

Investor Presentation

Third 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 such as "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 the rates of inflation and the effects of inflation, changes in interest rates, ongoing disruption in the financial services industry caused by the recent failure and continuing uncertainty of various banks, changes in the Corporation's cost of funds, changes in government monetary policy, changes in government regulation and taxation of financial institutions, 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.

CEO Comments

By many measures, 2023 has been a very challenging year for the banking industry. Issues of quickly rising interest rates, contracting NIM, tight liquidity, and the fear of looming credit-quality issues are enough to create concern for the industry. Yet, amidst the problems is opportunity for those who are looking for ways to improve their company and add shareholder value.

During the third quarter of 2023, Franklin Financial Services Corporation (FFSC) continued its efforts to grow the balance sheet and build profitability through a series of small steps that limit risk in the uncertain economic environment. The company has been successfully building commercial loan balances by developing new customer relationships while maintaining strong credit quality (.01% non-performing assets/assets) and adequate reserves (allowance for credit loss stands at 1.29% of loans). The company has also been rebuilding deposit relationships after experiencing a sharp runoff in the fourth quarter of 2022 (loan-to-deposit ratio was 77% at the end of the third quarter). And though deposit rates are rising, we have been able to maintain a respectable cost of deposits, resulting in a relatively flat NIM. Brokerage and trust assets continue to grow, providing additional fee income for the company.

There are areas in which we want to improve, including our efficiency ratio and building other sources of non-interest income. We do this against a backdrop of strong capital and liquidity positions that afford us the opportunity to make improvements to the balance sheet that, while they negatively affect income in the short run, will result in medium- and long-term benefits to the company.

CEO Comments

As we discussed at the end of the second quarter, FFSC is focused on the future. As we continue to grow our digital and AI capabilities, we are building in operating efficiencies and management tools that will improve the profitability of the company. All this is possible because of the team of people we have in place and the culture we embrace. Over the past nine months, we have continued to attract important new employees who have added to our base, making us a stronger organization in sales, service, operations, and technology.

I continue to be excited for our future, and I thank you for your support and interest in our company.

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.

