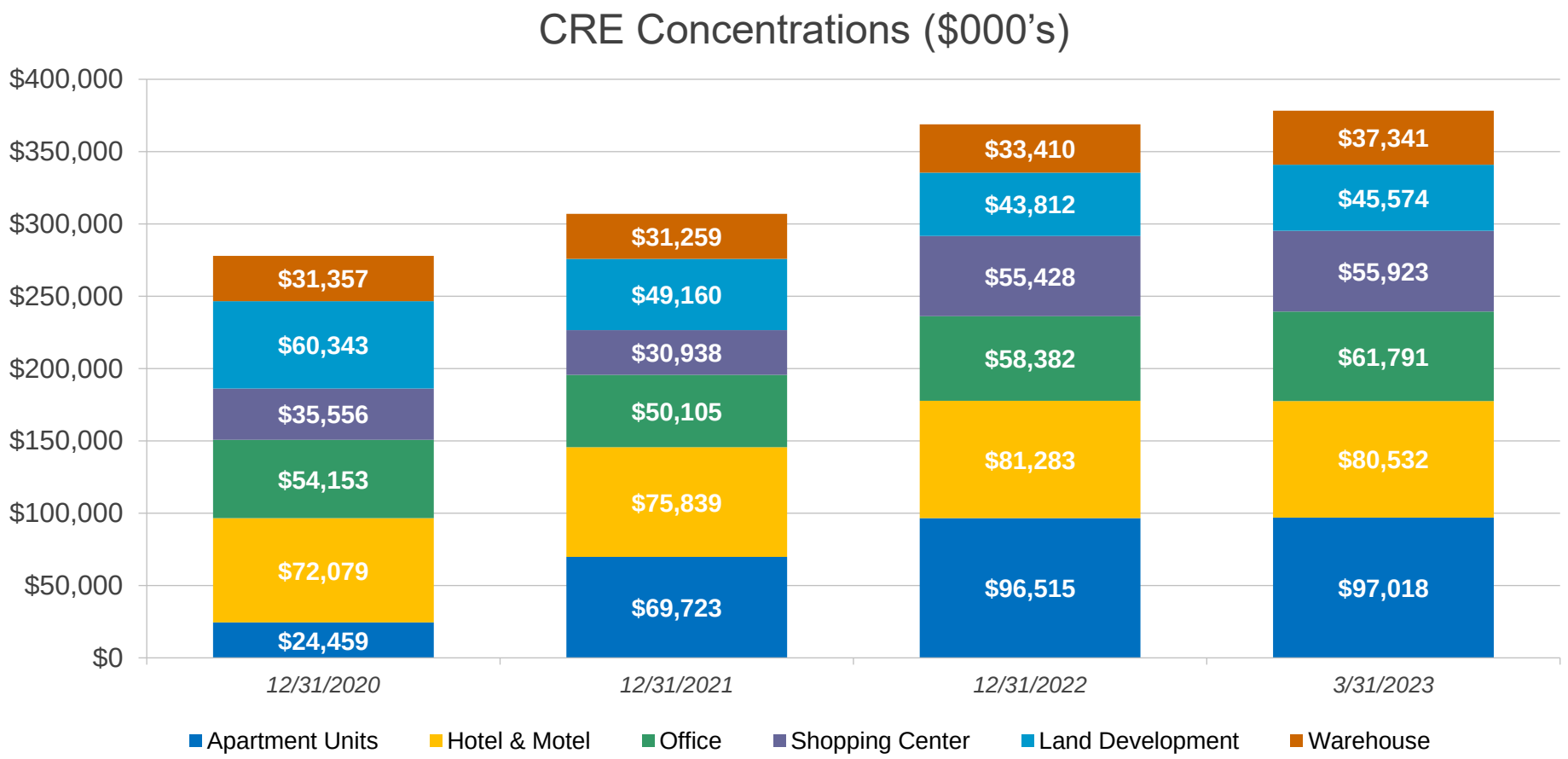


Diversified Loan Portfolio

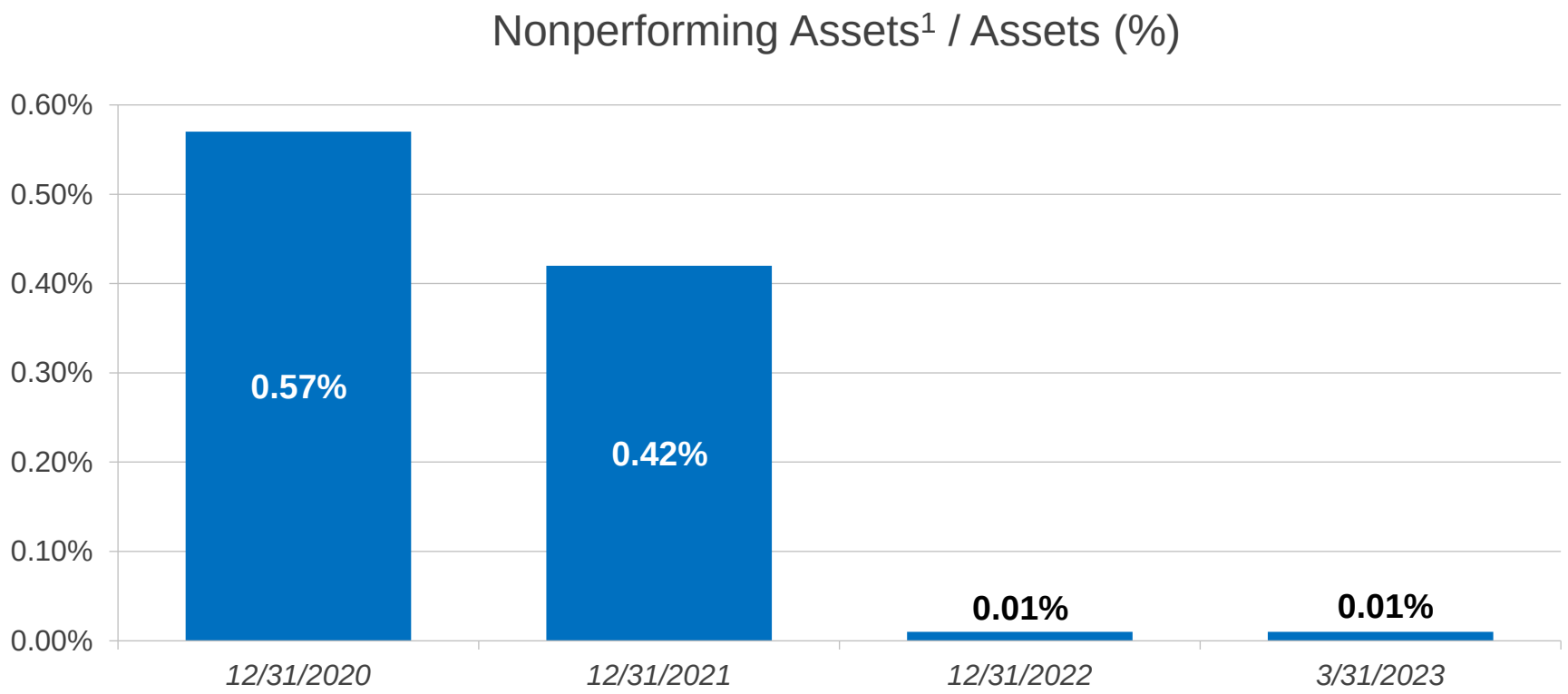


