

Investor Presentation

Fourth 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 Franklin Financial Services 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 particularly with regard to the negative impact of severe, wide-ranging and continuing disruptions caused by the spread of the coronavirus COVID-19 pandemic and responses thereto, changes in interest rates, changes in the Corporation's cost of funds, changes in government monetary policy, changes in government regulation and taxation of financial institutions, changes in the rate of inflation, 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

2023 was a challenging year for financial institutions across the country, but we operated profitably, paid a solid dividend to our shareholders, and made investments that will support the future growth and continued success of Franklin Financial Services Corporation.

Some key changes during the year included the development of a data analytics team that will help improve decision-making and workflows, improving efficiencies that should be reflected in future earnings. Through a series of opportunistic hires, we expanded our trade area into southeastern Pennsylvania and northeast Maryland, which provides the opportunity for profitable growth, particularly in commercial lending and wealth management. We are in the process of updating and improving our retail infrastructure, which includes facility realignment and updated product sets, to continue to support and grow the strong retail deposit base that provides us with low-cost core deposits. Because credit quality remains very good, with no signs of significant deterioration, we have been able to focus on the future and take the necessary charges to adjust our investment portfolio and pay off a non-productive lease. While the combined cost of these moves to the bank in 2023 was $1.6 million, pre-tax, the adjustments will lead to improved performance by the company in future years.

Certainly, there are challenges ahead. Continuing to build new relationships, grow deposits, manage costs and liquidity, and remain vigilant for signs of credit quality issues will be important to the company in 2024. The successes of 2023, including solid loan growth, geographic expansion of markets, and investments in people and systems, while maintaining profitability and providing consistent dividends to our shareholders, help propel us forward as a strong financial services company. Your support continues to be greatly appreciated.

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.

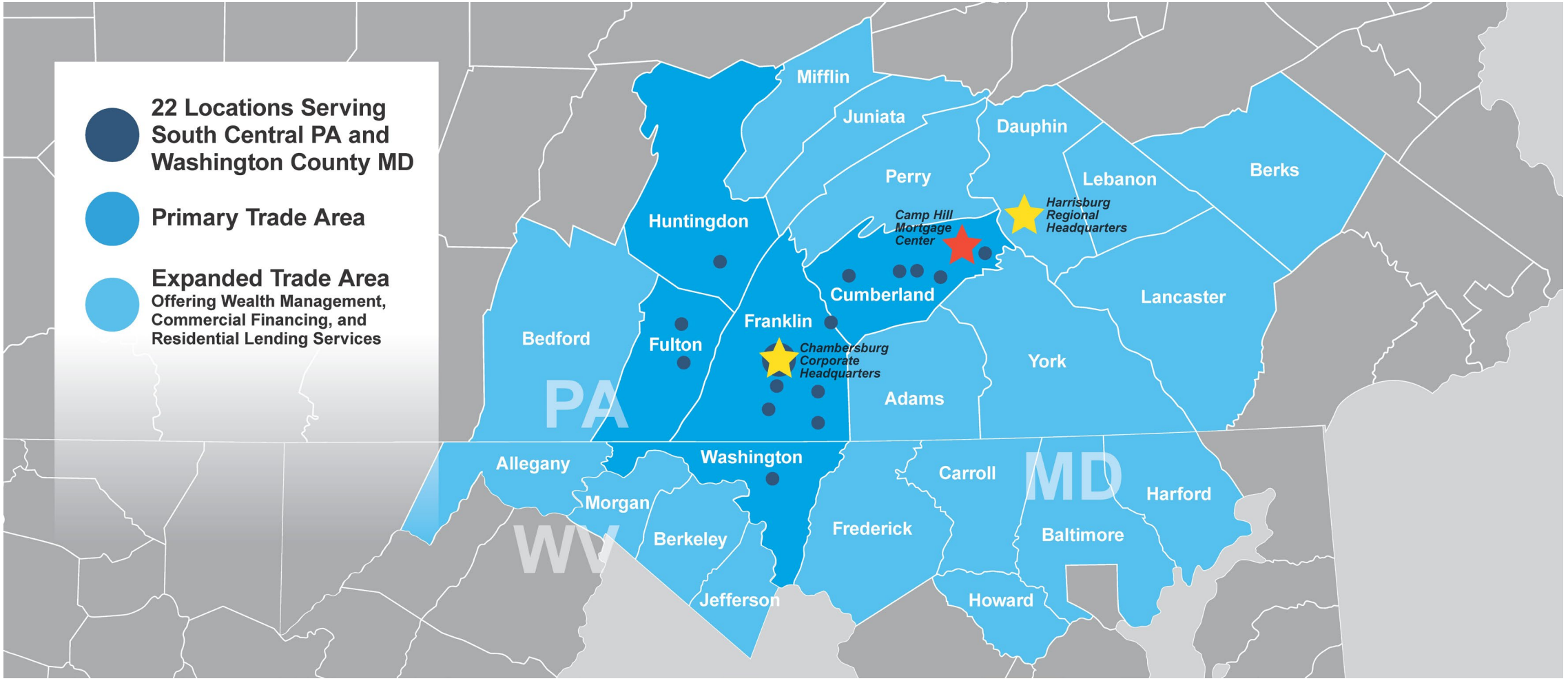
Core Values

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 $1.84 billion as of December 31, 2023
- As of December 31, 2023, Franklin Financial reported $1.23 billion in brokerage and trust assets under management
- Franklin Financial stock is trading on the Nasdaq Stock Market (NASDAQ: FRAF)