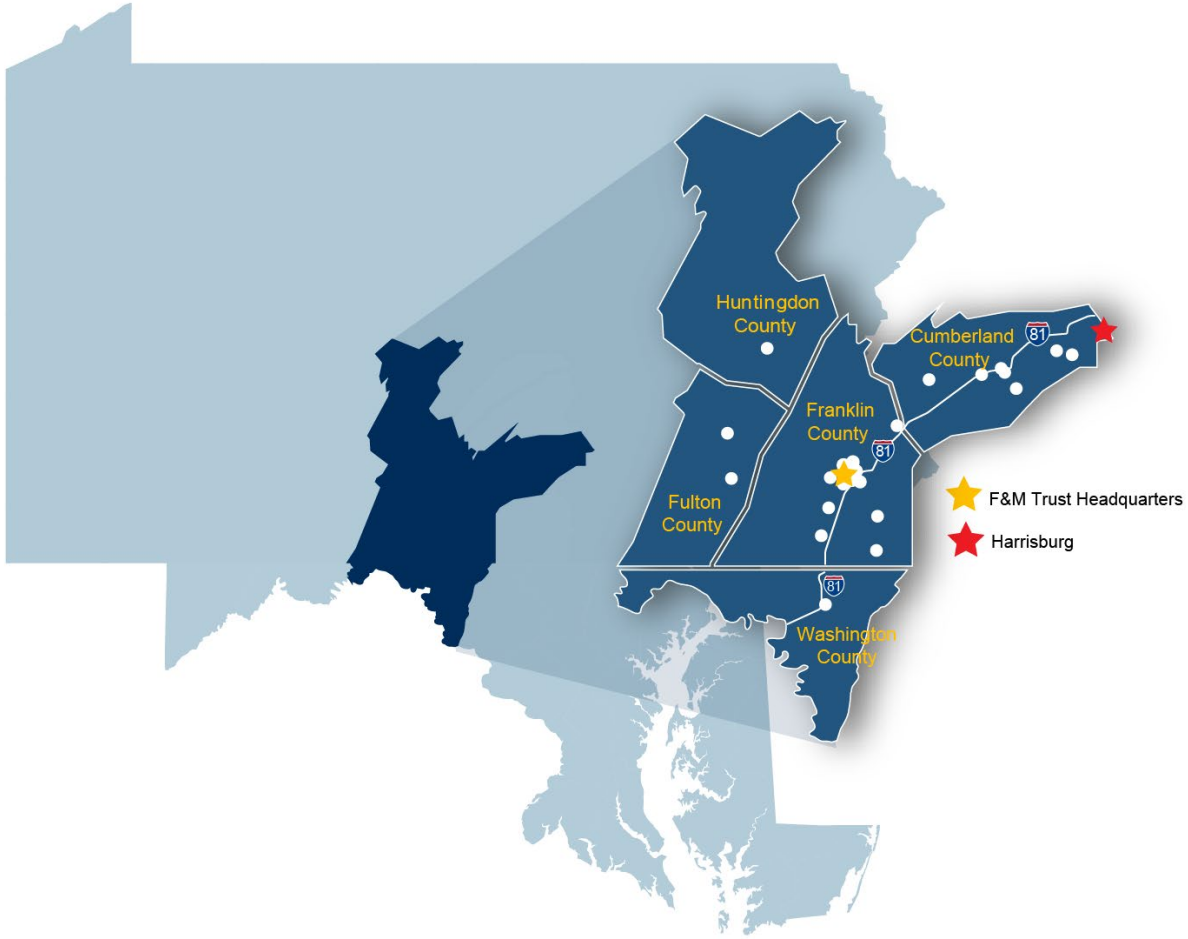
Core Values

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 $1.83 billion as of September 30, 2023
- As of September 30, 2023, Franklin Financial reported $1.11 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 (49.7%)
- #1 Deposit Market Share in Franklin County (37.6%)
- #2 Deposit Market Share in Fulton County (34.2%)
- Began operation in MD in June 2022

Source: Federal Deposit Insurance Corporation; Deposit Market Share Report; June 30, 2023

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*

Positioned for Growth and Profitability

- Market share leader in core deposit, loan, and asset-management segments in economically stable and historically growing markets
- Recently-hired executive team members bring extensive banking industry experience and market knowledge, adding to an already experienced management team
- Consistently strong 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 over time
- Historically stable core deposit base, which becomes more valuable in a volatile rate environment
- A well-diversified loan portfolio with an emphasis on commercial relationships without reliance on participation loans
- Accelerating digital transformation and technology adoption to support business growth and service

Third Quarter 2023 Financial Updates

- Loan portfolio grew by 5.4%, primarily in Commercial Services division
- Net interest income for the third quarter of 2023 was $13.7 million compared to $13.2 million for the second quarter of 2023
- Deposits increased 3.6% from the second quarter of 2023
- Loan-to-deposit ratio increased to 77%
- Measured response to adjusting deposit rates in a rising rate environment
- Net interest margin was 3.29% for the third quarter of 2023 compared to 3.30% for the second quarter of 2023
- Provision for credit loss was $875 thousand for the third quarter of 2023 compared to $524 thousand for the second quarter of 2023 due to increased loan balances

Third Quarter 2023 Financial Updates

- Fee income from new mortgages originated for sale in the secondary market was down $150 thousand from the second quarter of 2023 as production slowed due to higher interest rates
- Allowance for credit loss ratio of 1.29%; non-performing asset ratio of 0.01%
- Capital position remained strong with a total risk-based capital ratio of 15.16% and a leverage ratio of 9.10%
- Accumulated Other Comprehensive Loss increased from $51 million at year-end 2022 to $56 million at September 30, 2023, as interest rates moved higher during the year
- Maintained the dividend at $0.32 per share for the fourth quarter of 2023

Data-Driven Performance

- To support the bank's growth, a Data & Performance Analytics department that includes Manager, Salesforce Administrator, Salesforce Developer, and Business Performance Analyst was created
- Performance reporting and data analytics will support key business decisions, improve productivity, and uncover optimization opportunities across the bank's business lines
- Continued development and increased usage of Salesforce customer relationship management platform will help sales leaders make informed decisions and create more revenue for the bank
- Sound data collection will provide valuable customer information, allowing for the cross-selling of products and the potential to increase customer wallet share
- Use of new AI-driven bots completes about 8 hours of manual work weekly for Deposit Operations, and returned time has been reallocated to compliance tasks
- Early 2024 rollout of Salesforce to Data and Deposit Operations will improve efficiencies across the bank

[1]Steve Cocheo, "Zelle's Growing Popularity with P2P Users Benefits Banks in Surprising Ways", February 2023, The Financial Brand

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 to improve efficiencies and decrease costs across the company
- 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 and senior management's focus on the opportunities available to the company
- 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
- Market pressure on deposit rates and competition for high-quality lending relationships may have an adverse effect on NIM
- The negative effect of the Accumulated Other Comprehensive Income on book capital should decrease as investments move to maturity (average portfolio life is under 5.5 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 in 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 future 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, the additions to senior leadership, and a new full-service community office in Maryland

Financial Updates

Third Quarter Ended September 30, 2023

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Franklin Financial Services Corporation

Balance Sheet Highlights

Dollars in Thousands (000's)	9/30/2023	6/30/2023	12/31/2022	9/30/2022
Total Assets	$1,827,910	$1,736,165	$1,699,579	$1,847,162
Cash and Cash Equiv.	$73,953	$64,832	$64,899	$210,156
Investments	$458,662	$439,851	$487,247	$492,467
Net Loans	$1,191,322	$1,130,547	$1,036,866	$1,033,518
Deposits	$1,567,414	$1,513,135	$1,551,448	$1,704,983
Shareholders' Equity	$114,769	$119,770	$114,197	$108,151

Income Statement Highlights

Dollars in Thousands (000's)	Quarter Ended 9/30/2023	Quarter Ended 6/30/2023	Quarter Ended 9/30/2022
Interest Income	$20,154	$18,511	$15,043
Interest Expense	$6,447	$5,316	$980
Net Interest Income	$13,707	$13,195	$14,063
Provision for Credit Losses	$866	$524	--
Noninterest Income[1]	$4,006	$4,054	$3,739
Noninterest Expense	$12,198	$12,648	$12,200
Net Income	$3,869	$2,976	$4,631

