

# Investor Presentation

Third Quarter 2024 Highlights



# Forward Looking Statements

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*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

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We were able to post strong third quarter operating results with very little noise that moved the needle up or down. We are starting to see the benefits of the strong loan growth that we realized last year into this year, and we have been able, despite the headwinds of volatile interest rates, to continue to grow deposits, up 12% since the end of 2023, while maintaining a cost of deposits of 1.81%.

As I noted in my second quarter comments, credit quality remains very good with minimal new issues. We continue to focus on maintaining strong underwriting standards to protect us should the credit cycle reverse on us.

We had three key events at the beginning of the fourth quarter worth mentioning. One, we opened our new, 1700 sq. foot branch facility in Dauphin County, which supports our continued expansion into new markets. Two, we took actions to restructure our balance sheet, selling low-rate investments, at an after-tax cost of \$3.4 million, and reinvesting the proceeds into higher rate investments. And three, I announced my intention to retire from the company at the end of April 2025. The company is currently undergoing a search for my replacement which we hope to announce in January.

We continue to be focused on building shareholder value through growth and improved profitability and that focus will not waiver as we transition the leadership in the company over the next six months.

Thank you for your continued support.

Sincerely,



# Why Invest in Franklin Financial?

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- Franklin Financial Services Corporation (FRAF) is a premier, \$2.2 billion, bank franchise located in South-Central Pennsylvania and the northern tier of Maryland
- Franklin Financial is a company...
  - That is focused on building shareholder value by investing in technology and infrastructure to be positioned for growth and profitability improvement
  - That continues to grow core, low-rate deposits
  - With diversified revenue streams including a wealth management team that oversees \$1.3 billion in assets
  - With pristine credit quality
  - With an above peer average dividend yield
  - That offers an attractive valuation entry point

# Mission, Vision & Core Values

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## 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

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- 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 \$2.15 billion as of September 30, 2024
- As of September 30, 2024, Franklin Financial reported \$1.32 billion in brokerage and trust assets under management
- Franklin Financial stock is trading on the Nasdaq Stock Market (NASDAQ: FRAF)



# Experienced and Cohesive Executive Team

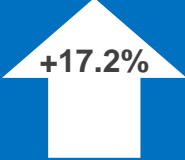
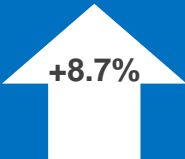
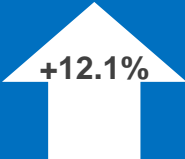
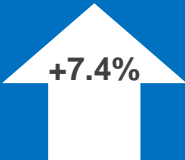
Executive	Title	Years of Banking Experience	Joined F&M Trust	Prior Experience
Timothy G. Henry	<i>President &amp; Chief Executive Officer</i>	42	2016	<i>Fulton, Centra Bank, BlueRidge Bank, Susquehanna Bank, BB&amp;T</i>
Mark R. Hollar	<i>Executive Vice President, Chief Financial Officer &amp; Treasurer</i>	36	1994	<i>ValleyBank &amp; Trust</i>
Charles B. Carroll, Jr.	<i>Executive Vice President, Chief Operating Officer</i>	30	2023	<i>S&amp;T Bank, FirstMerit / Huntington National Bank, BBVA Compass</i>
Lorie Heckman, CRCM	<i>Senior Vice President, Chief Risk Officer</i>	38	1986	
Steven D. Butz	<i>Senior Vice President, Chief Commercial Services Officer</i>	39	2013	<i>PNC, Waypoint, Sovereign, Graystone Tower, Susquehanna Bank</i>
Scott Ehrig, CFP, CIMA	<i>Senior Vice President, Chief Wealth Management Officer</i>	31	2020	<i>FMA Advisory, Wilmington Trust, M&amp;T Investment Group, JP Morgan</i>