Trade Area Expansion



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 Wealth Management Officer*	**30**	2020	*FMA Advisory, Wilmington Trust, M&T Investment Group, JP Morgan*

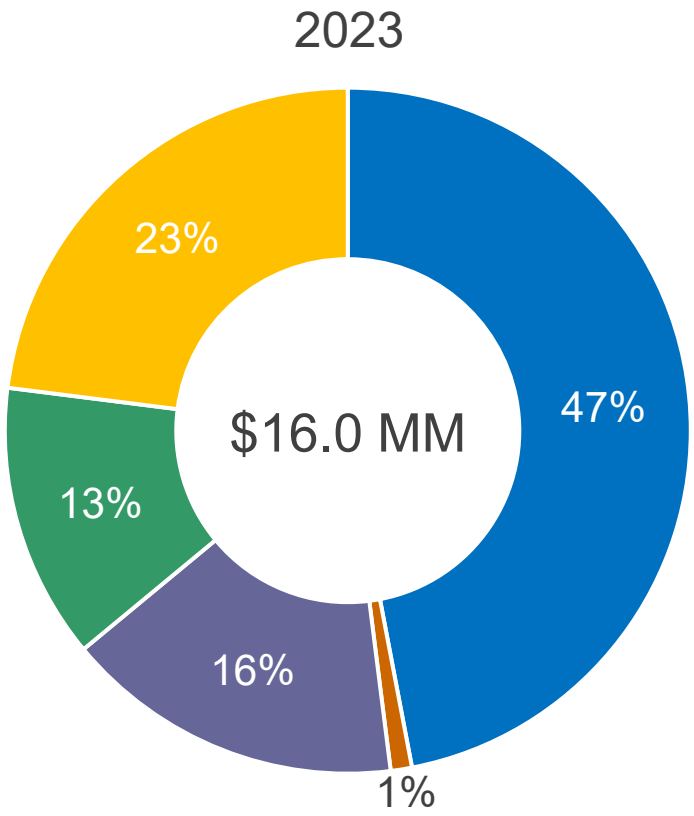
Experienced and Cohesive Executive Team

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*

A Year of Growth

SELECTED HIGHLIGHTS	GROWTH PERCENTAGE	KEY STATISTICS
Total Assets	+8%	$1.836 Billion as of 12/31/2023 $1.700 Billion as of 12/31/2022
Net Loans	+19.7%	$1.240 Billion as of 12/31/2023 $1.036 Billion as of 12/31/2022
Assets Under Management	+20.6%	$1.230 Billion as of 12/31/2023 $1.020 Billion as of 12/31/2022

Non-Interest Income (Dollars in thousands)

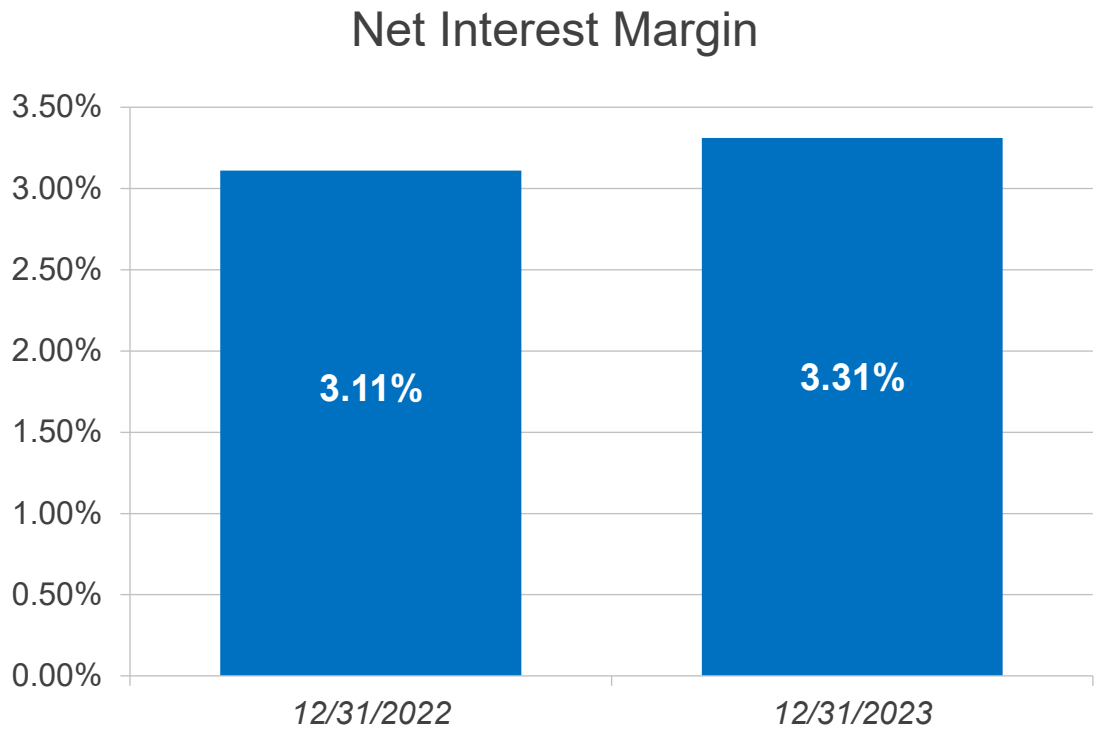


	2023	2022	Change
Wealth Management Fees	7,512	7,152	360
Gain on Sale of Loans	199	770	(571)
Deposit Service Charges/Fees	2,492	2,527	(35)
Debit Card Income	2,157	1,868	289
Other	3,610	3,024	586
Total	15,970[1]	15,341[2]	629

[1] Does not reflect $1,119 in losses on sales of debt securities.
[2] Does not reflect $91 in losses on sales of debt securities.

