

Investor Presentation

First Quarter 2024 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

In the first quarter of 2024, Franklin Financial Services corporation was able to mark several financial highlights as total assets for the company exceeded $2.0 billion and brokerage and trust assets under management climbed to $1.26 billion. These high points came as the result of the continuation of execution under the plans developed in 2023 as the company continues to respond to the changing financial and economic conditions around us.

The company continues to see both loan and deposit growth, however net interest margin (NIM) has contracted due to steadily climbing deposit rates. In the first quarter, the Bank took down an FHLB borrowing at 4.31% which will be used to support future loan growth. The borrowing supports the bank's liquidity at a rate that, now three months later, is favorable to the company, and we should see NIM expand as the proceeds are loaned out at current market rates. Credit quality continues to be strong, however the company is maintaining loan loss reserves at year-end levels to protect against any surprises. At the end of the first quarter, we agreed to purchase land and construct our first community office in Dauphin County, PA, which will complement our regional headquarters. The community office, which is only 1,700 square feet, will support our team of financial professionals serving the area while also providing innovative ways to support the transactional needs of our customers.

As we move forward in 2024, we continue to have confidence in the path we have chosen as we work to grow loan and deposit balances, both in our core and expanded markets. Separately, but in tandem with our loan and deposit teams, we continue to build fee income through our wealth management and residential mortgage services. In challenging economic times, there are still opportunities for improved performance, and we are actively searching for and taking advantage of them.

Thank you for your continued support.

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.

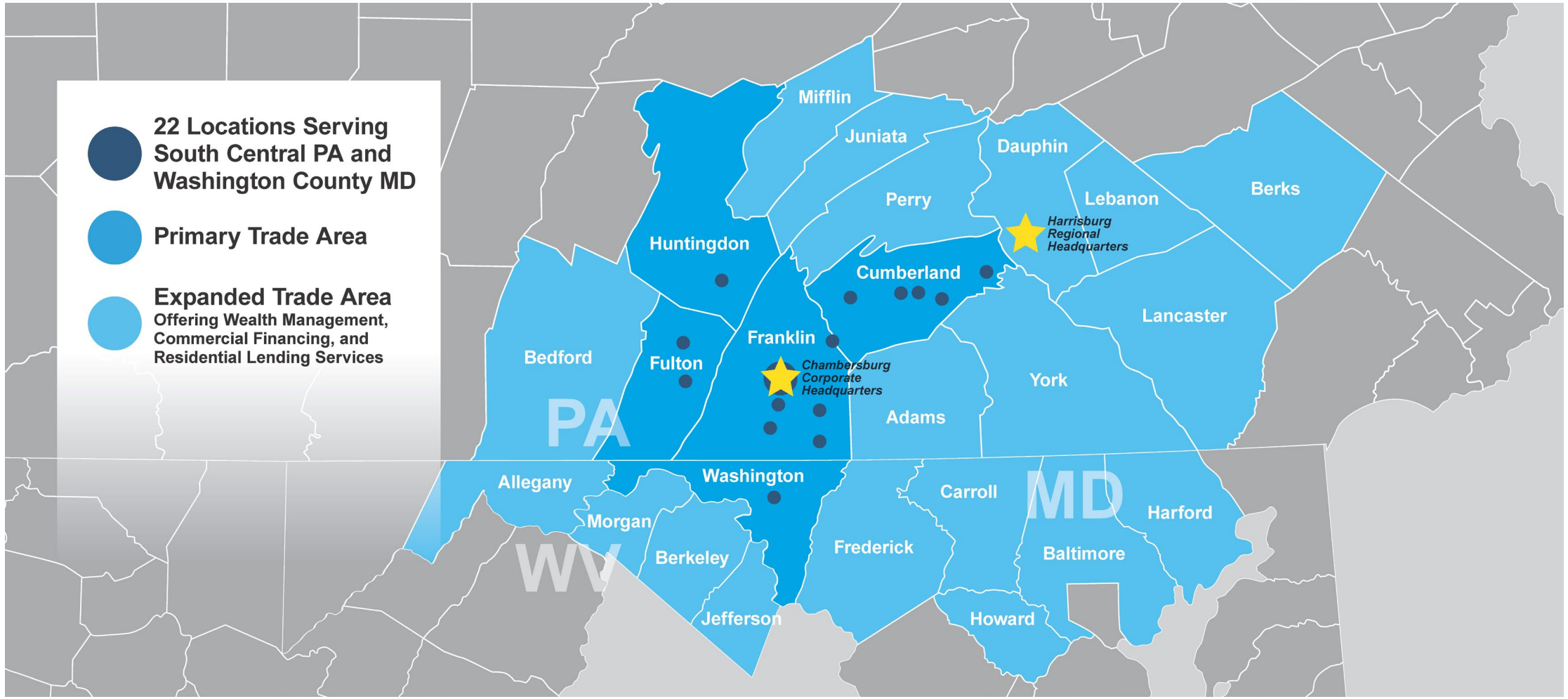
Core Values

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 $2.01 billion as of March 31, 2024
- As of March 31, 2024, Franklin Financial reported $1.26 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*	**42**	2016	*Fulton, Centra Bank, BlueRidge Bank, Susquehanna Bank, BB&T*
Mark R. Hollar	*Executive Vice President, Chief Financial Officer & Treasurer*	**36**	1994	*ValleyBank & Trust*
Charles B. Carroll, Jr.	*Executive Vice President, Chief Operating Officer*	**30**	2023	*S&T Bank, FirstMerit / Huntington National Bank, BBVA Compass*
Lorie Heckman	*Senior Vice President, Chief Risk Officer*	**38**	1986	
Steven D. Butz	*Senior Vice President, Chief Commercial Services Officer*	**39**	2013	*PNC, Waypoint, Sovereign, Graystone Tower, Susquehanna Bank*
Scott Ehrig, CFP, CIMA	*Senior Vice President, Chief Wealth Management Officer*	**31**	2020	*FMA Advisory, Wilmington Trust, M&T Investment Group, JP Morgan*