# Experienced and Cohesive Executive Team

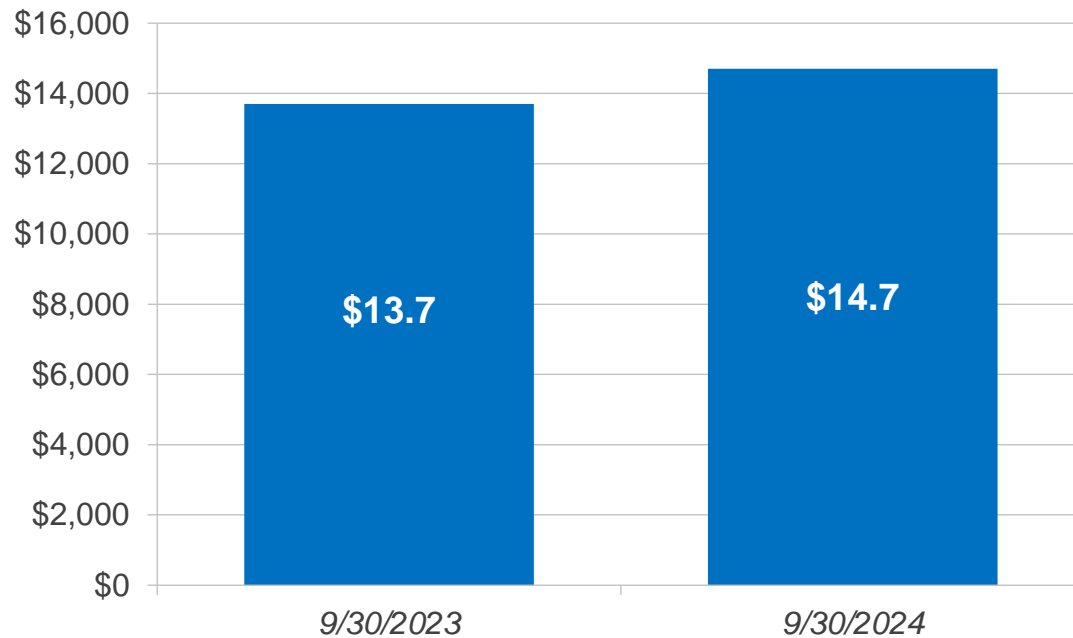
Executive	Title	Years of Banking Experience	Joined F&M Trust	Prior Experience
Louis J. Giustini	Senior Vice President, Chief Retail Services Officer	36	2022	Hagerstown Trust, Columbia Bank, Fulton Bank
Karen K. Carmack, DM	Senior Vice President, Chief Human Resources Officer	29	2000	ACNB
Matthew D. Weaver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

# A Year of Growth

SELECTED HIGHLIGHTS	GROWTH PERCENTAGE	KEY STATISTICS
Total Assets	 +17.2%	\$2.151 Billion as of 9/30/2024 \$1.836 Billion as of 12/31/2023
Net Loans	 +8.7%	\$1.348 Billion as of 9/30/2024 \$1.241 Billion as of 12/31/2023
Total Deposits	 +12.1%	\$1.724 Billion as of 9/30/2024 \$1.538 Billion as of 12/31/2023
Assets Under Management	 +7.4%	\$1.321 Billion as of 9/30/2024 \$1.230 Billion as of 12/31/2023

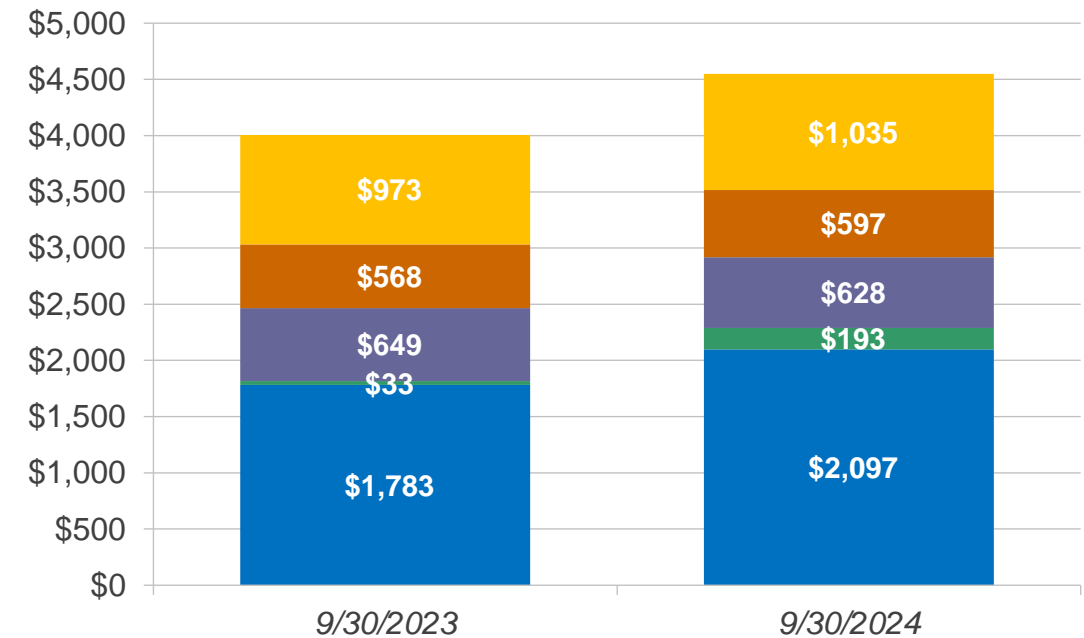
# Income Growth

## Net Interest Income (Millions)



Net interest margin was 2.97% for the quarter ended 9/30/24 compared to 3.29% for the same period in 2023; Non-interest income for the quarter ended 9/30/24 was \$4.6 million compared to \$4.0 million for the same period in 2023

## Non-Interest Income<sup>1</sup> (Millions)



■ Wealth Management Fees 
 ■ Gain on Sale of Loans 
 ■ Deposit Service Fees  
■ Debit Card Income 
 ■ Other

# Outlook

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- The Company is continuing to grow by leveraging our past investments in human capital as well as our physical, technological, and sales infrastructure including:
  - 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 Management 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
- 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

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- Deposit balances should continue to grow subject to the bank's efforts to control interest expense 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
- 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
- Along with driving revenue, we are focused on finding operating efficiencies, both internally and with our external third-party vendors

# Summary

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- 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 has shown the ability to grow core deposits in 2024 and that trend should continue into 2025
- The Company has positioned itself for growth through the addition of key people, tools for decision-making, and infrastructure. We have started to realize growth opportunities and will focus on leveraging the same people, tools, and infrastructure to improve efficiency and increase profitability.