[1]Purchased participations are included as part of the loans outstanding

Largest Commercial Real Estate Concentrations



Strong Credit Quality

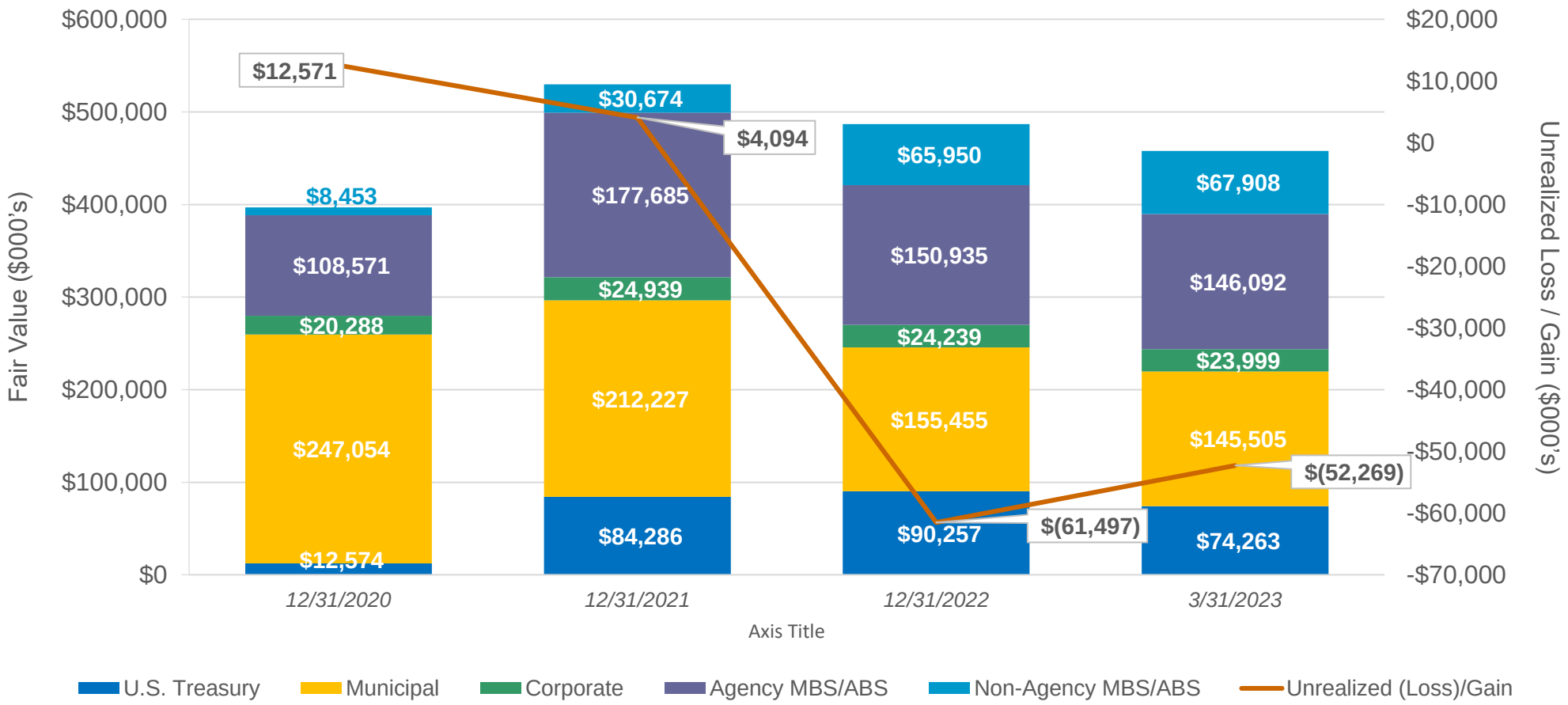


[1]Nonperforming assets = nonaccrual loans, loans 90 days past due and other real estate owned