Net Interest Margin Expansion

- Net interest income for 2023 was $53.6 million compared to $51.6 million in 2022
- Net interest margin was 3.31% for 2023 compared to 3.11% in 2022
- Net interest margin was 3.24% for the fourth quarter compared to 3.58% for the same period in 2022



Outlook for 2024

- The Company will continue building for the future by leveraging our investments in human capital as well as 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 Wealth Managment 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 2024

- 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 5.0 years)
- Fee income from the Wealth Management division should continue to grow with continued focus on addition of new clients 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 sufficiently liquid to successfully develop new Commercial relationships
- 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, additions to senior leadership, and a new full-service community office in Maryland

Financial Updates

Fourth Quarter Ended December 31, 2023

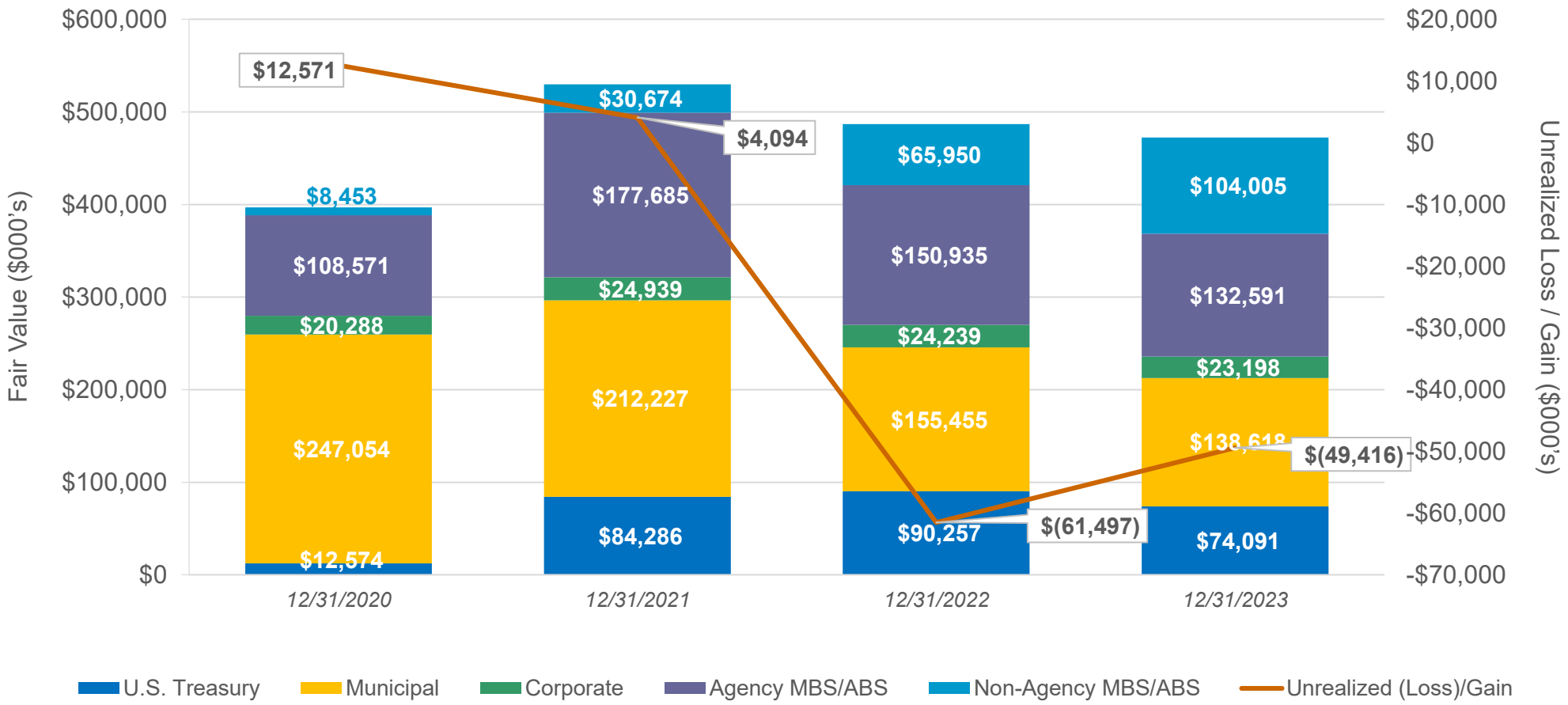
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Franklin Financial Services Corporation