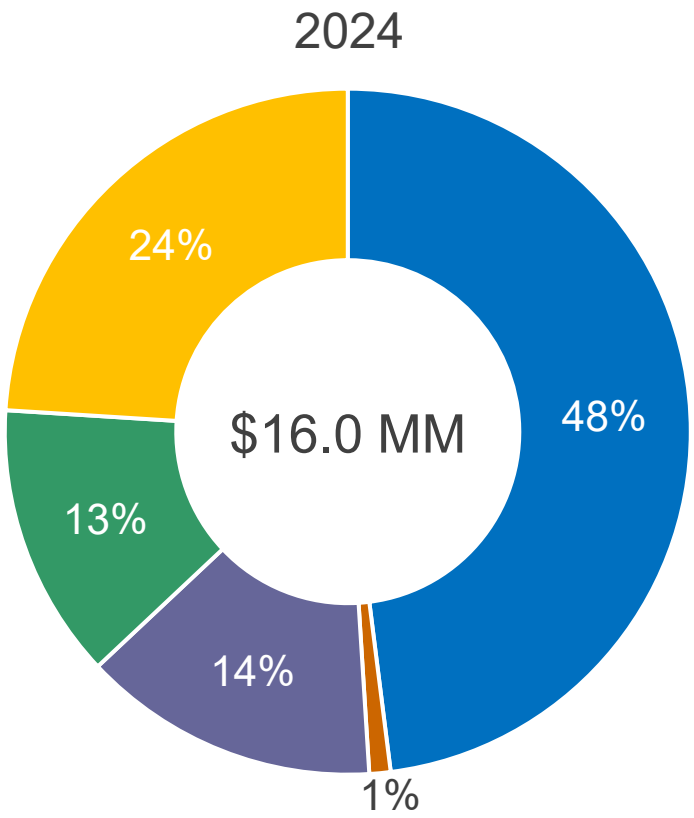
Experienced and Cohesive Executive Team

Executive	Title	Years of Banking Experience	Joined F&M Trust	Prior Experience
Louis J. Giustini	*Senior Vice President, Chief Retail Services Officer*	**36**	2022	*Hagerstown Trust, Columbia Bank, Fulton Bank*
Karen K. Carmack, DM	*Senior Vice President, Chief Human Resources Officer*	**29**	2000	*ACNB*
Matthew D. Weaver	*Senior Vice President, Chief Marketing Officer*	**24**	2014	*Susquehanna Bank, Clifton LarsonAllen, IMRE*
David Long	*Senior Vice President, Chief Technology Officer*	**17**	2022	*Howard Bank*

A Year of Growth

SELECTED HIGHLIGHTS	GROWTH PERCENTAGE	KEY STATISTICS
Total Assets	+9.6%	$2.012 Billion as of 3/31/2024 $1.836 Billion as of 12/31/2023
Net Loans	+1.7%	$1.261 Billion as of 3/31/2024 $1.240 Billion as of 12/31/2023
Assets Under Management	+2.4%	$1.259 Billion as of 3/31/2024 $1.230 Billion as of 12/31/2023

Non-Interest Income (Dollars in thousands)



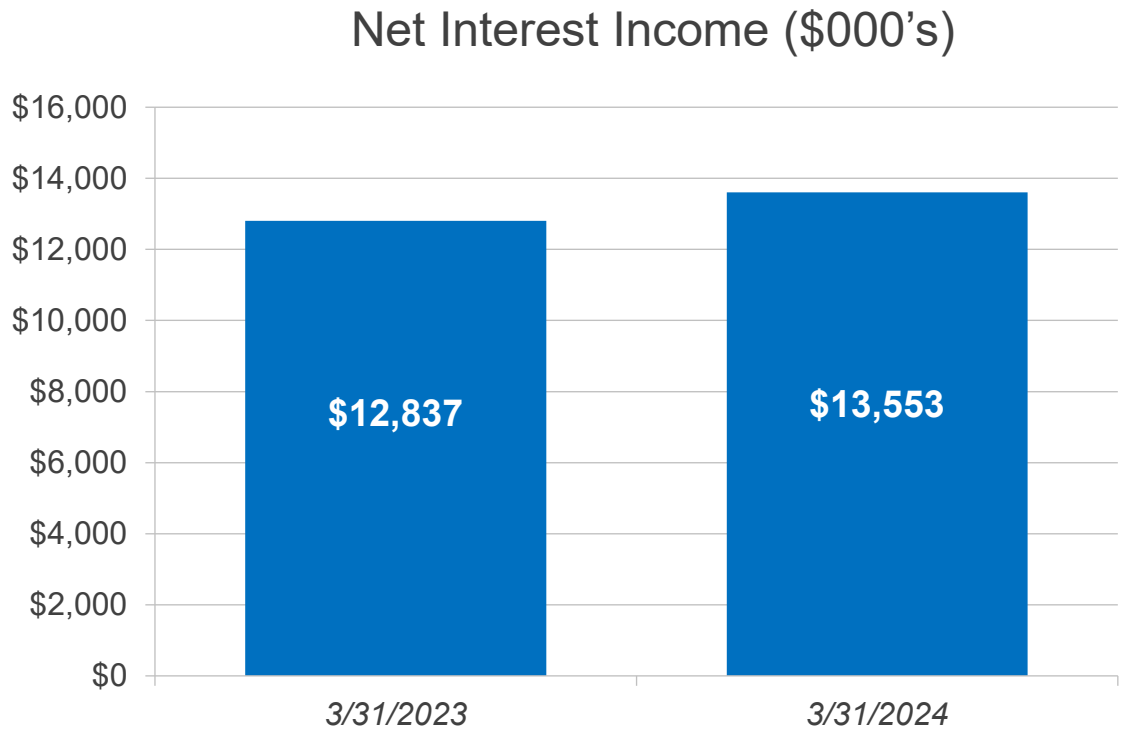
	Q1 2024	Q1 2023	Change
Wealth Management Fees	2,026	1,834	192
Gain on Sale of Loans	58	73	(15)
Deposit Service Fees	613	583	30
Debit Card Income	536	502	34
Other	996	859	120
Total[1]	4,229	3,851	378