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

Key Performance Measures

Percent (%)	Quarter Ended 9/30/2023	Quarter Ended 6/30/2023	Quarter Ended 9/30/2022
Return on Avg. Assets	0.86	0.70	1.00
Return on Avg. Equity	12.73	9.82	14.86
Efficiency Ratio[1]	67.86	72.17	67.23
Net Interest Margin	3.29	3.30	3.28
Noninterest Inc[2] / Operating Revenue	22.62	23.50	21.00

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

Balance Sheet Strength

Percent (%)	Quarter Ended 9/30/2023	Quarter Ended 6/30/2023	Quarter Ended 9/30/2022
Risk-Based Capital Ratio (Total)	15.13	6.57	17.34
Leverage Ratio (Tier 1)	9.10	9.39	8.59
Common Equity Ratio (Tier 1)	13.03	13.88	14.29
Tangible Common Equity Ratio	5.81	6.41	5.39
Nonperforming Assets[1] / Total Assets	0.01	0.01	0.30
Allowance for Credit Loss as a % of Loans	1.29	1.28	1.43
Allowance to Nonaccrual Loans	NM[2]	NM[3]	268.33

[1]Nonperforming assets = nonaccrual loans, loans 90-days past due and other real estate owned; [2]Not meaningful = 7,290.14%; [3]Not meaningful = 14,328.43%

Market Statistics

Per Share Measure / Market Valuation	Quarter Ended 9/30/2023	Quarter Ended 6/30/2023	Quarter Ended 9/30/2022
Diluted Earnings Per Share	$0.88	$0.68	$1.05
Cash Dividend Yield	4.49%	4.61%	4.06%
Regular Cash Dividends Paid	$0.32	$0.32	$0.32
Dividend Payout Ratio	36.07%	47.08%	30.36%
Market Value Per Share	$28.50	$27.74	$31.56
Book Value	$26.31	$27.53	$24.60
Tangible Book Value[1]	$24.24	$25.46	$22.55
Market Cap ($M)	$124.32	$120.67	$138.74
Price / Book (%)	108.32%	100.76%	128.29%
Price / Tangible Book (%)	117.55%	108.95%	139.96%
Price / LTM EPS (X)	9.05	8.36	9.45

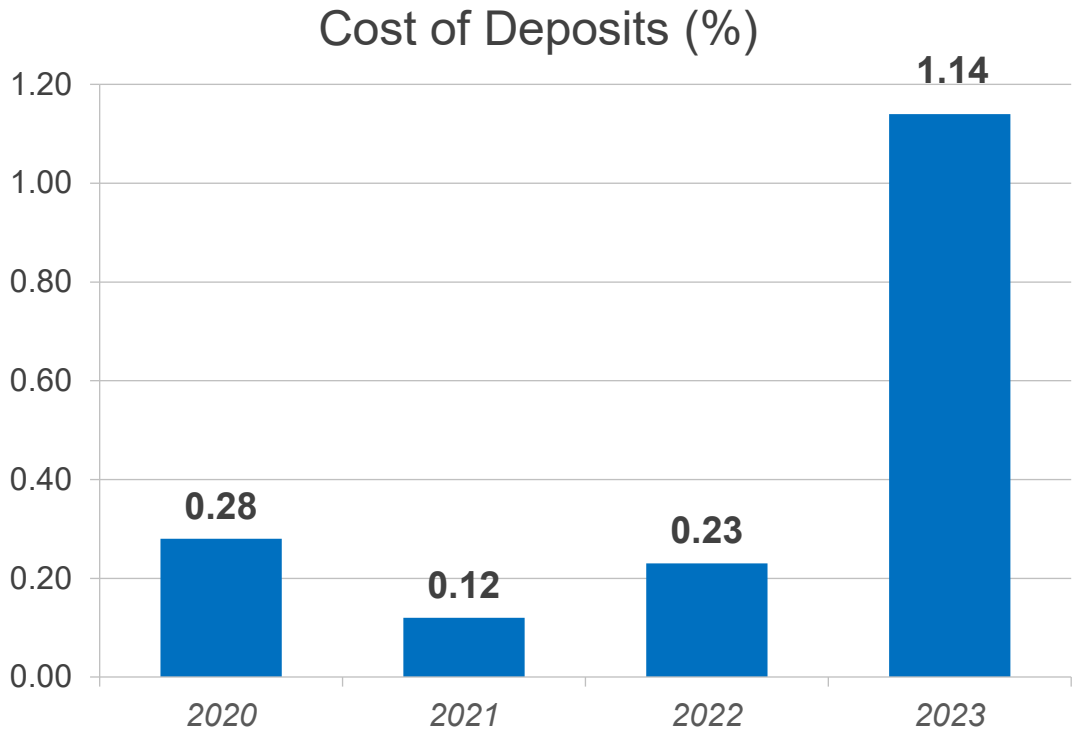
[1]See GAAP versus Non-GAAP reconciliation