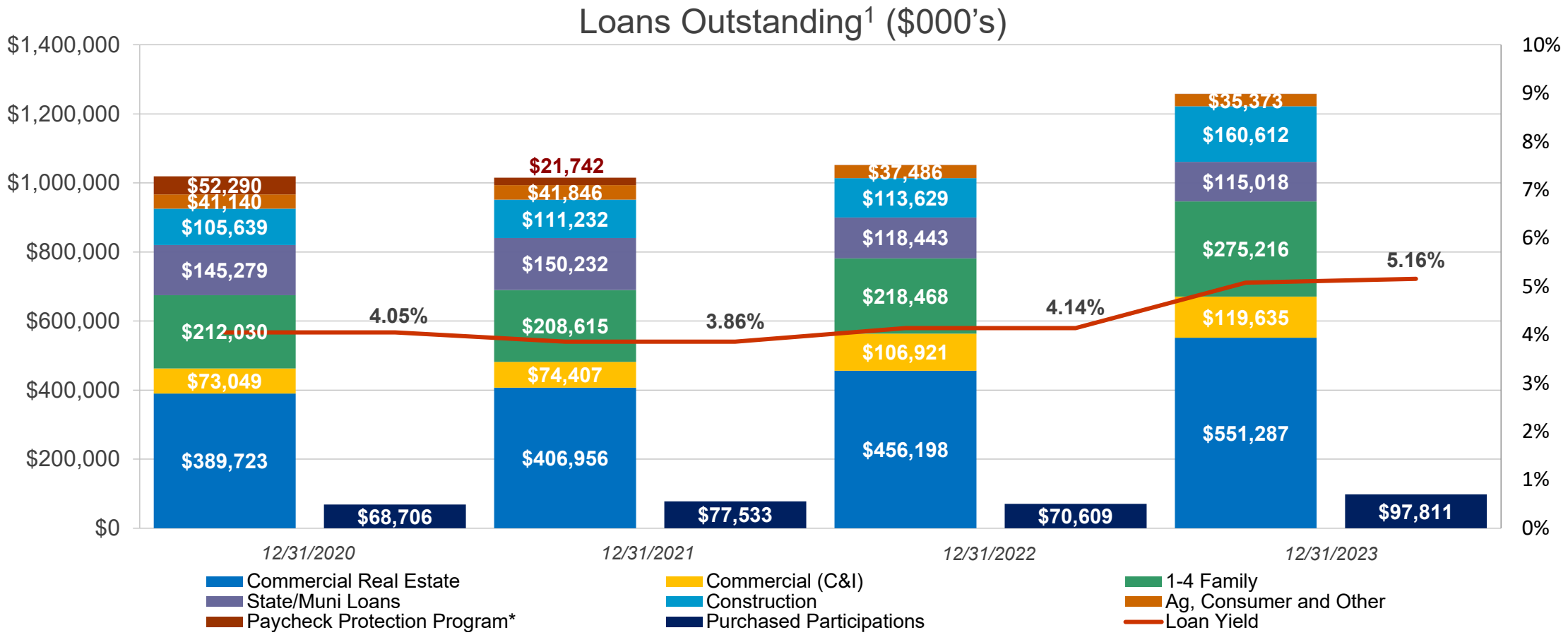
Balance Sheet Highlights

Dollars in Thousands (000's)	12/31/2023	9/30/2023	12/31/2022	9/30/2022
Total Assets	$1,836, 039	$1,827,910	$1,699,579	$1,847,162
Cash and Cash Equiv.	$23,140	$73,953	$64,899	$210,156
Investments	$475,305	$458,662	$487,247	$492,467
Net Loans	$1,240,933	$1,191,322	$1,036,866	$1,033,518
Deposits	$1,537,978	$1,567,414	$1,551,448	$1,704,983
Shareholders' Equity	$132,136	$114,769	$114,197	$108,151