# Financial Updates

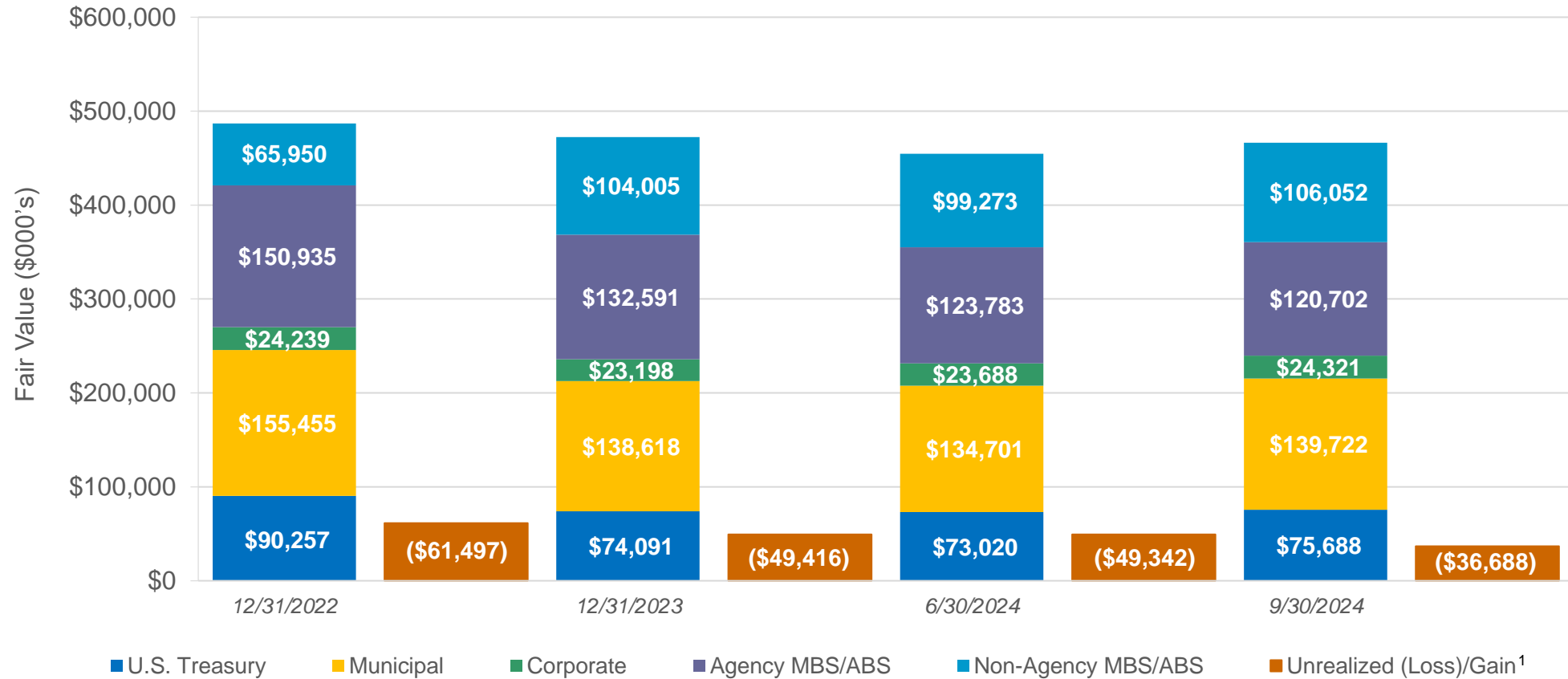
Third Quarter Ended September 30, 2024

# Balance Sheet Highlights

<i>Dollars in Thousands (000's)</i>	Quarter Ended 9/30/2024	Quarter Ended 6/30/2024	Year Ended 12/31/2023	Year Ended 12/31/2022
Total Assets	\$2,151,363	\$2,039,126	\$1,836,039	\$1,699,579
Cash and Cash Equiv.	\$236,317	\$179,727	\$23,140	\$64,899
Investments AFS	\$466,485	\$454,465	\$472,503	\$486,836
Net Loans	\$1,348,386	\$1,301,302	\$1,240,933	\$1,036,866
Deposits	\$1,723,491	\$1,586,458	\$1,537,978	\$1,551,448
Shareholders' Equity	\$149,928	\$136,809	\$132,136	\$114,197

