



DEAR SHAREHOLDERS,

This letter, like my remaining time at the company (I retire on April 29th of this year), will be relatively short. From our most recent Annual Report on Form 10-K, and other financial releases throughout 2024, you will know that your company marked 2024 with exceptional growth of both deposits and loans. You will know that the company's assets grew by 19.7% to nearly \$2.2 billion while assets under management of our Wealth Management division grew 6.4% to \$1.3 billion.

And you will know that we continue to expand geographically, with the opening of a new retail community office in Dauphin County and by providing banking services to customers in Berks, Lancaster and York counties.

It is equally important for you to know that the company is growing from a strong financial base. In 2024 shareholder equity grew by 9.5% to \$145 million. We continue to be considered "well capitalized" by our regulators. This strong financial position allows us to make decisions that will lead to long-term improvement. As an example, I can reference our decision, in the fourth quarter of 2024, to sell low earning assets, acquired in the low-interest rate environment of the pandemic, and replace them with higher earning assets that will enhance profitability in future years. This created a one-time loss to earnings in 2024 but will enhance our earnings going forward.

Going forward is the key. We believe the future of our company has great potential and because of that we continue to reinvest in the company. Our investments include the addition of new, talented people and the continued training of existing staff. It includes investments in software and systems that help us protect our customers and their data from fraud, as well as providing valuable information quickly to our employees. This leads to better decision making and better, more efficient, service for our customers. These investments are necessary to keep your company relevant, viable, and growing in the communities we serve. The services required by our customers are constantly evolving and we must do the same to continue to meet their needs.

Our positive impact on the communities and customers we serve is felt in many ways. First and foremost, we serve more customers today (over 90,000) than we did a year ago. The charitable contributions of time and talent by our employees to the communities we serve, and the financial donations we make, help our communities thrive, which, in the end, is also a benefit to our organization. Our company plays an important

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TIMOTHY G. HENRY
CEO



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role in the communities we serve, and we take that responsibility seriously.

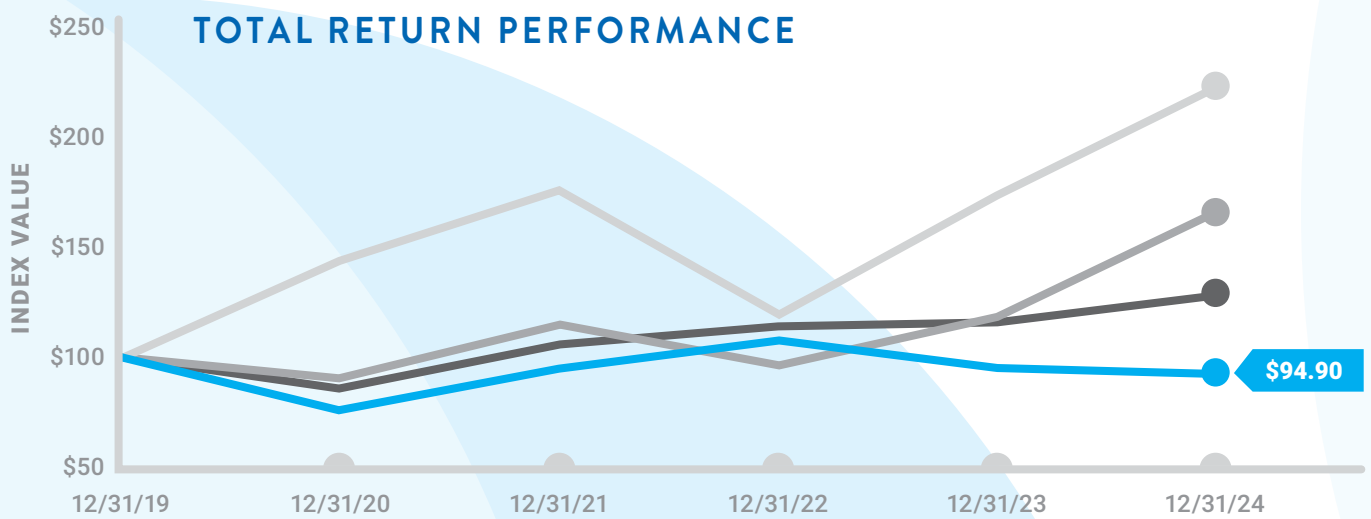
I noted at the beginning of this letter that I will be retiring on April 29th of this year. I am currently in my 10th year at our company, and I think it is important to bring new ideas into the CEO/President role for the company to continue to evolve and grow. I am excited to announce that Craig Best will be taking on the role of CEO and President. Craig was most recently the CEO at Peoples Security Bank & Trust, where he helped grow a \$400 million asset organization to over \$5 billion in assets. His knowledge and experience will surely be valuable to your company as we continue to move forward into the future as an independent community bank.

In closing, I'd like to thank the Board of Directors who have worked diligently to represent you, our shareholders, by providing valuable guidance and direction to the management team. It has been a pleasure to work with them as both the management team and the board share the same goals of bringing value to our shareholders.

Thank you for your past and ongoing support of our company.

Sincerely yours,

Timothy G. Henry
CEO
Franklin Financial Services Corporation
and F&M Trust



LEGEND

- Frankin Financial Services Corp.
- NASDAQ Composite Index
- S&P US BMI Banks - Mid-Atlantic Region
- Peer Group

A few images from the year – a strong leadership connection, our newest community office opening, plus some of the many volunteer and financial contributions we've made in the communities we serve.

Tim Henry, CEO & Craig Best, President



Lingelstown Ribbon Cutting



Lingelstown Exterior Detail



Lingelstown Office Interior



Fulton County Family Partnership



Boys & Girls Club of Washington County



Joseph T. Simpson Library



Greg Carter, Lingelstown Manager



Lingelstown Office Exterior




(Dollars in thousands, except per share)

	2024	2023
PERFORMANCE MEASUREMENTS		
Net income	\$ 11,099	\$ 13,598
Return on average assets	0.54%	0.78%
Return on average equity	8.05%	11.39%
Net interest margin, fully tax equivalent	2.95%	3.31%
SHAREHOLDERS' VALUE (Per common share)		
Diluted earnings per share	\$ 2.51	\$ 3.10
Basic earnings per share	2.52	3.11
Regular cash dividends paid	1.28	1.28
Book value	32.69	30.23
Market value*	29.90	31.55
Market value/book value ratio	91.47%	104.37%
Price/earnings multiple year-to-date	11.91	10.18
Current quarter dividend yield**	4.28%	4.06%
Dividend payout ratio	50.72%	41.15%
BALANCE SHEET HIGHLIGHTS		
Total assets	\$ 2,197,841	\$ 1,836,039
Investment and equity securities	508,604	472,503
Loans, net	1,380,424	1,240,933
Deposits	1,815,647	1,537,978
Shareholders' equity	144,716	132,136
SAFETY AND SOUNDNESS		
Risk-based capital ratio (Total)	13.85%	14.45%
Leverage ratio (Tier 1)	7.92%	9.01%
Common equity ratio (Tier 1)	11.31%	11.82%
Nonperforming loans/gross loans	0.02%	0.01%
Nonperforming assets/total assets	0.01%	0.01%
Allowance for loan loss/loans	1.26%	1.28%
Net loan (charge-offs) recoveries/average loans	(0.03)%	(0.02)%
ASSETS UNDER MANAGEMENT		
Wealth Management Services (Fair value)	\$ 1,169,282	\$ 1,094,747
Held at third-party brokers (Fair value)	139,872	135,423

*Based on the closing price of FRAF as quoted on the Nasdaq Capital Market

**Annualized