

Investor Presentation

Second Quarter 2021 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

For Franklin Financial, the second quarter marked relative consistency in net interest income, despite volatile interest rate markets, and continued growth of non-interest income as both the Investment & Trust and Residential Mortgage departments continued the strong growth that they started to display in 2020. We are pleased to see that assets under management (AUM) for the Investment & Trust Department exceeded $1 billion for the first time in the company's history, a testament to the consistent application of good business practices over many years. As a sign that the economic damper of the pandemic is receding, it was nice to see that debit card income was also up, a sign that perhaps the nation is getting back to normal.

As we start to leave the effects of the pandemic behind us, and we see loan quality stabilize, we are able to reverse some of the provisions for loan loss that we took last year, bringing back $1.9 million for the first six months of 2021. As a result of having more clarity into our immediate future, the Board of Directors of Franklin Financial Services Corporation approved a $.01 per share increase to the dividend for the second quarter in a row, increasing the third quarter dividend to $.32 per share.

As we move into the third quarter, we anticipate the acquisition and start of renovations to what will become our new headquarters sometime in the second half of 2022. The new headquarters building will support our continued growth and our strategic priority of having Retail, Commercial and Investment & Trust departments collaborating and working together to add value for our customers.

In the second quarter, we introduced our new checking accounts that provide our customers with many benefits not typically tied to a checking account. Additional digital resources are being unveiled in the second half of the year for both retail and commercial customers as we continue to move into the digital world to the benefit of our customers and the bank.

CEO Comments *(continued)*

While the end of the second quarter marked our exit from the Russell 3000, our stock price has held its ground and is up over 18% since the end of 2020. With a current yield of nearly 4%, the stock is bringing a solid return to shareholders in terms of both price appreciation and dividend income.

As we continue to focus on our strategic initiatives, we believe the future looks good for Franklin Financial Services Corporation. Challenges certainly exist; you only need to look to the shrinking net interest margins the industry is experiencing. But by focusing on what we do well we are able to continue to grow the bank to the benefit of all our stakeholders.

The following investor presentation being released on Form 8(k) is a supplement to our quarterly earnings release. We appreciate the support of our shareholders, and the interest of potential shareholders, and I am available to you at any time to listen to your concerns, thoughts, and ideas and to answer your questions to the best of my ability.