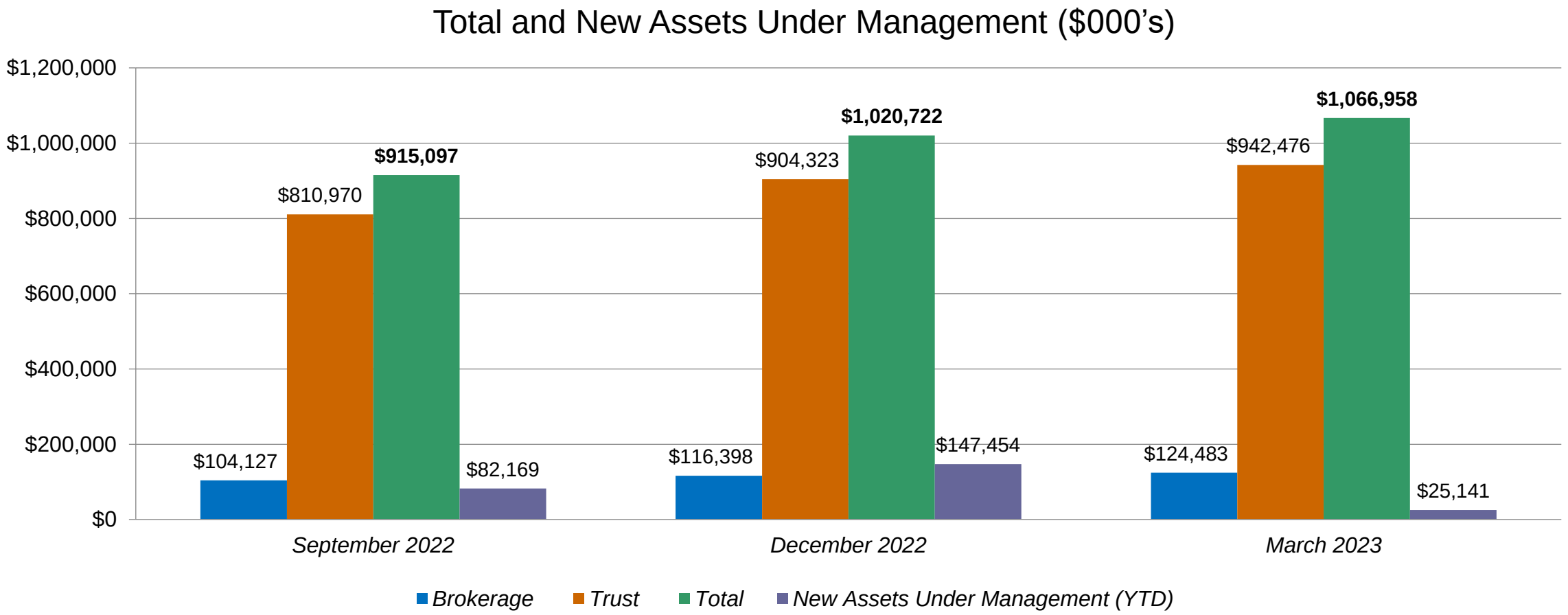
Liquidity Available at March 31, 2023

Dollars in Thousands (000's)			
Liquidity Source	**Capacity**	**Outstanding**	**Available**
Federal Home Loan Bank	$403,692	$ –	$403,692
Federal Reserve Bank Discount Window	$59,513	$ –	$59,513
Federal Reserve Bank Term Funding Program	$71,858	$50,000	$21,858
Correspondent Banks	$56,000	$ –	$56,000
Total	**$591,063**	**$50,000**	**$541,063**
Funding Capacity to Uninsured Deposits	–	–	422%

Investment Portfolio



Investment and Trust Services



Stock Symbol: **FRAF** (*Nasdaq*)

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www.fmtrust.bank



Appendix

F&M TRUST

Franklin Financial Services Corporation

GAAP / Non-GAAP Reconciliation

Tangible Book Value (per share) (non-GAAP)	Quarter Ended 3/31/2023	Quarter Ended 12/31/2022	Quarter Ended 3/31/2022
Shareholders' equity	$123,583	$114,197	$137,136
Less intangible assets	(9,016)	(9,016)	(9,016)
Shareholders' equity (non-GAAP)	114,567	105,181	128,120
Shares outstanding (in thousands)	4,403	4,390	4,457
Tangible book value (non-GAAP)	$26.02	$23.96	$28.75
Efficiency Ratio			
Noninterest expense	$12,019	$13,196	$11,266
Net interest income	12,837	14,605	10,808
Plus tax equivalent adjustment to net interest income	311	445	240
Plus noninterest income, net of securities transactions[1]	3,851	3,690	3,873
Total revenue	16,999	18,740	14,921
Efficiency Ratio (non-GAAP)	70.70%	70.42%	75.50%

[1]Excludes securities gains in all periods