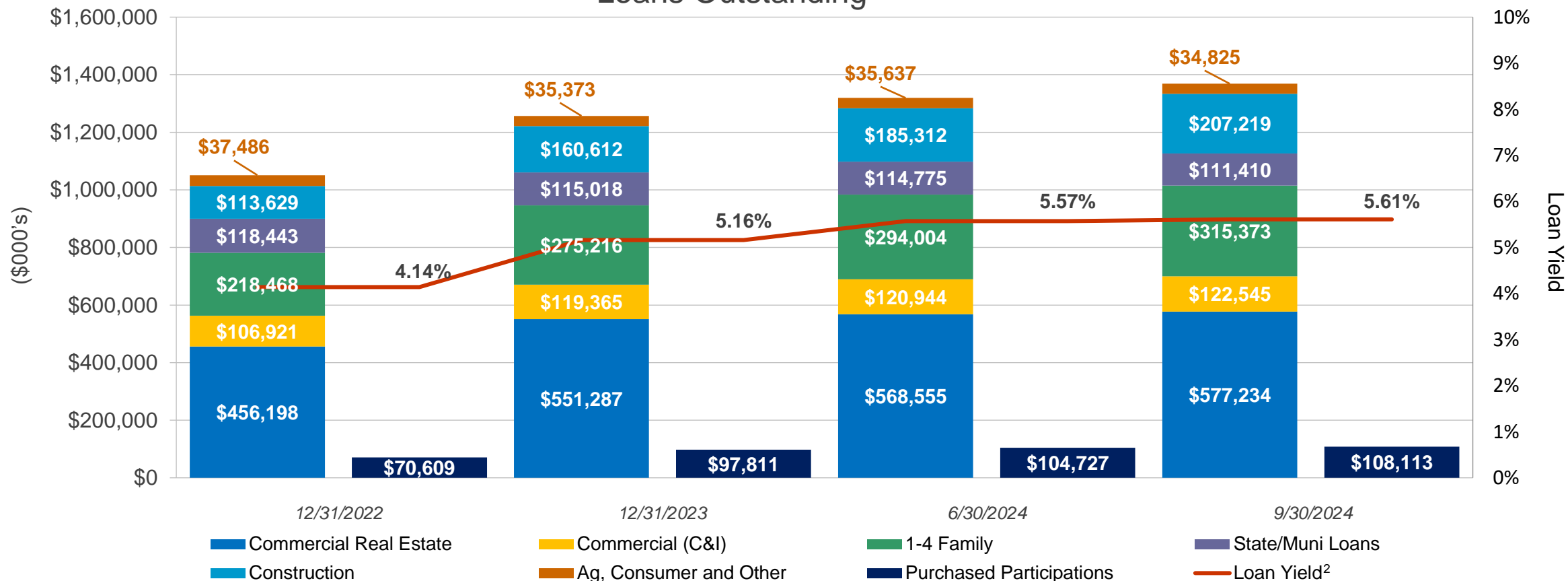


# Investment AFS Portfolio

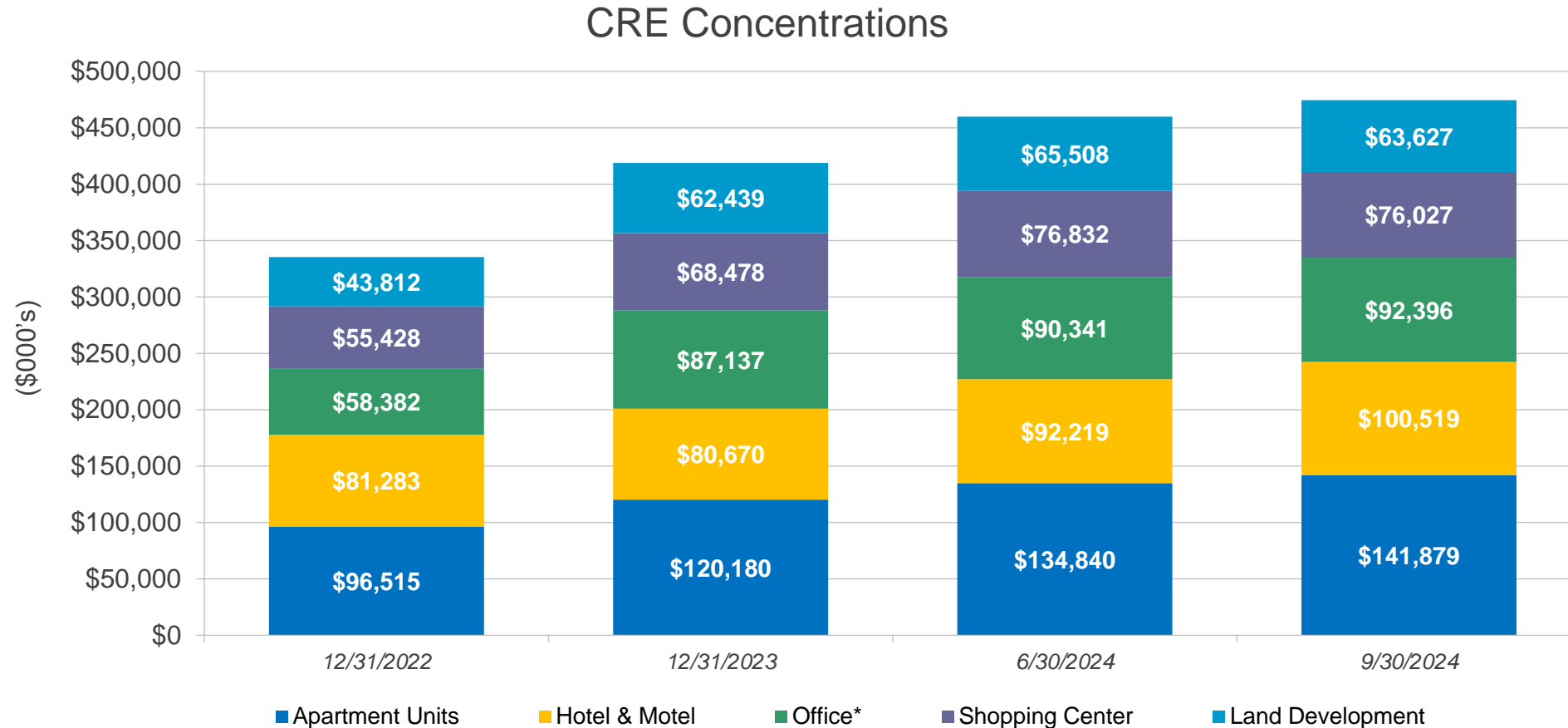


# Diversified Loan Portfolio

Loans Outstanding<sup>1</sup>