[1] Excludes net securities gains/losses

Net Interest Margin Expansion

- Net interest income for the quarter ended 3/31/24 was $13.6 million compared to $12.8 million for the same period in 2023

- Net interest margin was 2.88% for the quarter ended 3/31/24 compared to 3.41% for the same period in 2023



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 service 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

Outlook for 2024

- 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
- 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 may fluctuate over time with changes in interest rates but will eventually decrease as investments move to maturity (average portfolio life is 4.8 years)

Outlook for 2024

- Fee income from the Wealth Management division should continue to grow due to focus on the addition of new clients and gathering new assets from existing clients. Overall growth 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
- The company will see a new community office come online at the end of 2024 with the completion of a new branch in Dauphin County, Pennsylvania. The office will serve a broad mix of residential, retail, and commercial customers who surround the new location.

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 continues to position itself for growth through the addition of key people, tools for decision-making, and infrastructure. We have started to realize the growth opportunities and now will also focus on leveraging the same people, tools, and infrastructure to improve efficiency and increase profitability.

Financial Updates

First Quarter Ended March 31, 2024

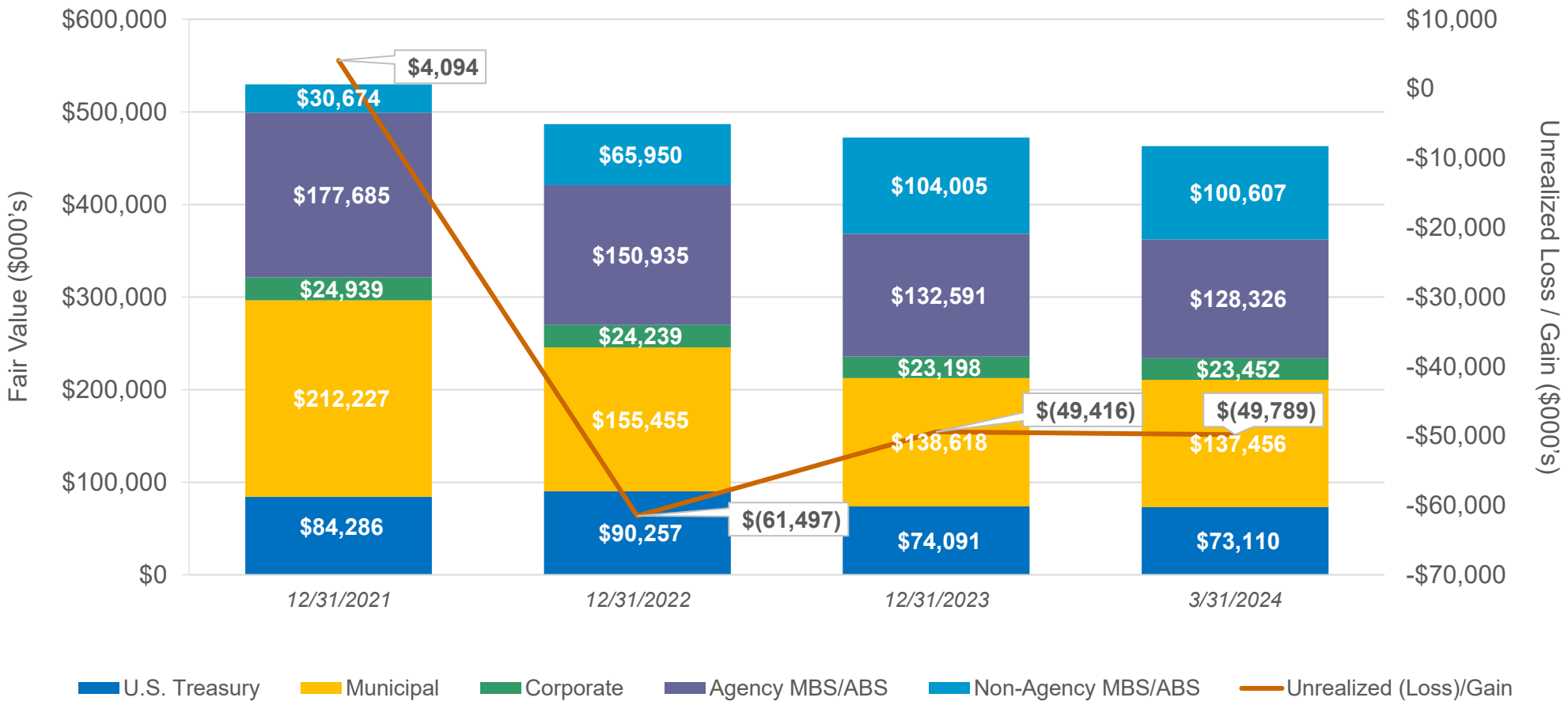
F&M TRUST

Franklin Financial Services Corporation

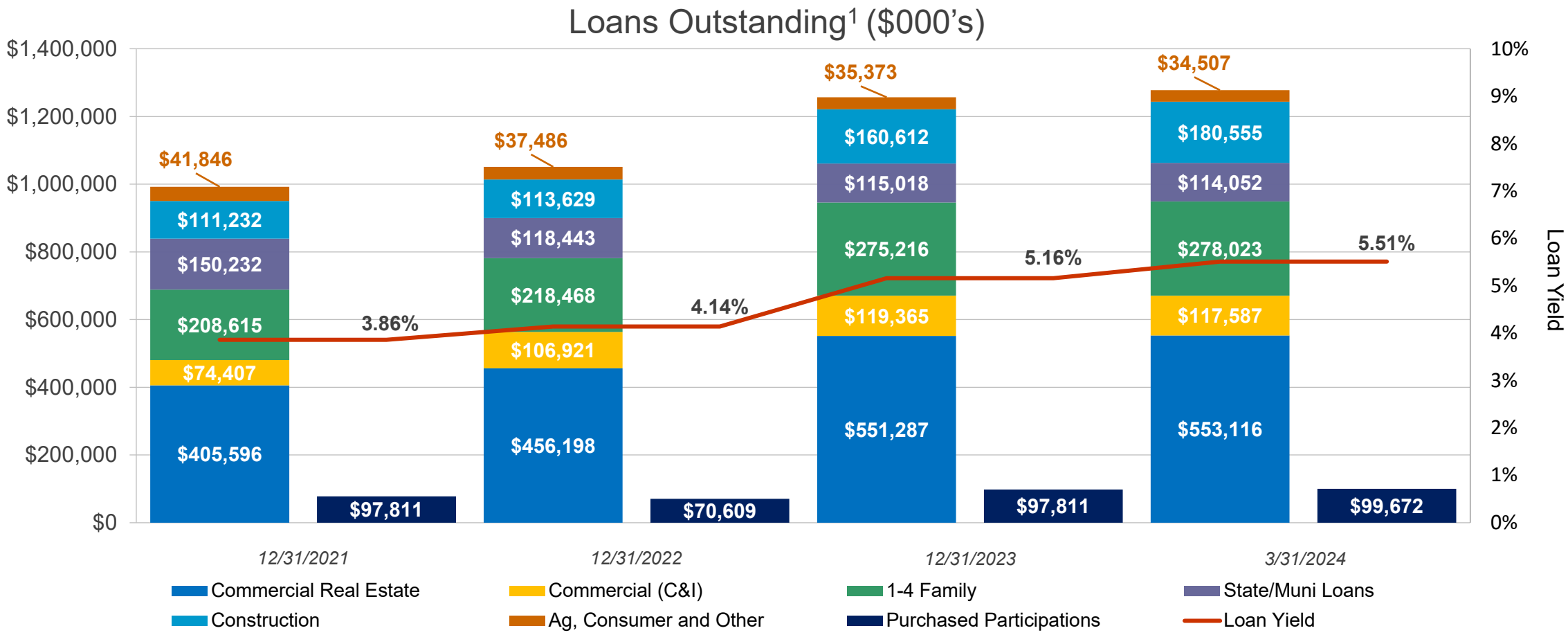
Balance Sheet Highlights

Dollars in Thousands (000's)	Quarter Ended 3/31/2024	Year Ended 12/31/2023	Year Ended 12/31/2022	Year Ended 12/31/2021
Total Assets	$2,011,614	$1,836,039	$1,699,579	$1,773,806
Cash and Cash Equiv.	$182,570	$23,140	$64,899	$175,149
Investments AFS	$462,951	$472,503	$486,836	$529,811
Net Loans	$1,261,062	$1,240,933	$1,036,866	$983,746
Deposits	$1,559,312	$1,537,978	$1,551,448	$1,584,359
Shareholders' Equity	$134,237	$132,136	$114,197	$157,065