Investment Portfolio

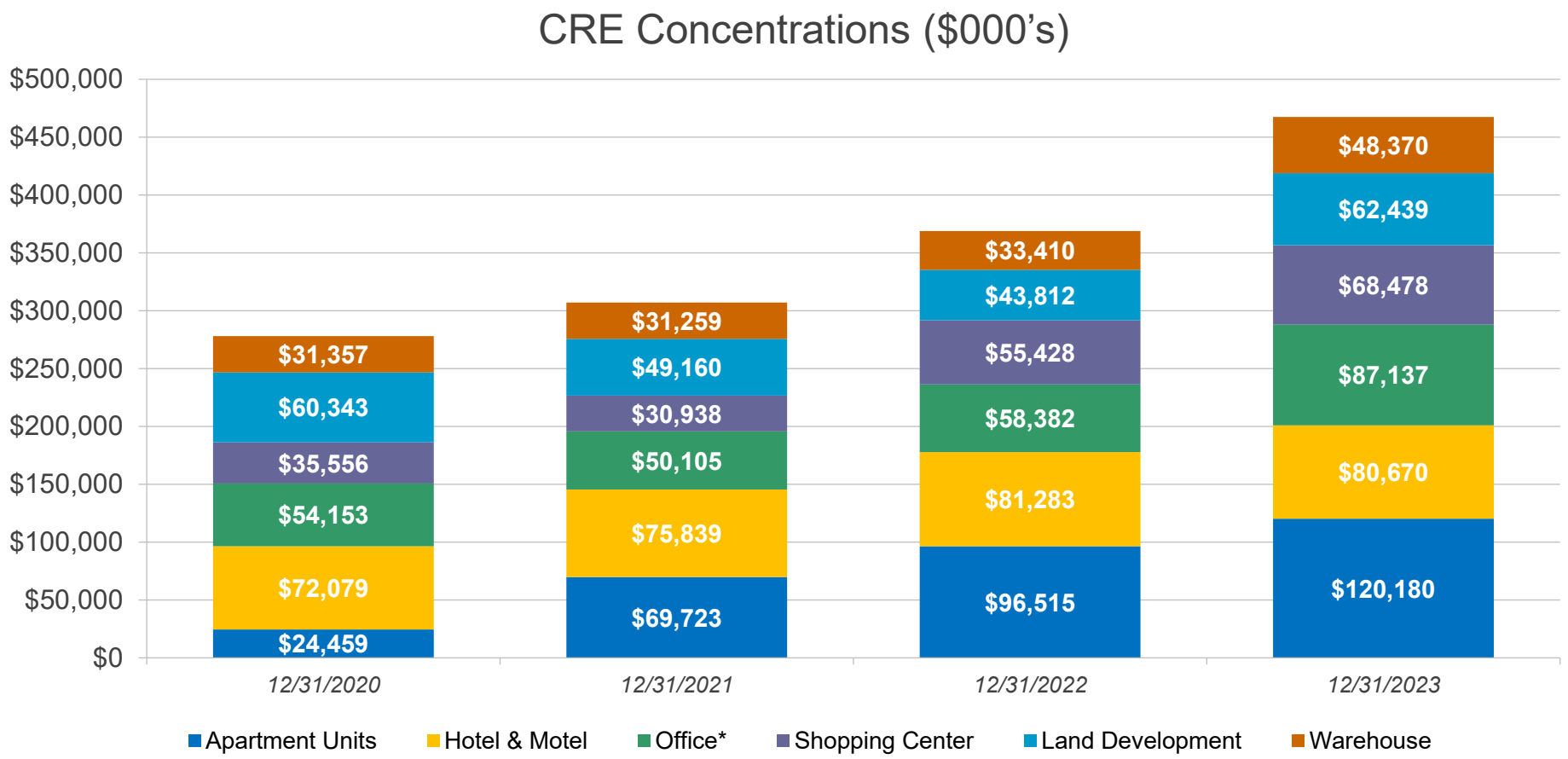


Diversified Loan Portfolio



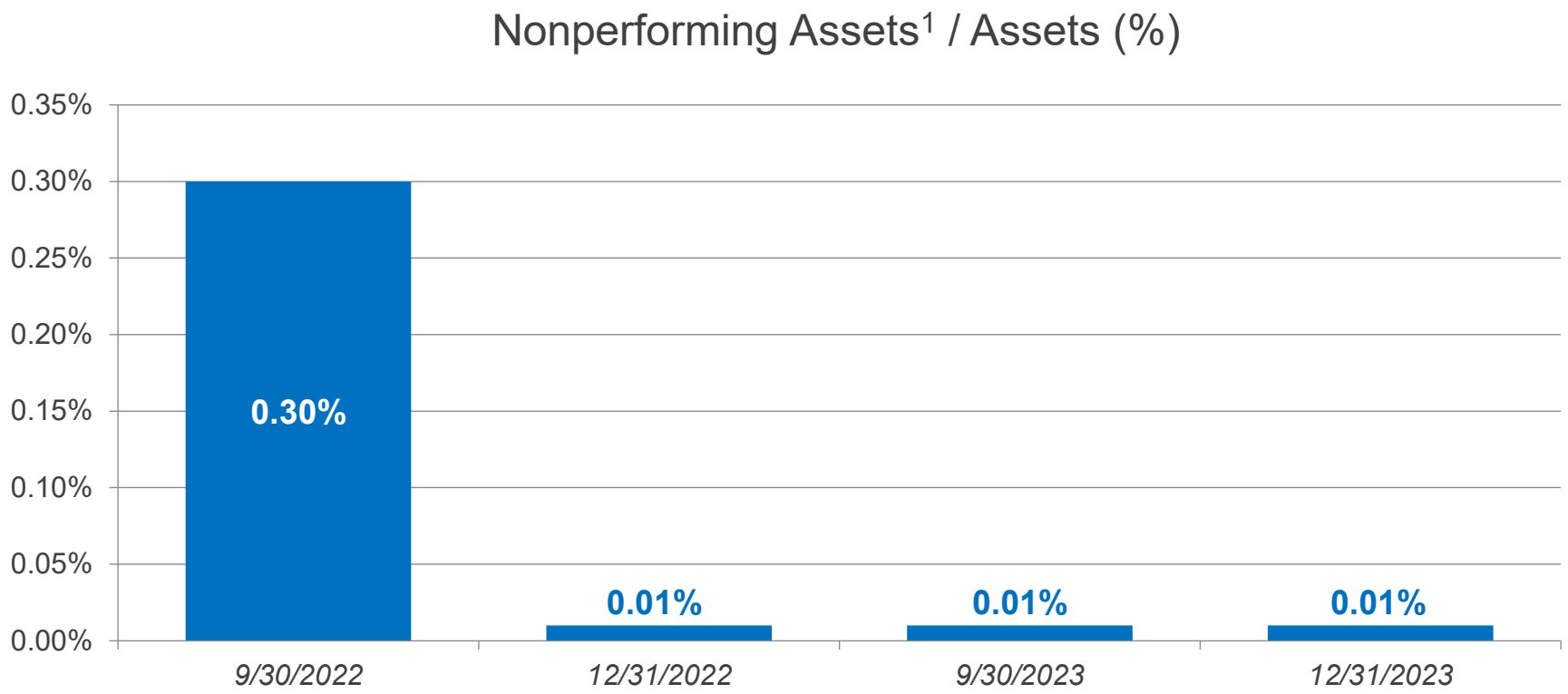
[1]Purchased participations are included as part of the loans outstanding; *Outstanding Paycheck Protection Program balances were $57 thousand as of December 31, 2023