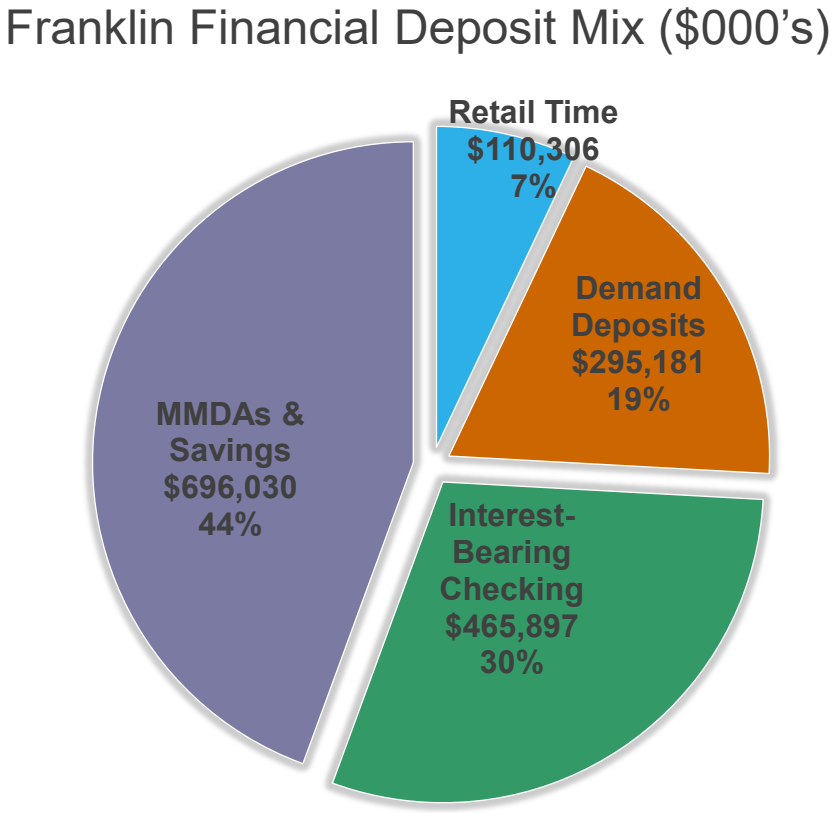
Balanced Revenue Model

Annualized Noninterest Income Source as a percentage of Average Assets as of September 30, 2023	2023 Franklin Financial	Median PA Banks Peer[1]
Trust	0.41%	0.03%
Service Charges on Deposits	0.14%	0.09%
Gain on Sale of Loans	0.01%	0.01%
Other	0.26%	0.25%
Total Noninterest Income[2]	0.92%	0.48%

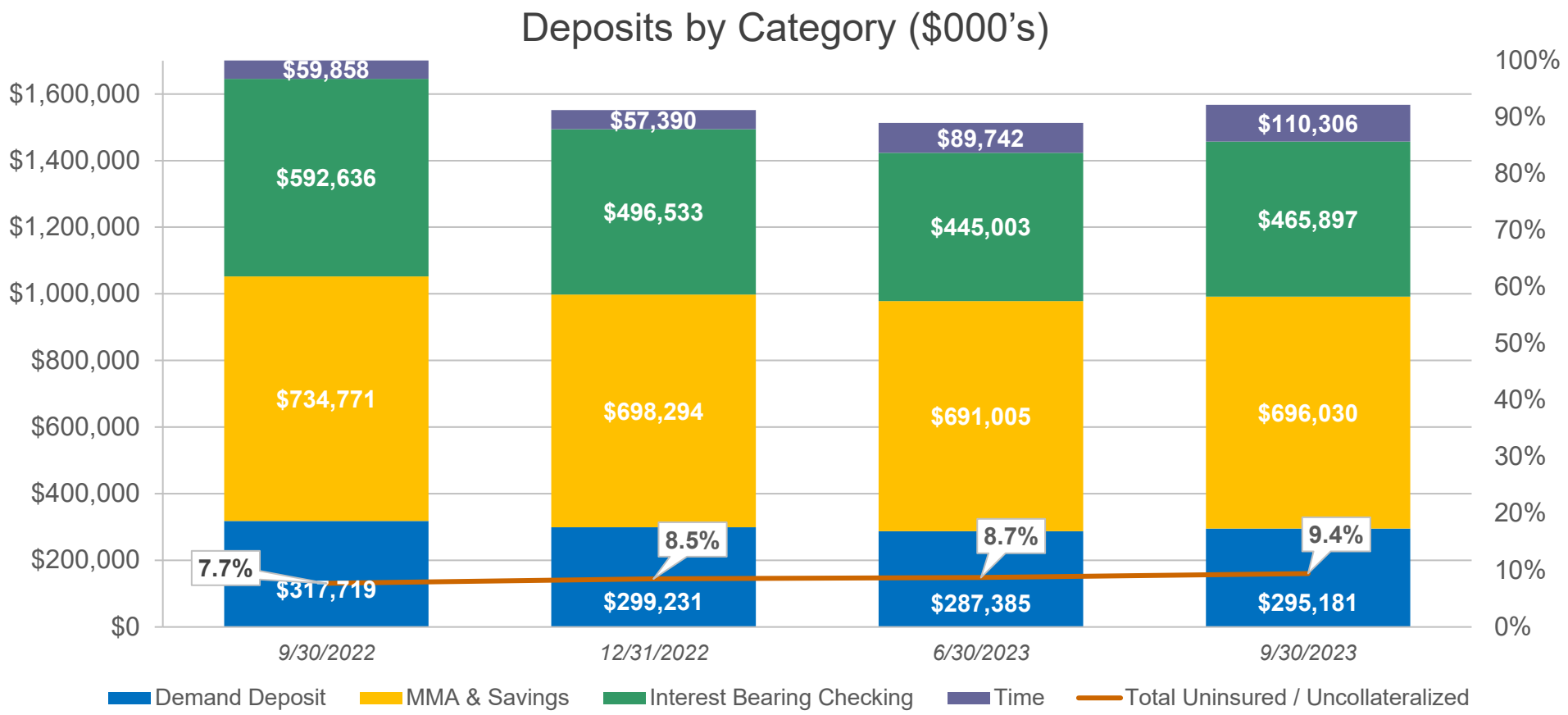
[1]S&P Capital IQ: PA Banks and Holding Companies with assets between $1-3 billion reporting for the last twelve months ended as June 30, 2023; Source: S&P Global Market Intelligence; [2]Excludes net gains/losses on securities