Investment AFS Portfolio

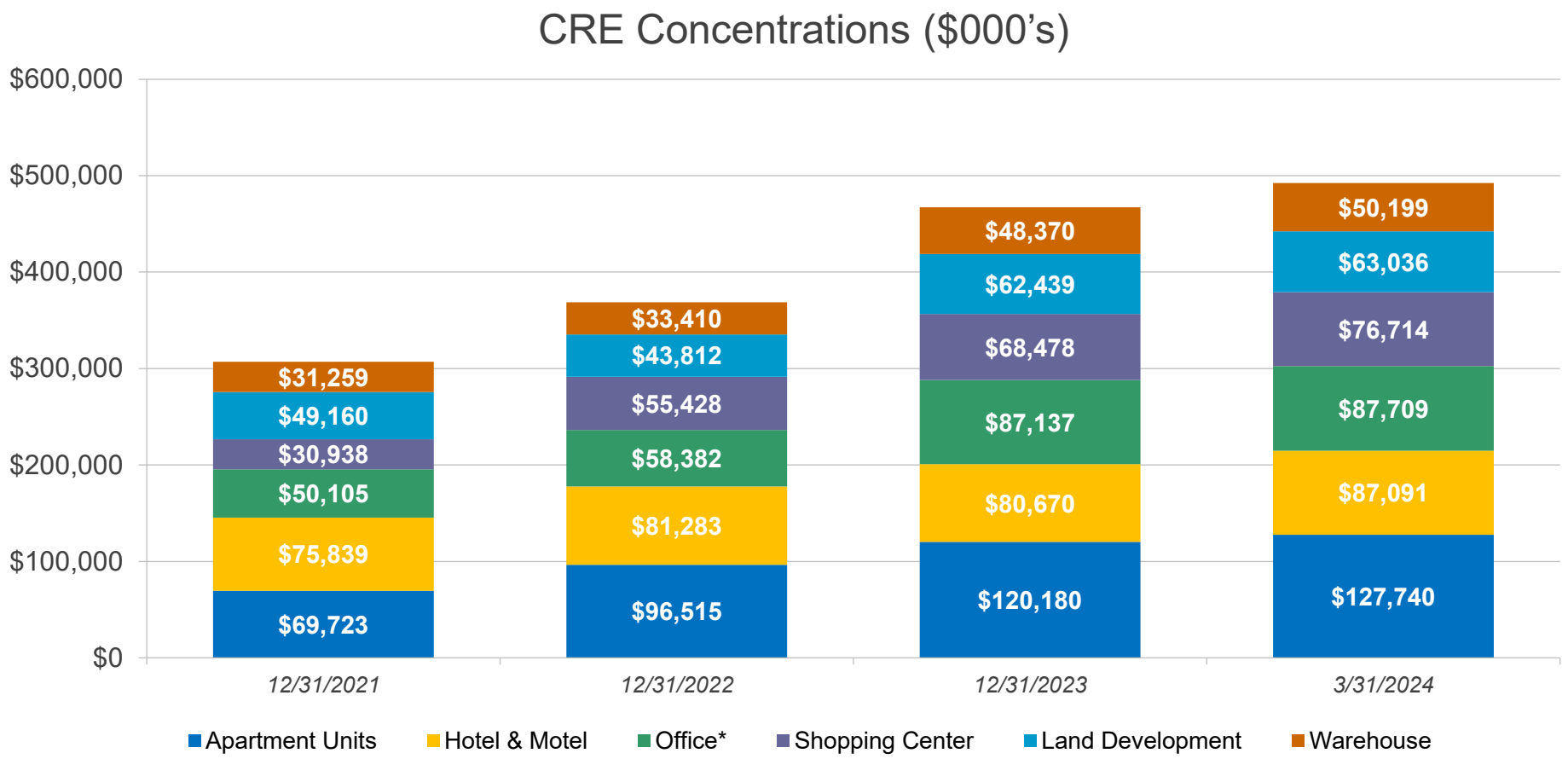


Diversified Loan Portfolio



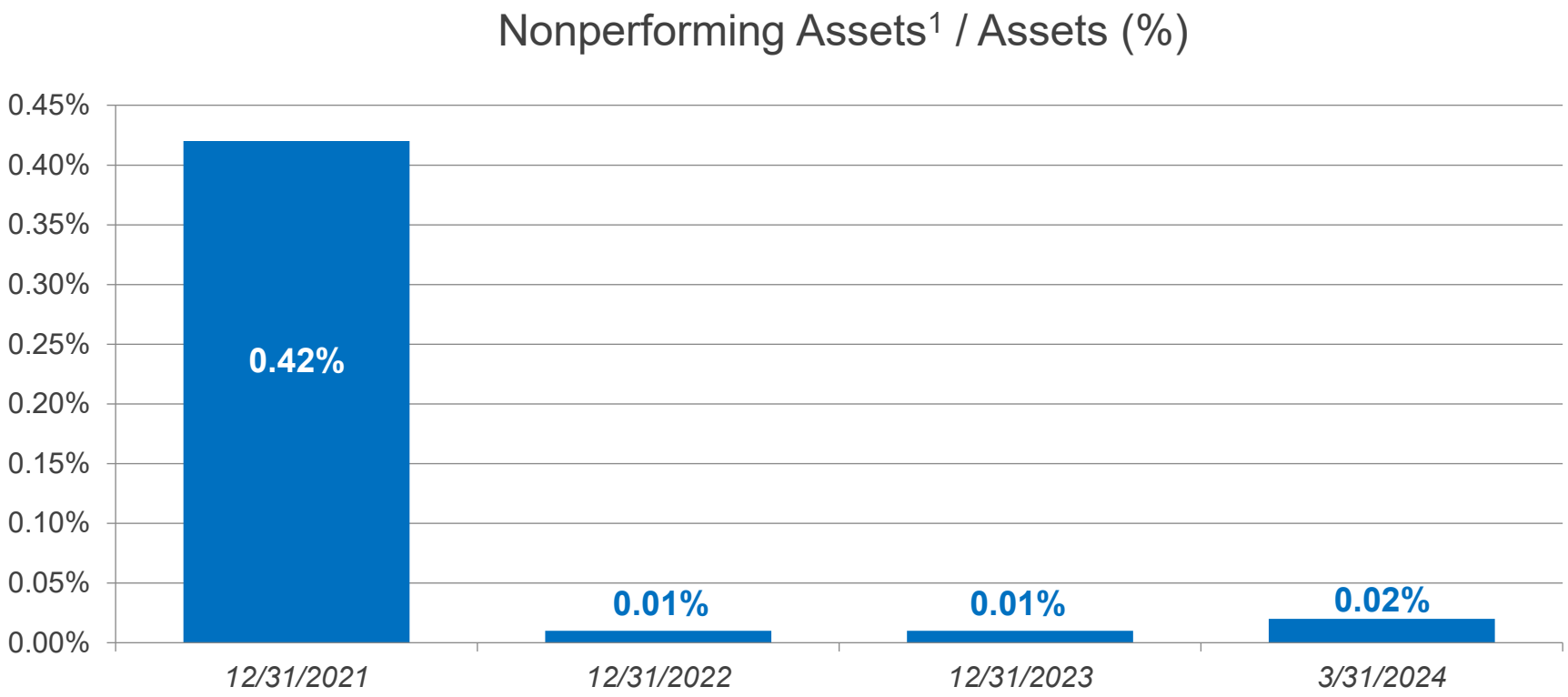
[1]Purchased participations are included as part of the loans outstanding; *Outstanding Paycheck Protection Program balances were $31 thousand as of March 31, 2024.