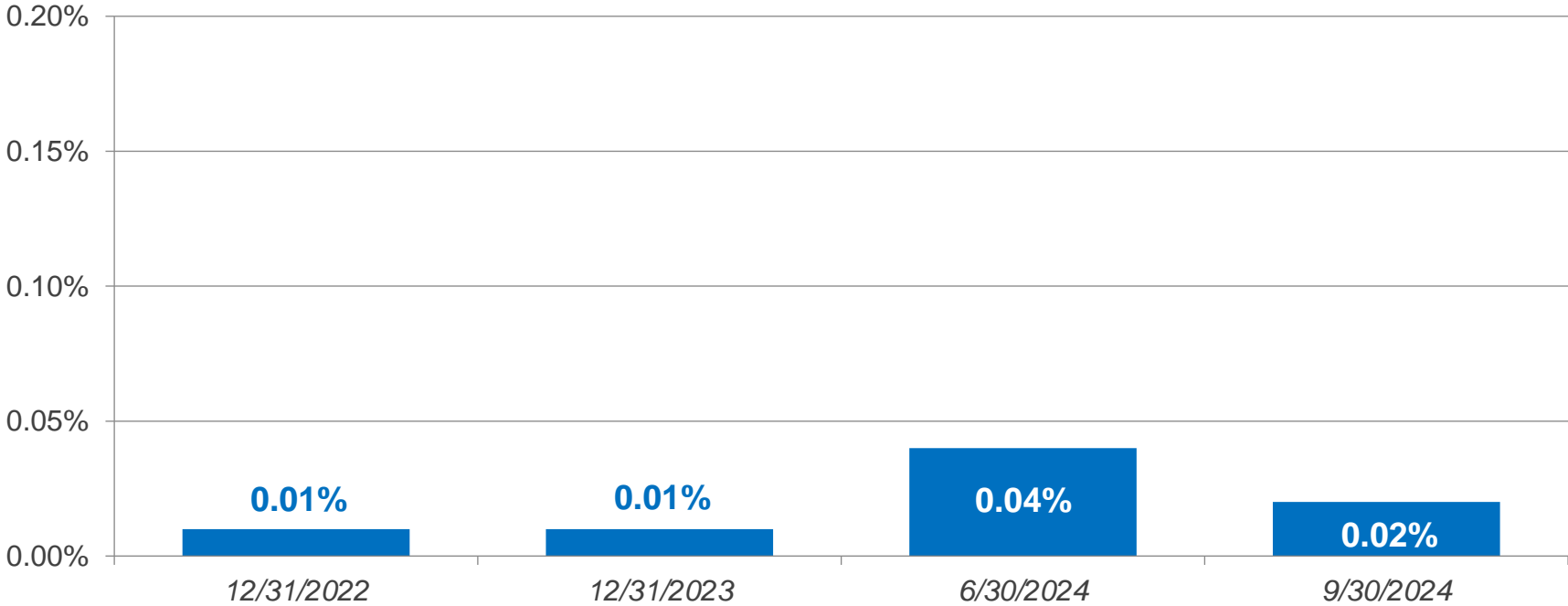


# Largest Commercial Real Estate Concentrations



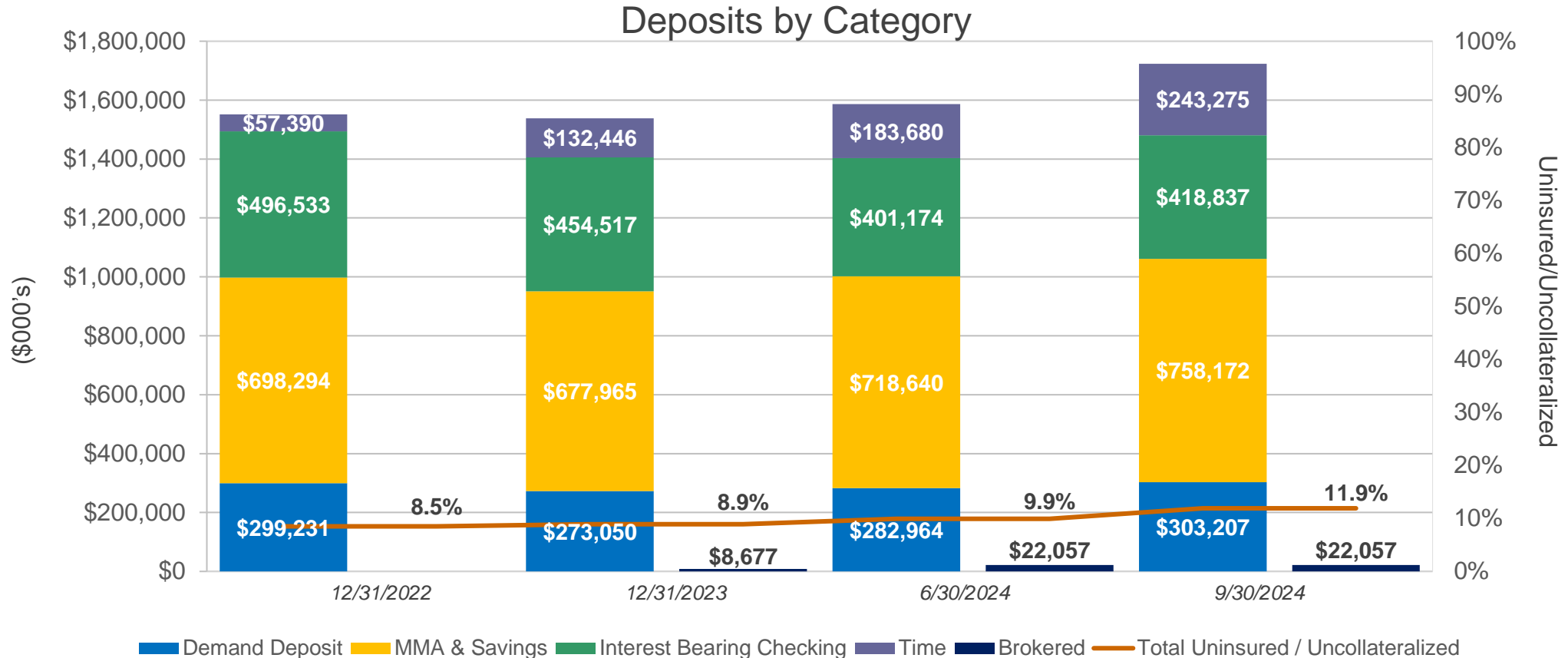
# Strong Credit Quality

Nonperforming