Deposit Mix as of September 30, 2023

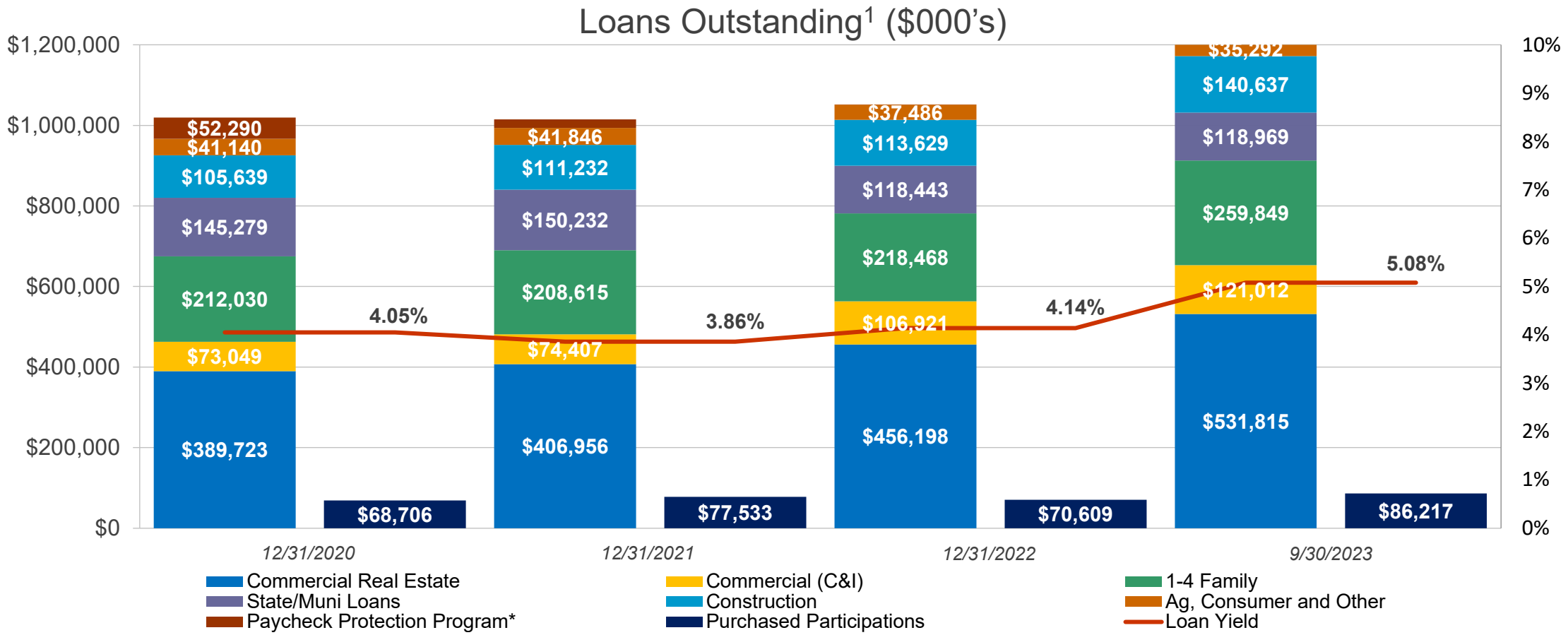




Deposits by Category

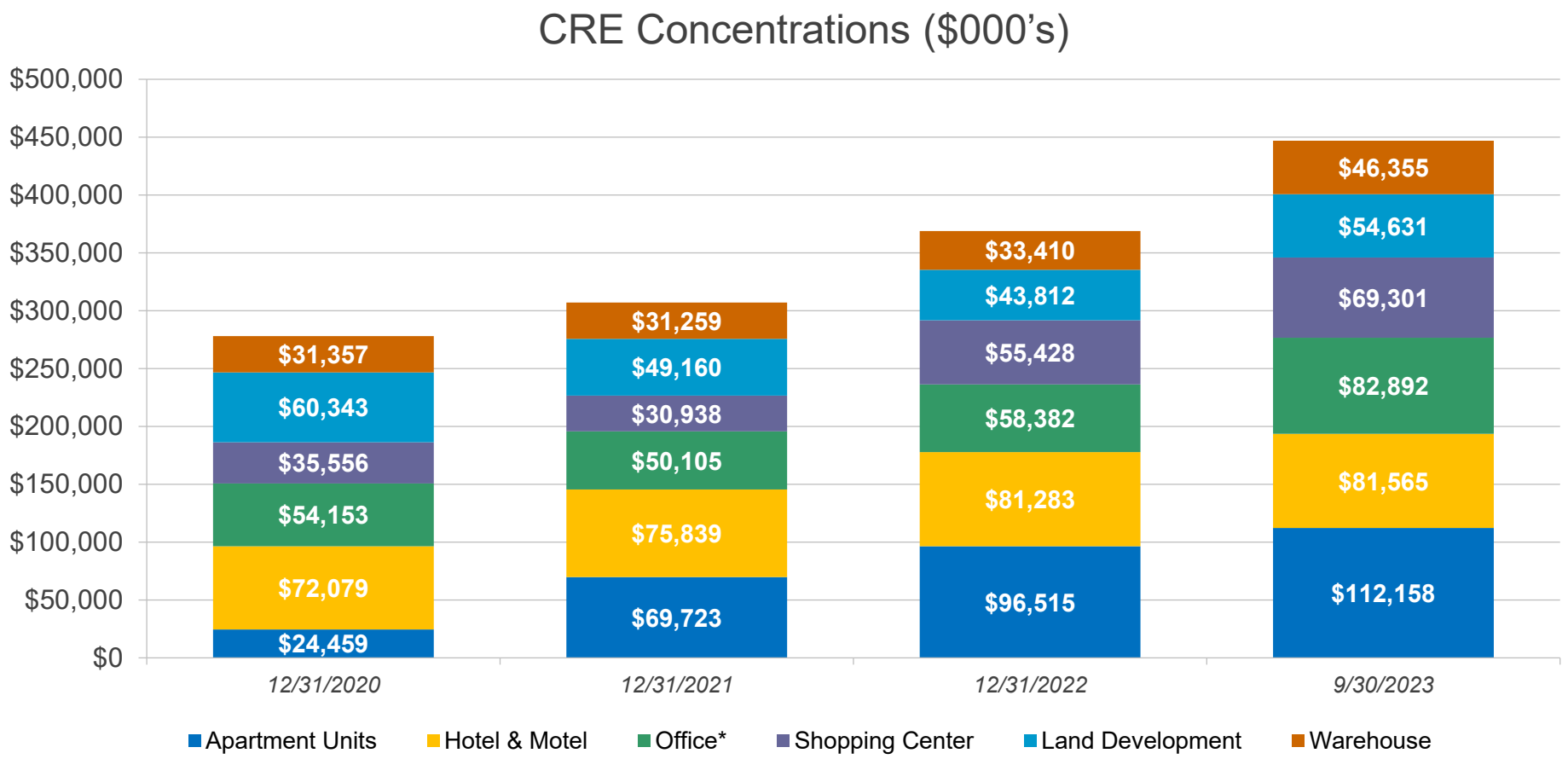


Diversified Loan Portfolio