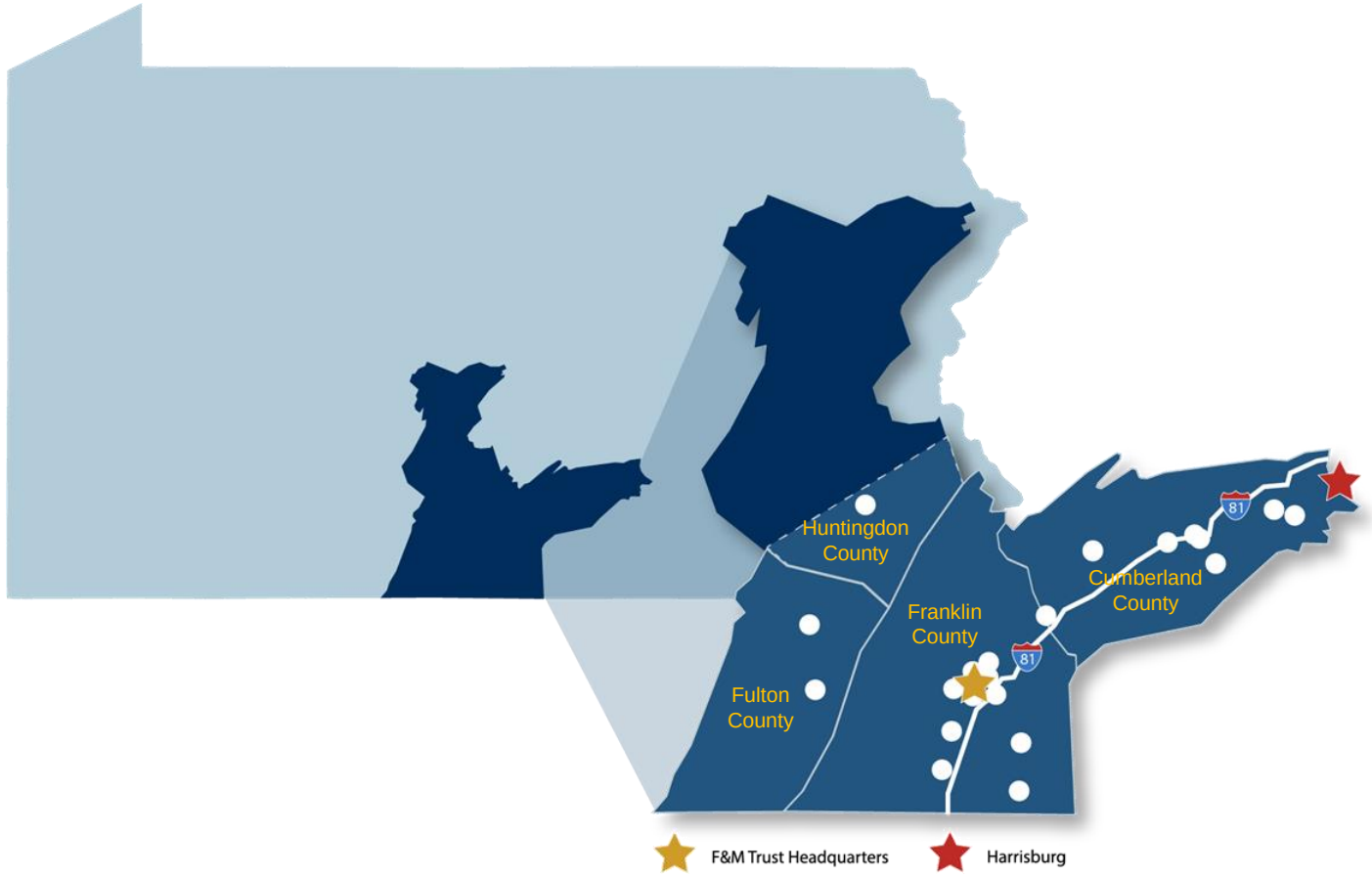
Sincerely,



Overview of Franklin Financial

- Franklin Financial, which was formed in 1983, is the largest independent, locally owned and operated bank 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 $1.68 billion as of June 30, 2021
- As of June 30, 2021, Franklin Financial reported $1.03 billion in brokerage and trust assets under management
- Franklin Financial stock is trading on the Nasdaq Stock Market (NASDAQ: FRAF)

A Market Share Leader



- 21 offices throughout Cumberland, Franklin, Fulton and Huntingdon Counties, PA
- #1 Deposit Market Share in Chambersburg (47.9%)
- #1 Deposit Market Share in Franklin County (35.3%)
- #2 Deposit Market Share in Fulton County (35.5%)

Source: S&P Global Market Intelligence, 2020 U.S. Financial Institutions Deposit Market Share

Experienced and Cohesive Executive Team

	Years of Banking Experience	Joined F&M Trust	Prior Experience
Timothy G. Henry *President & Chief Executive Officer*	**39**	2016	*Fulton, Centra Bank, BlueRidge Bank, Susquehanna Bank, BB&T*
Mark R. Hollar *Senior Vice President, Chief Financial Officer & Treasurer*	**33**	1994	*ValleyBank & Trust*
Lorie Heckman *Senior Vice President, Chief Risk Officer*	**35**	1986	–
Steven D. Butz *Senior Vice President, Chief Commercial Services Officer*	**36**	2013	*PNC, Waypoint, Sovereign, Graystone Tower, Susquehanna Bank*
Scott Ehrig, CFP, CIMA *Senior Vice President, Chief Investment & Trust Services Officer*	**28**	2020	*FMA Advisory, Wilmington Trust, M&T Investment Group, JP Morgan*
Patricia A. Hanks *Senior Vice President, Chief Retail Services Officer*	**42**	1999	*Lebanon Valley National*
Ronald L. Cekovich *Senior Vice President, Chief Information & Operations Officer*	**37**	2001	*FCNB*
Karen K. Carmack, DM *Senior Vice President, Chief Human Resources Officer*	**26**	2000	*ACNB*
Matthew D. Weaver *Senior Vice President, Chief Marketing Officer*	**21**	2014	*Susquehanna Bank, Clifton LarsonAllen, IMRE*

