

# FRANKLIN BANCORP, INC.

September 11, 2020

To Our Shareholders and Customers:

We hope that everyone continues to remain safe and healthy during these uncertain times. As we continue to navigate these uncharted waters, our top priorities at Franklin Bank are the health and safety of our team members, our customers and our shareholders.

Throughout the second quarter, our team worked hard to meet customer needs during these challenging times. We provided customers with loan modifications to waive principal payments and in some cases interest payments as well for terms up to 120 days that totaled over \$108 million. We are participating in the Paycheck Protection Program (PPP) for loans provided under the auspices of the Small Business Administration (SBA) as part of the CARES Act. We have issued 339 loans under this program with a balance of \$49.6 million, a portion of which is expected to be forgivable by the SBA later this year.

Despite challenges presented by COVID-19, your Bank had good financial performance during the second quarter of 2020. However, we continue to increase our Provision for Loan and Lease Losses to mitigate the potential future impact of the pandemic.

Net interest income increased 11% for the six months ending 6/30/2020, as compared to the same period in the previous year, with total loans increasing 17.3% during the same period. This is attributable to strong loan demand and the PPP. We did experience a decrease of 31% in non-interest income due to the loss of service fees related to a large ATM customer at the beginning of 2020. These factors combined to create a decrease of net income of approximately 10.8% year over year. We continue to enjoy strong capital levels.

During these unprecedented times, we sincerely appreciate the devotion of our customers and our shareholders. We are also extremely grateful for the commitment of each of our team members to our organization and our communities.

We are pleased to announce that your Board has approved a dividend of 33c per share payable on September 11, 2020, to shareholders of record on September 2, 2020.

# FRANKLIN BANCORP, INC.

We appreciate your loyalty and support of Franklin Bank & Trust Company and Franklin Bancorp, Inc.

Sincerely,

/s/ Gary L. Broady

Gary L. Broady  
Chief Executive Officer

/s/ H. Alex Downing

H. Alex Downing  
President

## **MANAGEMENT'S STATEMENT ON RESPONSIBILITY FOR FINANCIAL REPORTING**

The management of Franklin Bank & Trust Co. is responsible for the content and integrity of the financial statements included in this unaudited quarterly report. We are presenting a portion of the information included in our Reports of Income and Condition submitted to the Federal Financial Institutions Examination Council for the period ending June 30, 2020. We have reviewed these financial statements and do hereby declare that these reports have been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and are true to the best of our knowledge and belief.

/s/ Gary L. Broady

Gary L. Broady  
Chief Executive Officer

/s/ H. Alex Downing

H. Alex Downing  
President

/s/ Jill F. Gregory

Jill F. Gregory  
Executive Vice President  
& Chief Financial Officer