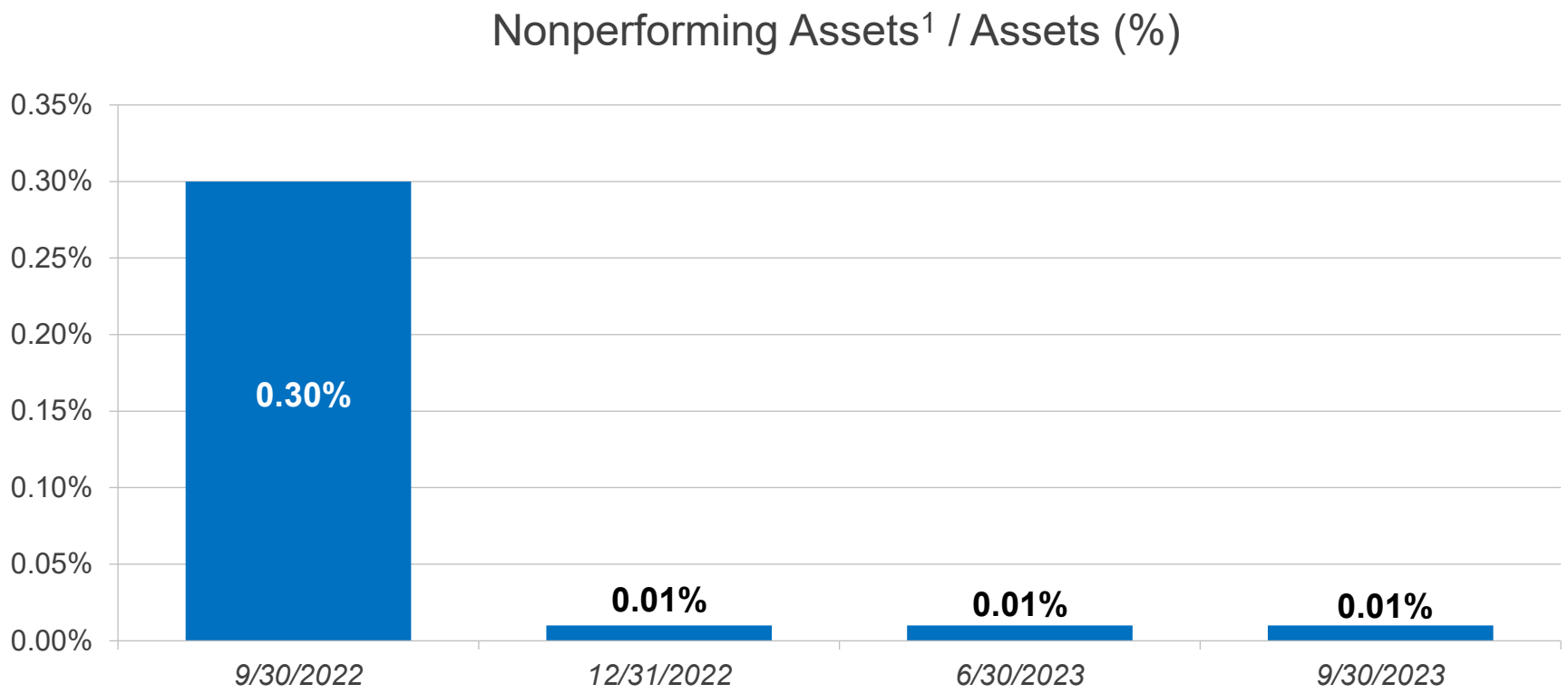
[1]Purchased participations are included as part of the loans outstanding; *Outstanding Paycheck Protection Program balances were $68 thousand as of September 30, 2023

