Franklin Financial Services Corp.
Fact Sheet

FRAF

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NASDAQ

FRANKLIN FINANCIAL

QUICK REFERENCE

Franklin Financial Services Corp.
NASDAQ: FRAF
Website: www. FRANKLINFIN.com

BUSINESS SUMMARY

Franklin Financial is the largest independent, locally owned and operated bank holding company headquartered in Franklin County with assets of more than $1.6 billion.
Its wholly-owned subsidiary, F&M Trust, has twenty-two community banking locations in Franklin, Cumberland, Fulton and Huntingdon Counties.

BALANCE SHEET HIGHLIGHTS

Dollars in Thousands (000's)	**3/21/2021**	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Total Assets	**$ 1,597,559**	$ 1,535,038	$ 1,269,157	$ 1,209,587	$ 1,179,813
Cash and Cash Equivalent	**$ 107,622**	$ 57,146	$ 83,828	$ 52,957	$ 58,603
Investments	**$ 422,622**	$ 397,331	$ 187,873	$ 131,846	$ 127,336
Net Loans	**$ 984,797**	$ 992,915	$ 922,609	$ 960,960	$ 931,908
Deposits	**$ 1,421,042**	$ 1,354,573	$ 1,125,392	$ 1,082,629	$ 1,047,181
Shareholders Equity	**$ 140,699**	$ 145,176	$ 127,528	$ 118,396	$ 115,144

YTD FINANCIAL UPDATES

- Net interest income was $10.8 million, up 5.7% over the prior year, inclusive of $765 thousand of PPP interest and fees
- Continue to adjust deposit rates in response to market conditions
- Net interest margin is 3.03% compared to 3.53% for the same period in 2020
- Released loan loss reserves with a reversal of $800 thousand in the provision for loan loss expense due to an improvement in several qualitative factors of the allowance for loan loss calculation
- Allowance for loan loss ratio of 1.61% (1.71% excluding PPP); non-performing loan ratio of 0.88%
- Capital position remained strong with a total risk-based capital ratio of 18.18% and a leverage ratio of 8.76%
- Increased the dividend to $0.31 per share for the second quarter of 2021
- Profitability during 2020 positioned the Company to increase the allowance for loan losses and strengthen capital levels during a time of continued economic uncertainty – as economic certainty improves the Company may be positioned to continue to release reserves back to income over the course of the year as it did in the first quarter of 2021
- Loan-to-deposit ratio of 70% enhances liquidity position and allows for quality lending opportunities as the economy reopens
- New mortgage originations totaled $33.7 million, an increase of 204.0% from 2020, as a result of new departmental leadership in 2019 and significant restructuring
- Fee income from new mortgages originated for sale in the secondary market increased $638 thousand over the same period in 2020
- Low reliance on participation loans
- Consumer loan originations increased 22.0% when compared to the same period in 2020, primarily due to the bank's new FlexLOC® home equity product
- Online banking and mobile banking users have increased 11.0% and 20.2% respectively from the same period in 2020 as customers transition to digital banking channels
- Deposits increased 27.0% over the same period in 2021 driven in part by government stimulus payments to consumers, businesses and municipalities

CONTACT INFORMATION

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Summary of operating results for the first quarter of 2021:

- Net interest income was $10.8 million for the first quarter of 2021 compared to $10.3 million for the first quarter of 2020. The net interest margin for the first quarter fell from 3.53% in 2020 to 3.03% in 2021. The year-to-date yield on earning assets fell by 0.77% from 4.00% in 2020 to 3.23% in 2021 as all asset classes had lower yields as market rates decreased over the year. The cost of interest-bearing deposits fell from 0.61% in 2020 to 0.18% in 2021 as the Bank reduced deposit rates to offset lower asset yields. The cost of total deposits fell from 0.51% in 2020 to 0.14% in 2021.
- Earning assets for the first quarter of 2021 averaged $1.5 billion compared to $1.2 billion for the same period in 2020. The average balance of the investment portfolio increased $212.3 million over the same comparative period, primarily in the municipal bond portfolio. The average balance of the loan portfolio increased from $934.5 million in the first quarter of 2020 to $1.0 billion in 2021. The average balance of the commercial loan portfolio increased $65.3 million over the first quarter of 2020. The increase is primarily due to the addition of Paycheck Protection Program (PPP) loans which totaled $55.9 million at March 31, 2021 and averaged $54.6 million for the quarter. The average balance of deposits for the first quarter of 2021 increased $268.0 million over the same quarter in 2020 with every deposit category increasing except for time deposits.
- The provision for loan loss expense for the first quarter of 2021 was ($800) thousand, representing a reversal of previously recorded provision for loan loss expense. This expense reversal compares to a provision for loan loss expense of $3.0 million in the first quarter of 2020. The 2020 provision expense was the result of an increase in several qualitative factors in the allowance for loan loss calculation due to the economic effects and impact of the COVID-19 pandemic. As of March 31, 2021 several qualitative factors were reduced reflecting a lower risk of loss in the loan portfolio, thereby, resulting in a reversal of the provision for loan loss expense. The allowance for loan loss ratio was 1.61% of gross loans as of March 31, 2021, compared to 1.66% at December 31, 2020. Excluding the PPP loans, the allowance for loan loss ratio was 1.71% at the end of the first quarter of 2021.
- Noninterest income totaled $4.2 million for the first quarter of 2021, an increase of $338 thousand over the comparable quarter of 2020. The largest increases comparable quarter-over-quarter were in Investment and Trust Service fees ($191 thousand), gain on the sale of mortgages ($638 thousand) and the fair value of equity securities ($181 thousand). These increases were partially offset by a decrease of $812 thousand from a gain on a bank owned life insurance policy recorded in 2020.
- Noninterest expense for the first quarter of 2021 was $10.2 million compared to $9.5 million in 2020. Salaries and benefits, and data processing expense each increased $123 thousand quarter-over-quarter, while FDIC insurance increased $142 thousand.
- The effective tax rate for the first quarter of 2021 was 15.4% compared to - 6.6% for the first quarter of 2020. The increase in the effective tax rate was due primarily to higher pre-tax income driven by the large change in the provision for loan loss expense quarter-over-quarter. The benefit of tax-exempt income increased only slightly quarter-over-quarter.

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