Largest Commercial Real Estate Concentrations



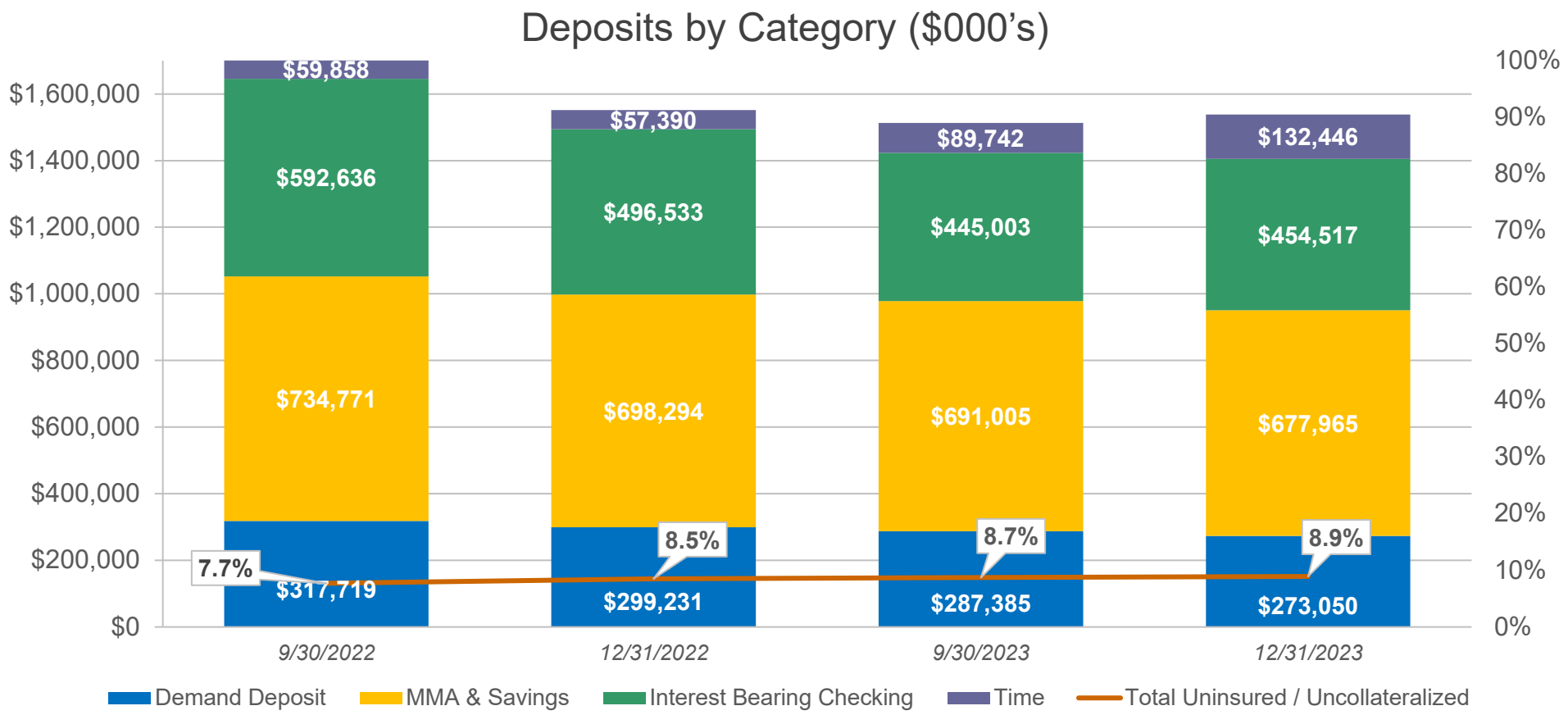
*Primarily in South Central Pennsylvania

Strong Credit Quality

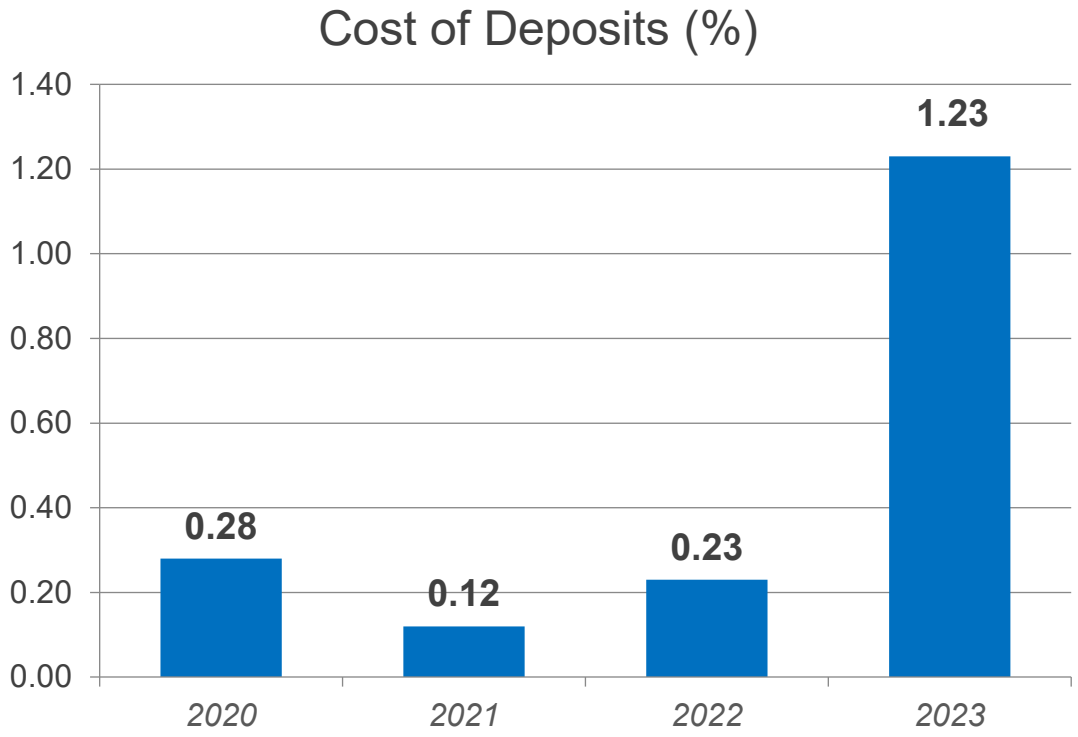


[1]Nonperforming assets = nonaccrual loans, loans 90 days past due and other real estate owned