Largest Commercial Real Estate Concentrations



*Primarily in South Central Pennsylvania

Strong Credit Quality

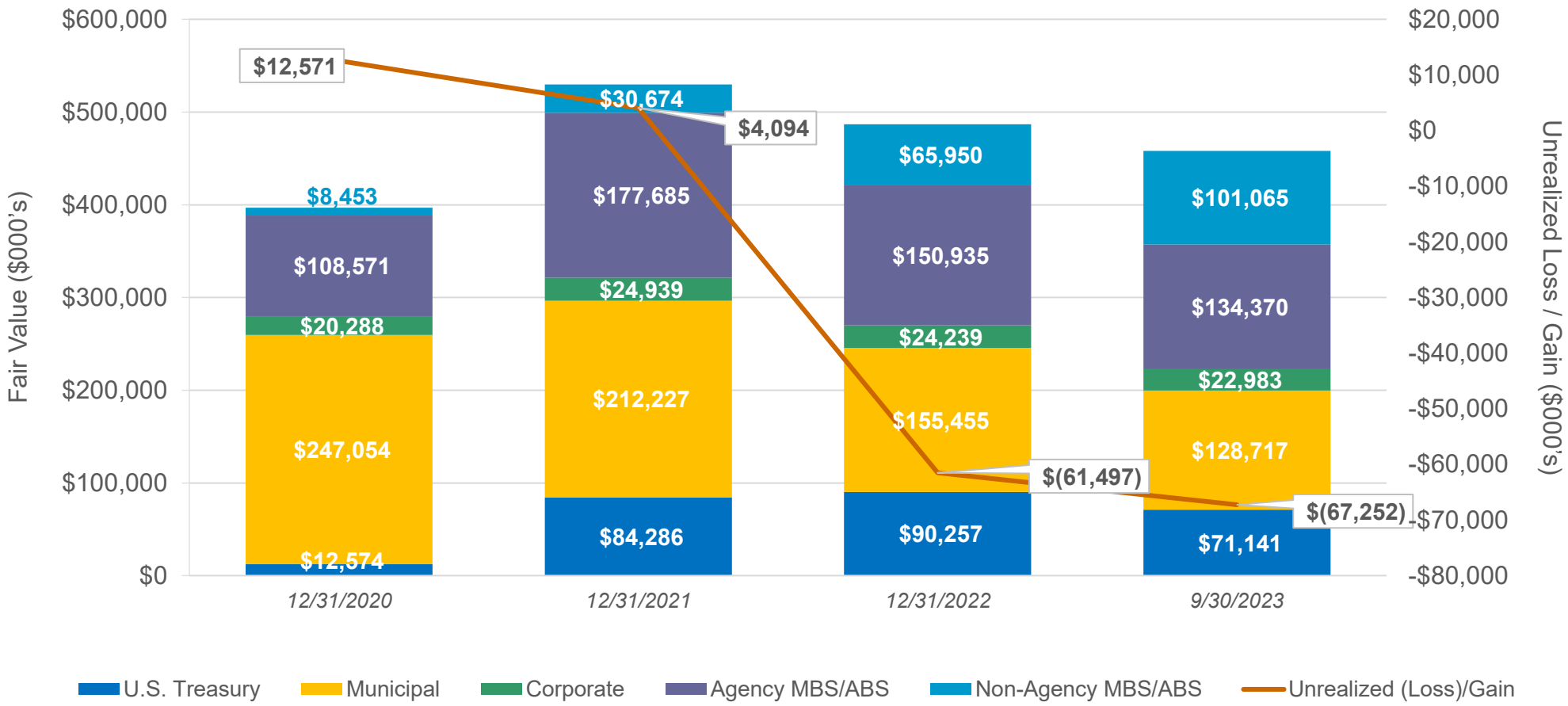


[1]Nonperforming assets = nonaccrual loans, loans 90 days past due and other real estate owned