Largest Commercial Real Estate Concentrations



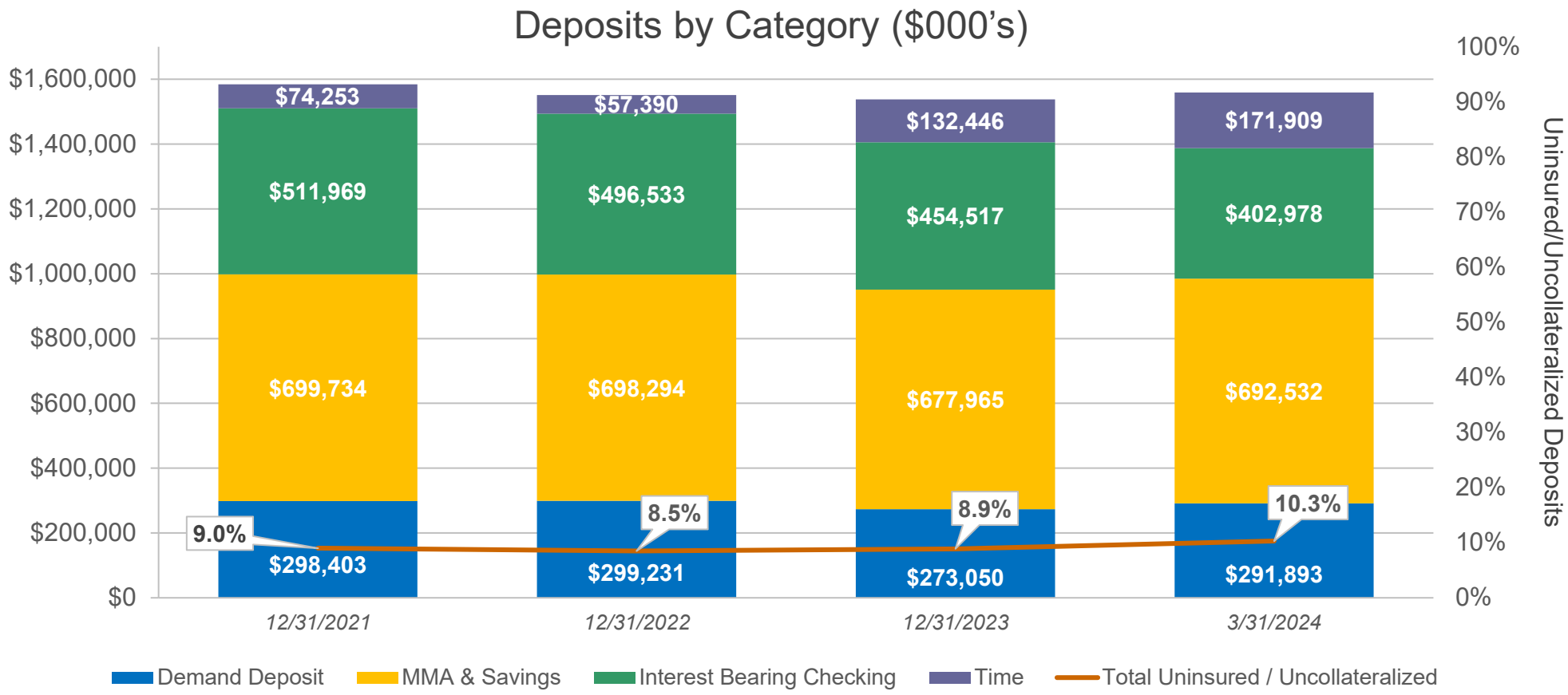
*Primarily in South Central Pennsylvania