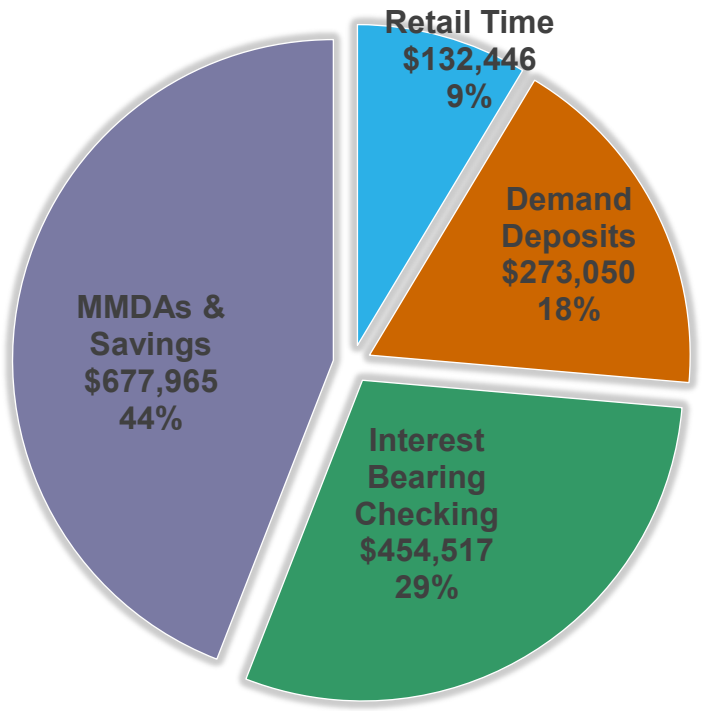
Deposits by Category



Deposit Mix



Franklin Financial Deposit Mix ($000's) [1]



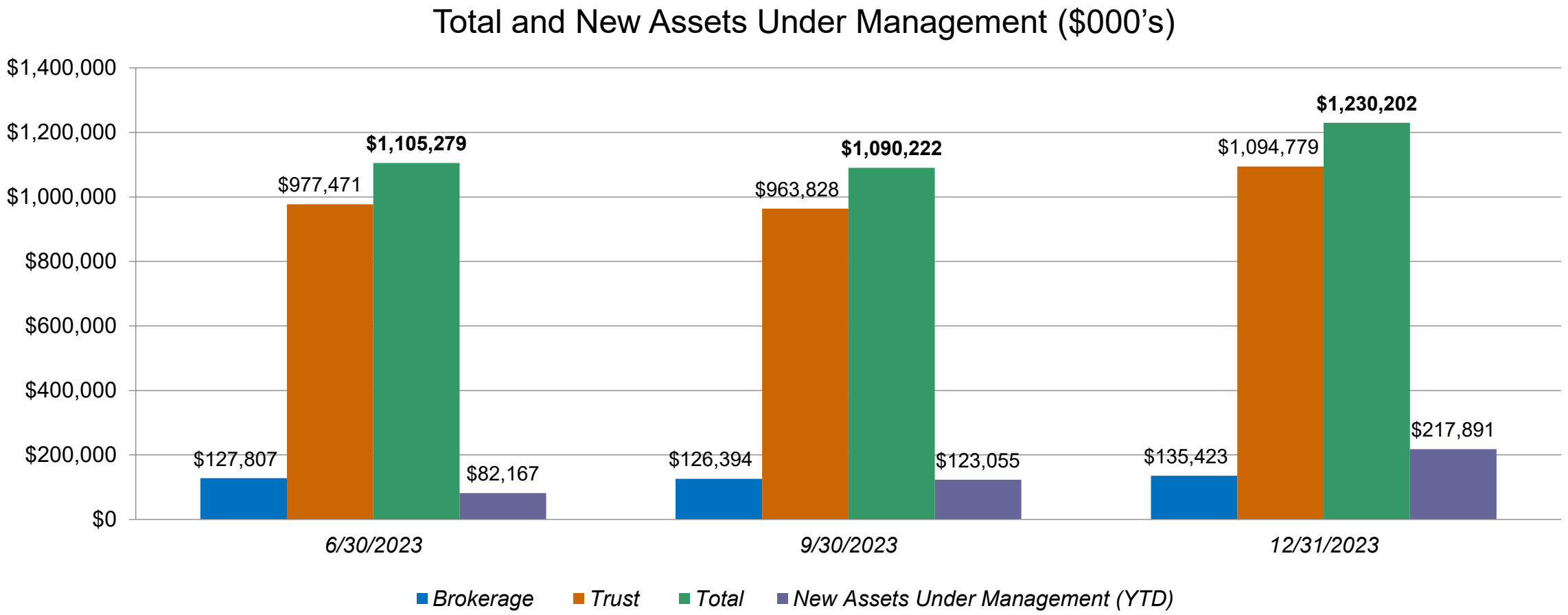
[1]As of 12/31/2023

Liquidity Available at December 31, 2023

Dollars in Thousands (000's)			
Liquidity Source	**Capacity**	**Outstanding**	**Available**
Federal Home Loan Bank[1]	$484,163	$ 40,000	$444,163
Federal Reserve Bank Discount Window	$55,496	$ –	$55,496
Fed Bank Term Funding Program	$91,733	$90,000	$1,733
Correspondent Banks	$56,000	$ –	$56,000
Total	**$687,392**	**$130,000**	**$557,392**

[1]In the first quarter of 2024, an additional borrowing of $200 million was taken from the FHLB.