Well-Established Corporation

- Market share leader in core deposit, loan and asset management segments in economically stable and historically growing local markets
- Executive team has extensive banking industry experience mixed with local market knowledge
- Consistently strong core operating fundamentals with a diverse revenue mix
- Strong capital position, sound risk management and neutral to slightly asset sensitive balance sheet
- Stable, low-cost core deposit base and strong liquidity position
- A well diversified loan portfolio with an emphasis on small business relationships without reliance on participation loans
- Accelerated digital transformation and technology adoption to support business continuity

YTD Financial Updates

- Net interest income was $21.7 million, up 5.3% over the prior year, inclusive of $1.6 million of PPP interest and fees
- Continue to adjust deposit rates in response to market conditions
- Net interest margin was 2.92% compared to 3.39% for the same period in 2020
- As pandemic related credit concerns lessened in 2021, the Company released $1.9 million from the allowance for loan losses through a reversal to the provision for loan loss expense
- Allowance for loan loss ratio of 1.51% (1.59% excluding PPP); non-performing loan ratio of 0.88%
- Capital position remained strong with a total risk-based capital ratio of 18.52% and a leverage ratio of 8.53%

YTD Financial Updates

- Increased the dividend to $0.32 per share for the third quarter of 2021
- Loan-to-deposit ratio of 67% enhances liquidity position and allows for quality lending opportunities as the economy reopens
- New mortgage originations totaled $70.2 million, an increase of 88.0% from 2020, as a result of new departmental leadership in 2019, significant restructuring and a strong market
- Fee income from new mortgages originated for sale in the secondary market increased $965 thousand over the same period in 2020

YTD Financial Updates

- Consumer loan originations increased 31.5% when compared to the same period in 2020, primarily due to the bank's new FlexLOC® home equity product
- Mobile banking users increased 14.5% from the same period in 2020 as customers transition to digital banking channels
- Deposits increased 17.1% over the same period in 2021 and 10.0% over December 31, 2020, driven in part by government stimulus payments to consumers, businesses and municipalities
- Introduced new retail checking account lineup that will generate additional fee income and provide valuable benefits and increased engagement for our customers

Financial Updates

Second Quarter Ended June 30, 2021

F&M TRUST

Franklin Financial Services Corporation

Balance Sheet Highlights

Dollars in Thousands (000's)	6/30/2021	3/31/2021	12/31/2020	12/31/2019
Total Assets	$1,678,308	$1,597,559	$1,535,038	$1,269,157
Cash and Cash Equiv.	$98,131	$107,622	$57,146	$83,828
Investments	$512,729	$422,622	$397,331	$187,873
Net Loans	$983,980	$984,797	$992,915	$922,609
Deposits	$1,491,208	$1,421,042	$1,354,573	$1,125,392
Shareholders' Equity	$151,156	$140,699	$145,176	$127,528

Income Statement Highlights

Dollars in Thousands (000's)	Quarter Ended 6/30/2021	Quarter Ended 3/31/2021	Quarter Ended 6/30/2020
Interest Income	$11,543	$11,592	$11,165
Interest Expense	$720	$748	$833
Provision for Losses	($1,100)	($800)	$1,975
Noninterest Income[1]	$4,360	$4,227	$3,385
Noninterest Expense	$10,111	$10,165	$9,644
Net Income	$5,271	$4,830	$3,067