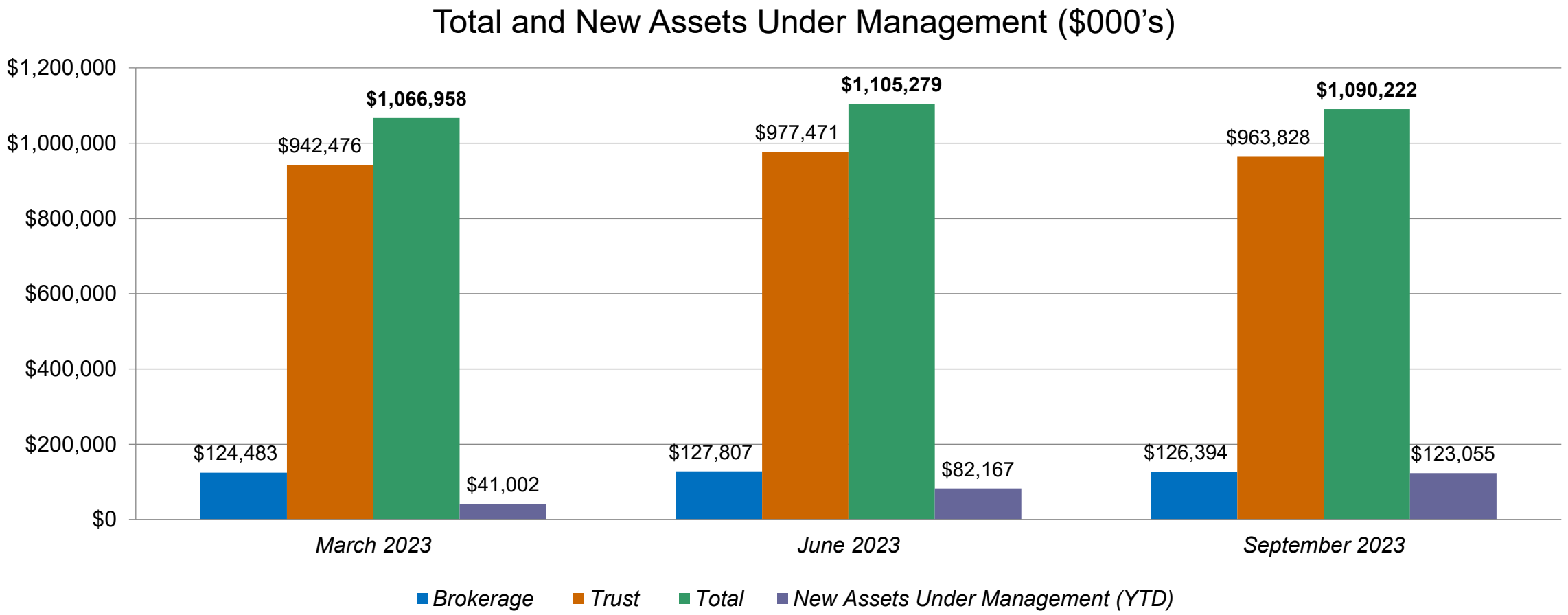
Liquidity Available at September 30, 2023

Dollars in Thousands (000's)			
Liquidity Source	**Capacity**	**Outstanding**	**Available**
Federal Home Loan Bank	$451,460	$40,000	$411,460
Federal Reserve Bank Discount Window	$55,126	$ –	$55,126
Federal Reserve Bank Term Funding Program	$86,765	$70,000	$16,765
Correspondent Banks	$56,000	$ –	$56,000
Total	**$649,351**	**$110,000**	**$539,351**
Funding Capacity to Uninsured/Uncollateralized Deposits	–	–	368%

Investment Portfolio



Investment and Trust Services



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

www.franklinfin.com

www.fmtrust.bank



Appendix

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GAAP / Non-GAAP Reconciliation

Tangible Book Value (per share) (non-GAAP)	Quarter Ended 9/30/2023	Quarter Ended 6/30/2023	Quarter Ended 9/30/2022
Shareholders' equity	$114,769	$119,770	$108,151
Less intangible assets	(9,016)	(9,016)	(9,016)
Shareholders' equity (non-GAAP)	105,753	110,754	99,135
Shares outstanding (in thousands)	4,362	4,350	4,396
Tangible book value (non-GAAP)	$24.24	$25.46	$22.55
Efficiency Ratio			
Noninterest expense	$12,198	$12,648	$12,200
Net interest income	13,707	13,195	14,063
Plus tax equivalent adjustment to net interest income	262	276	346
Plus noninterest income, net of securities transactions[1]	4,006	4,054	3,739
Total revenue	17,975	17,525	18,148
Efficiency Ratio (non-GAAP)	67.86%	72.17%	67.23%

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[1]Excludes securities gains in all periods