Wealth Management



Income Statement Highlights

Dollars in Thousands (000's)	Quarter Ended 12/31/2023	Quarter Ended 9/30/2023	Quarter Ended 12/31/2022
Interest Income	$21,516	$20,154	$16,997
Interest Expense	$7,616	$6,447	$2,392
Provision for Losses	$788	$866	650
Noninterest Income[1]	$4,044	$4,006	$3,690
Noninterest Expense	$13,148	$12,198	$13,196
Net Income	$3,471	$3,859	$3,717

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

Key Performance Measures

Percent (%)	Quarter Ended 12/31/2023	Quarter Ended 9/30/2023	Quarter Ended 12/31/2022
Return on Avg. Assets	0.75	0.86	0.84
Return on Avg. Equity	11.81	12.73	13.58
Efficiency Ratio[1]	72.22	67.86	70.42
Net Interest Margin	3.24	3.29	3.58
Noninterest Inc[2] / Operating Revenue	22.54	22.62	20.17

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

Balance Sheet Strength

Percent (%)	Quarter Ended 12/31/2023	Quarter Ended 9/30/2023	Quarter Ended 12/31/2022
Risk-Based Capital Ratio (Total)	14.45	15.16	17.21
Leverage Ratio (Tier 1)	9.01	9.10	8.95
Common Equity Ratio (Tier 1)	11.82	12.43	14.22
Tangible Common Equity Ratio[1]	6.74	5.81	6.22
Tangible Common Equity Ratio, excl. AOCI[1]	8.98	8.88	9.26
Nonperforming Assets[2] / Total Assets	0.01	0.01	0.01
Allowance for Loan Loss as a % of Loans	1.28	1.29	1.35
Allowance to Nonaccrual Loans	NM[3]	NM[4]	NM[5]

[1]See GAAP versus Non-GAAP reconciliation; [2]Nonperforming assets = nonaccrual loans, loans 90-days past due and other real estate owned; [3]Not meaningful = 10,919.73%; [4]Not meaningful = 7,290.14%; [5]Not meaningful = 11,812.50%

Market Statistics

Per Share Measure / Market Valuation	Quarter Ended 12/31/2023	Quarter Ended 9/30/2023	Quarter Ended 12/31/2022
Diluted Earnings Per Share	$0.79	$0.88	$0.84
Cash Dividend Yield	4.06%	4.49%	3.55%
Regular Cash Dividends Paid	$0.32	$0.32	$0.32
Dividend Payout Ratio	40.23%	36.07%	37.77%
Market Value Per Share	$31.55	$28.50	$36.10
Book Value	$30.23	$26.31	$26.01
Tangible Book Value[1]	$28.17	$24.24	$23.96
Market Cap ($M)	$137.91	$124.32	$158.48
Price / Book (%)	104.37%	108.32%	138.79%
Price / Tangible Book (%)	112.01%	117.55%	150.67%
Price / LTM EPS (X)	10.18	9.05	10.74

[1]See GAAP versus Non-GAAP reconciliation

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

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Appendix

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Franklin Financial Services Corporation

GAAP / Non-GAAP Reconciliation

Tangible Book Value (per share) (non-GAAP)	Quarter Ended 12/31/2023	Quarter Ended 9/30/2023	Quarter Ended 12/31/2022
Shareholders' equity	$132,136	$114,769	$114,197
Less intangible assets	(9,016)	(9,016)	(9,016)
Tangible Shareholders' equity (non-GAAP)	123,120	105,753	105,181
Less AOCI	(40,940)	(55,834)	(51,287)
Tangible shareholders' equity excl. AOCI (non-GAAP)	164,060	161,587	156,468
Total assets	1,836,039	1,827,910	1,699,579
Less intangible assets	(9,016)	(9,016)	(9,016)
Total tangible assets (non-GAAP)	1,827,023	1,818,894	1,690,563
Tangible Common Equity Ratio (non-GAAP)	6.74%	5.81%	6.22%
Tangible Common Equity Ratio excl. AOCI (non-GAAP)	8.98%	8.88%	9.26%
Shares outstanding (in thousands)	4,371	4,362	4,390
Tangible book value (non-GAAP)	$28.17	$24.24	$23.96

GAAP / Non-GAAP Reconciliation

Efficiency Ratio	Quarter Ended 12/31/2023	Quarter Ended 9/30/2023	Quarter Ended 12/31/2022
Noninterest expense	$13,148	$12,198	$13,196
Net interest income	13,900	13,707	14,605
Plus tax equivalent adjustment to net interest income	261	262	445
Plus noninterest income, net of securities transactions[1]	4,044	4,006	3,690
Total revenue	18,205	17,975	18,740
Efficiency Ratio (non-GAAP)	72.22%	67.86%	70.42%

[1]Excludes securities gains in all periods