Assets<sup>1</sup> / Assets (%)



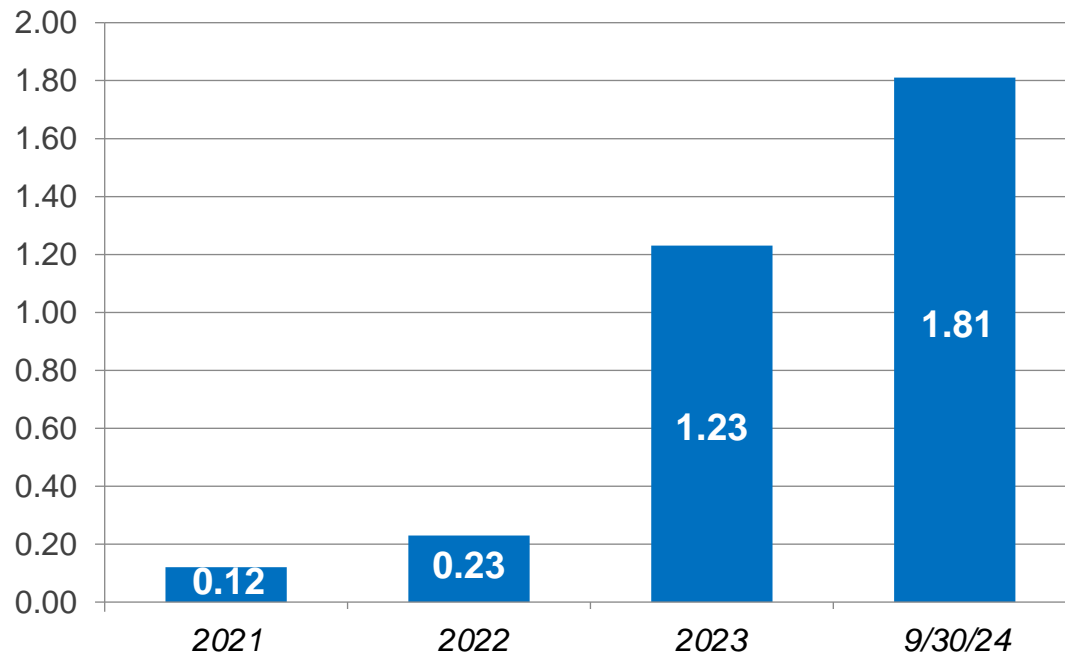
<sup>1</sup>Nonperforming assets = nonaccrual loans, loans 90 days past due and other real estate owned