Strong Credit Quality

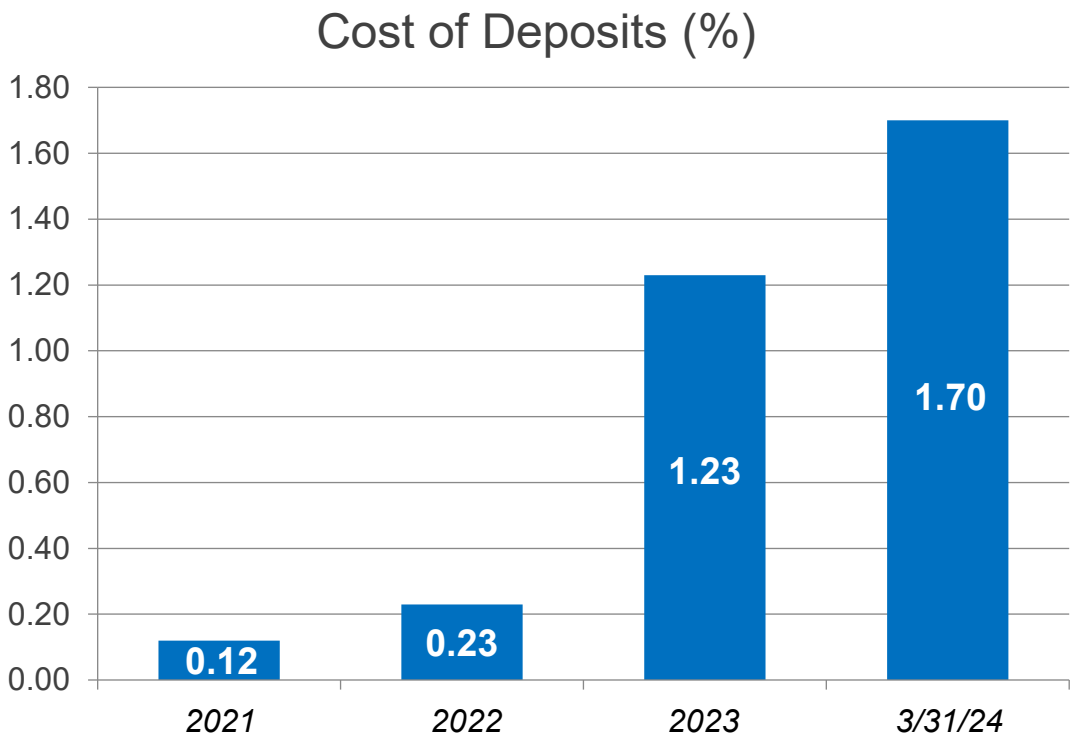


[1]Nonperforming assets = nonaccrual loans, loans 90 days past due and other real estate owned