[1]Excludes securities gains and gain on life insurance in the first quarter of 2020

Key Performance Measures

Percent (%)	Quarter Ended 6/30/2021	Quarter Ended 3/31/2021	Quarter Ended 6/30/2020
Return on Avg. Assets	1.27	1.23	0.89
Return on Avg. Equity	14.67	13.47	9.43
Efficiency Ratio[1]	65.04	66.06	68.61
Net Interest Margin	2.82	3.03	3.26
Noninterest Inc[2] / Operating Revenue	28.11	27.29	24.68

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

Balance Sheet Strength

Percent (%)	Quarter Ended 6/30/2021	Quarter Ended 3/31/2021	Quarter Ended 6/30/2020
Risk-Based Capital Ratio (Total)	18.52	18.18	15.93
Leverage Ratio (Tier 1)	8.53	8.76	9.22
Common Equity Ratio (Tier 1)	15.16	14.80	14.66
Tangible Common Equity Ratio	8.51	8.29	9.18
Nonperforming Assets[1] / Total Assets	0.53	0.55	0.29
Allowance for Loan Loss as a % of Loans	1.51	1.61	1.64
Allowance to Nonperforming Loans	170.65	182.62	397.86

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

Market Statistics

Per Share Measure / Market Valuation	Quarter Ended 6/30/2021	Quarter Ended 3/31/2021	Quarter Ended 6/30/2020
Diluted Earnings Per Share	$1.19	$1.09	$0.71
Cash Dividend Yield	**3.88%**	**3.85%**	**4.63%**
Regular Cash Dividends Paid	$0.31	$0.30	$0.30
Dividend Payout Ratio	26.05%	27.29%	42.45%
Market Value Per Share	$31.94	$31.18	$25.90
Book Value	$34.16	$31.92	$30.98
Tangible Book Value[1]	$32.12	$29.87	$28.91
Market Cap ($M)	$141.34	$137.43	$112.73
Price / Book (%)	93.50%	97.68%	83.60%
Price / Tangible Book (%)	99.43%	104.37%	89.58%
Price / LTM EPS (X)	7.77	8.59	8.25

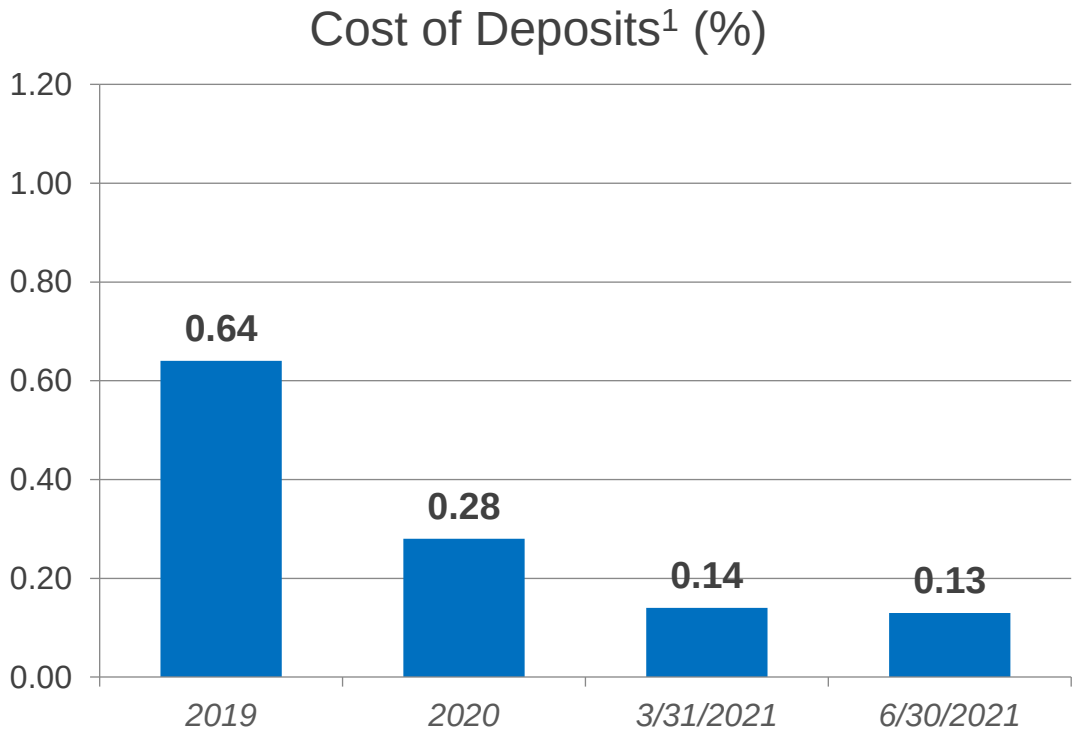
[1]See GAAP versus Non-GAAP reconciliation