# Deposits by Category

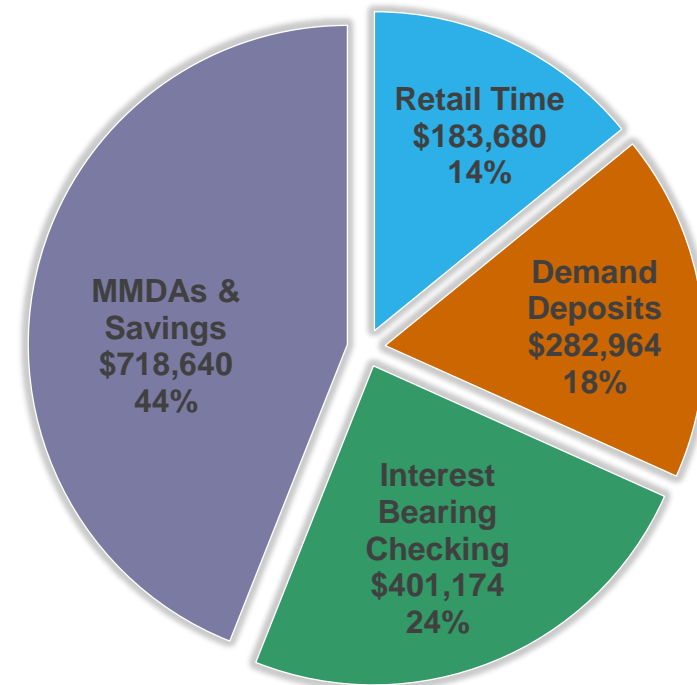


# Deposit Mix

Cost of Deposits<sup>1</sup> (%)



Franklin Financial Deposit Mix<sup>2</sup> (\$000's)

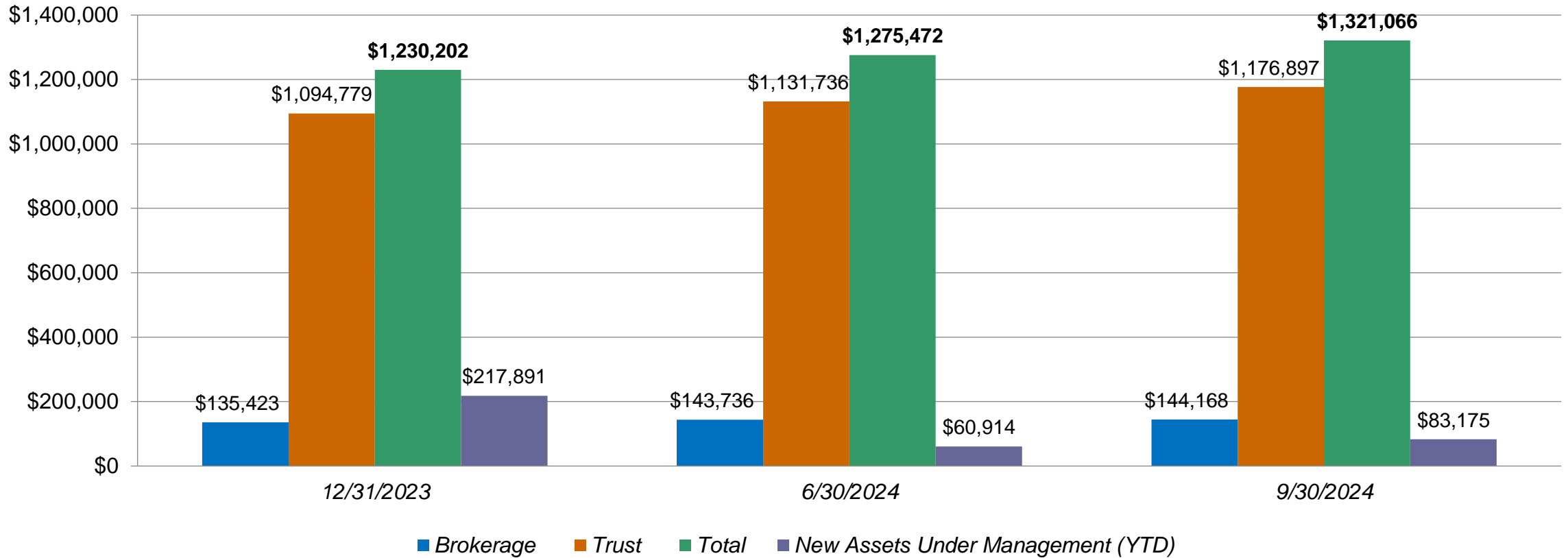


# Liquidity Available at September 30, 2024

<i>Dollars in Thousands (000's)</i>			
Liquidity Source	Capacity	Outstanding	Available
Federal Home Loan Bank	\$558,283	\$ 200,000	\$358,283
Federal Reserve Bank Discount Window	\$73,802	\$ –	\$73,802
Correspondent Banks	\$76,000	\$ –	\$76,000
<b>Total</b>	<b>\$708,085</b>	<b>\$200,000</b>	<b>\$508,085</b>