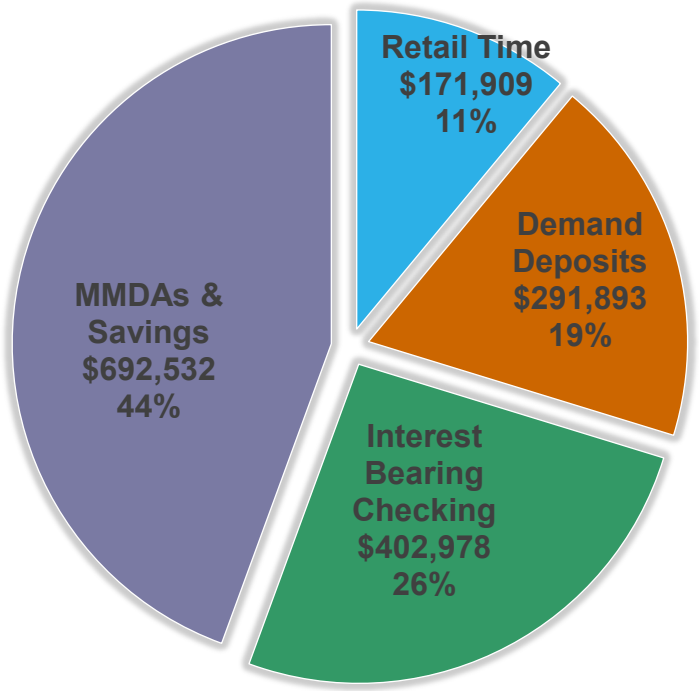
Deposits by Category



Deposit Mix



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

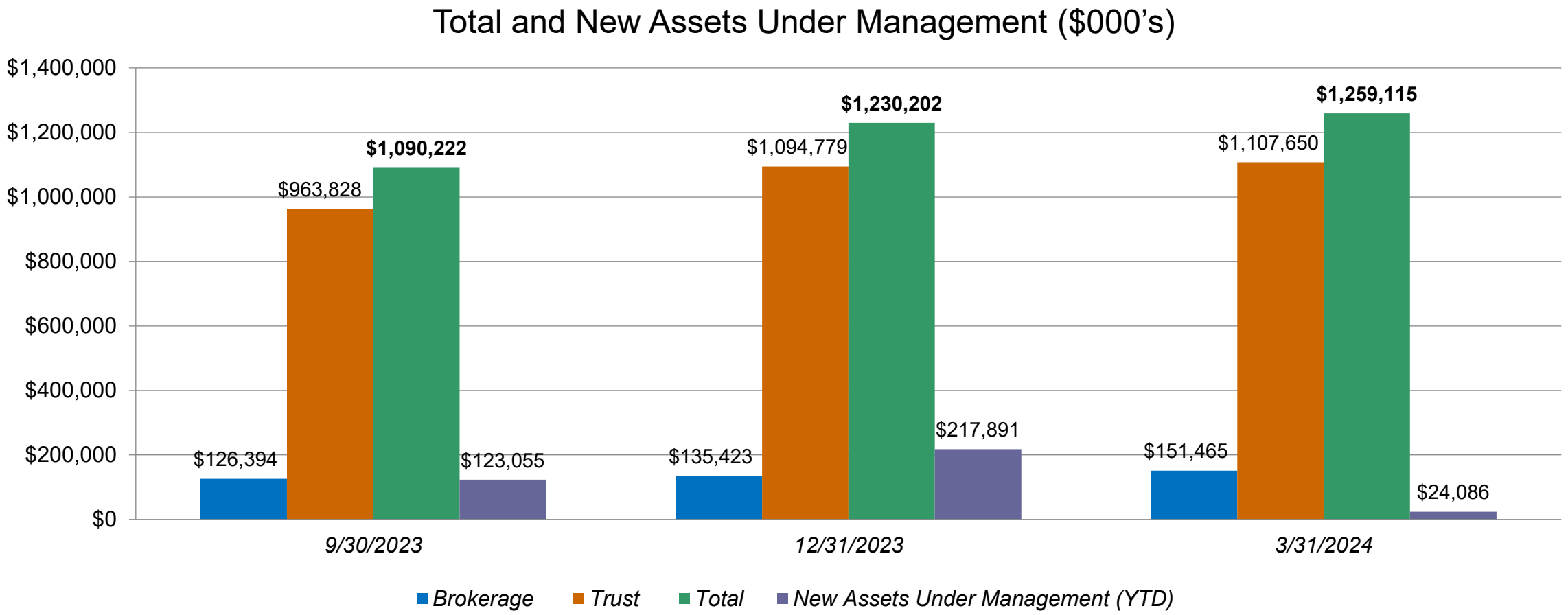


[1]As of 3/31/2024

Liquidity Available at March 31, 2024

Dollars in Thousands (000's)			
Liquidity Source	**Capacity**	**Outstanding**	**Available**
Federal Home Loan Bank	$500,736	$ 240,000	$260,736
Federal Reserve Bank Discount Window	$53,637	$ –	$53,637
Correspondent Banks	$76,000	$ –	$76,000
Total	**$630,373**	**$240,000**	**$390,373**

Wealth Management



Income Statement Highlights

Dollars in Thousands (000's)	Quarter Ended 3/31/2024	Quarter Ended 12/31/2023	Quarter Ended 3/31/2023
Interest Income	$23,809	$21,516	$16,583
Interest Expense	$10,256	$7,616	$3,746
Provision for Credit Losses	$452	$788	$529
Noninterest Income[1]	$4,229	$4,044	$3,851
Noninterest Expense	$13,304	$13,148	$12,019
Net Income	$3,361	$3,471	$3,292

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

Key Performance Measures

Percent (%)	Quarter Ended 3/31/2024	Quarter Ended 12/31/2023	Quarter Ended 3/31/2023
Return on Avg. Assets	0.67	0.75	0.80
Return on Avg. Equity	10.21	11.81	11.33
Efficiency Ratio[1]	73.76	72.22	70.70
Net Interest Margin	2.88	3.24	3.41
Noninterest Inc[2] / Operating Revenue	23.43	22.54	23.08

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

Balance Sheet Strength

Percent (%)	Quarter Ended 3/31/2024	Quarter Ended 12/31/2023	Quarter Ended 3/31/2023
Risk-Based Capital Ratio (Total)	14.53	14.45	17.21
Leverage Ratio (Tier 1)	8.32	9.01	9.58
Common Equity Ratio (Tier 1)	11.91	11.82	14.24
Tangible Common Equity Ratio	6.25	6.74	6.73
Tangible Common Equity Ratio excluding AOCI	8.31	8.98	9.31
Nonperforming Assets[1] / Total Assets	0.02	0.01	0.01
Allowance for Loan Loss as a % of Loans	1.29	1.28	1.31
Allowance to Nonaccrual Loans	NM[2]	NM[3]	NM[4]

[1]Nonperforming assets = nonaccrual loans, loans 90-days past due and other real estate owned; [2]Not meaningful = 3,374.08%; [3]Not meaningful = 10,919.73%; [4]Not meaningful = 11,757.50%

Market Statistics

Per Share Measure / Market Valuation	Quarter Ended 3/31/2024	Quarter Ended 12/31/2023	Quarter Ended 3/31/2023
Diluted Earnings Per Share	$0.77	$0.79	$0.75
Cash Dividend Yield	4.89%	4.06%	4.32%
Regular Cash Dividends Paid	$0.32	$0.32	$0.32
Dividend Payout Ratio	41.62%	40.23%	42.68%
Market Value Per Share	$26.20	$31.55	$29.64
Book Value	$30.55	$30.23	$28.07
Tangible Book Value[1]	$28.50	$28.17	$26.02
Market Cap ($M)	$113.71	$137.91	$130.50
Price / Book (%)	85.76%	104.37%	105.59%
Price / Tangible Book (%)	91.94%	112.01%	113.91%
Price / LTM EPS (X)	8.40	10.18	8.62

[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 3/31/2024	Quarter Ended 12/31/2023	Quarter Ended 3/31/2023
Shareholders' equity	$134,237	$132,136	$123,583
Less intangible assets	(9,016)	(9,016)	(9,016)
Shareholders' equity (non-GAAP)	125,221	123,120	114,567
Less AOCI	(41,234)	(40,940)	(43,996)
Tangible shareholders' equity excl. AOCI (non-GAAP)	166,455	164,060	158,563
Total assets	2,011,614	1,836,039	1,711,285
Less intangible assets	(9,016)	(9,016)	(9,016)
Total tangible assets (non-GAAP)	2,002,598	1,827,023	1,702,269
Tangible Common Equity Ratio (non-GAAP)	6.25%	6.74%	6.73%
Tangible Common Equity Ratio excl. AOCI (non-GAAP)	8.31%	8.98%	9.31%
Shares outstanding (in thousands)	4,394	4,371	4,403
Tangible book value (non-GAAP)	$28.50	$28.17	$26.02

GAAP / Non-GAAP Reconciliation

Efficiency Ratio	Quarter Ended 3/31/2024	Quarter Ended 12/31/2023	Quarter Ended 3/31/2023
Noninterest expense	$13,304	$13,148	$12,019
Net interest income	13,553	13,900	12,837
Plus tax equivalent adjustment to net interest income	254	261	311
Plus noninterest income, net of securities transactions[1]	4,229	4,044	3,851
Total revenue	18,036	18,205	16,999
Efficiency Ratio (non-GAAP)	73.76%	72.22%	70.70%

[1]Excludes securities gains in all periods