# Wealth Management

Total and New Assets Under Management (\$000's)





# Income Statement Highlights

<i>Dollars in Thousands (000's)</i>	Quarter Ended 9/30/2024	Quarter Ended 6/30/2024	Quarter Ended 9/30/2023
Interest Income	\$26,053	\$24,732	\$20,154
Interest Expense	\$11,401	\$10,521	\$6,447
Provision for Credit Losses	\$485	\$546	\$875
Noninterest Income <sup>1</sup>	\$4,550	\$4,384	\$4,006
Noninterest Expense	\$13,917	\$14,336	\$12,198
Net Income	\$4,218	\$3,033	\$3,859

# Key Performance Measures

<i>Percent (%)</i>	Quarter Ended 9/30/2024	Quarter Ended 6/30/2024	Quarter Ended 9/30/2023
Return on Avg. Assets	0.80	0.59	0.86
Return on Avg. Equity	11.86	9.12	12.73
Efficiency Ratio <sup>1</sup>	71.55	76.03	67.86
Net Interest Margin	2.97	2.99	3.29
Noninterest Inc <sup>2</sup> / Operating Revenue	23.70	23.58	22.62

# Balance Sheet Strength

<i>Percent (%)</i>	Quarter Ended 9/30/2024	Quarter Ended 6/30/2024	Quarter Ended 9/30/2023
Risk-Based Capital Ratio (Total)	14.73	14.66	15.16
Leverage Ratio (Tier 1)	8.44	8.38	9.10
Common Equity Ratio (Tier 1)	12.08	12.01	12.43
Tangible Common Equity Ratio	6.58	6.29	5.81
Tangible Common Equity Ratio excluding AOCI	8.02	8.31	8.88
Nonperforming Assets <sup>1</sup> / Total Assets	0.02	0.04	0.01
Allowance for Credit Loss as a % of Loans	1.28	1.29	1.29
Allowance to Nonaccrual Loans	NM <sup>2</sup>	NM <sup>3</sup>	NM <sup>4</sup>

# Market Statistics

<i>Per Share Measure / Market Valuation</i>	Quarter Ended 9/30/2024	Quarter Ended 6/30/2024	Quarter Ended 9/30/2023
Diluted Earnings Per Share	\$0.95	\$0.66	\$0.88
Cash Dividend Yield	4.25%	4.53%	4.49%
Regular Cash Dividends Paid	\$0.32	\$0.32	\$0.32
Dividend Payout Ratio	33.45%	46.39%	36.07%
Market Value Per Share	\$30.13	\$28.38	\$28.50
Book Value	\$33.93	\$31.01	\$26.31
Tangible Book Value <sup>1</sup>	\$31.89	\$28.96	\$24.24
Market Cap (\$M)	\$133.14	\$124.77	\$124.32
Price / Book (%)	88.80%	91.20%	108.32%
Price / Tangible Book (%)	94.49%	97.64%	117.55%
Price / LTM EPS (X)	9.50	9.12	9.05

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

[www.franklinfin.com](http://www.franklinfin.com)

[www.fmtrust.bank](http://www.fmtrust.bank)



# Appendix

# GAAP / Non-GAAP Reconciliation

Tangible Book Value (per share) (non-GAAP)	Quarter Ended 9/30/2024	Quarter Ended 6/30/2024	Quarter Ended 9/30/2023
Shareholders' equity	\$149,928	\$136,809	\$114,769
Less intangible assets	(9,016)	(9,016)	(9,016)
Shareholders' equity (non-GAAP)	140,912	127,793	105,753
Less AOCI	(30,885)	(40,881)	(55,834)
Tangible shareholders' equity excl. AOCI (non-GAAP)	171,797	168,674	161,587
Total assets	2,151,363	2,039,126	1,827,910
Less intangible assets	(9,016)	(9,016)	(9,016)
Total tangible assets (non-GAAP)	2,142,347	2,030,110	1,818,894
Tangible Common Equity Ratio (non-GAAP)	6.58%	6.29%	5.81%
Tangible Common Equity Ratio excl. AOCI (non-GAAP)	8.02%	8.31%	8.88%
Shares outstanding (in thousands)	4,419	4,412	4,362
Tangible book value (non-GAAP)	\$31.89	\$28.96	\$24.24

# GAAP / Non-GAAP Reconciliation

Efficiency Ratio	Quarter Ended 9/30/2024	Quarter Ended 6/30/2024	Quarter Ended 9/30/2023
Noninterest expense	\$13,917	\$14,336	\$12,198
Net interest income	14,652	14,211	13,707
Plus tax equivalent adjustment to net interest income	248	261	260
Plus noninterest income, net of securities transactions <sup>1</sup>	4,550	4,384	4,006
Total revenue	19,450	18,856	17,973
Efficiency Ratio (non-GAAP)	71.55%	76.03%	67.87%