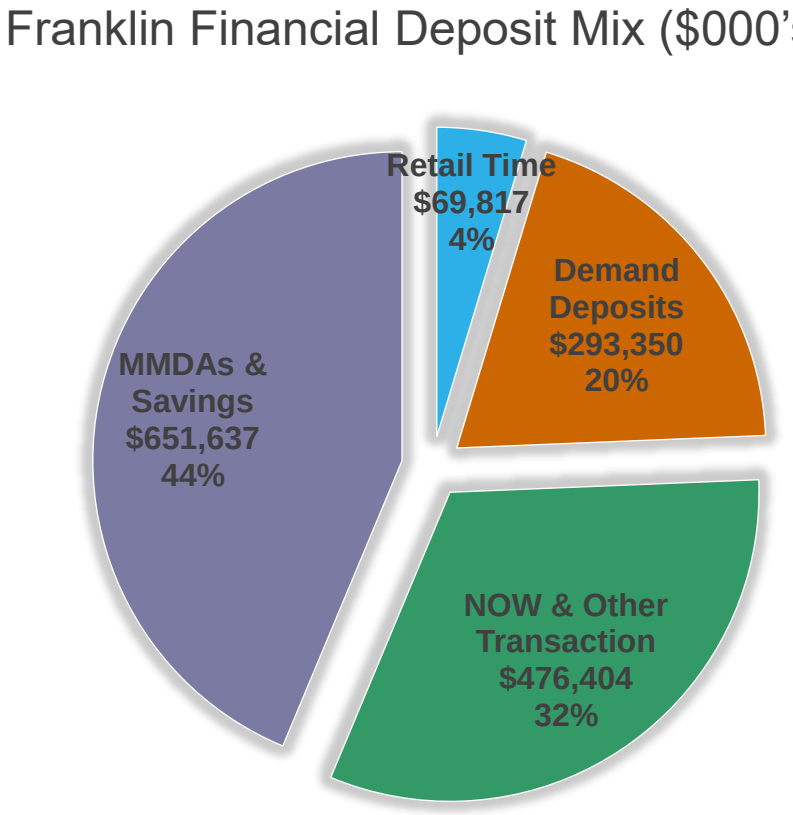
Balanced Revenue Model

Annualized Noninterest Income Source as a percentage of Average Assets as of June 30, 2021	2021 Franklin Financial	Median PA Banks Peer[1]
Trust	0.43%	0.05%
BOLI	0.03%	0.04%
Insurance / Investment Banking / Brokerage	0.01%	0.01%
Loan Fees & Charges (Excluding Gains on Sales)	0.05%	0.02%
Service Charges on Deposits	0.12%	0.09%
Other[2]	0.26%	0.23%
Total Noninterest Income[2]	0.89%	0.47%

[1]PA Banks and Holding Companies with assets between $1-3 billion reporting for the last twelve months ended as of March 31, 2021; Source: S&P Global Market Intelligence;
[2]Excludes gains on sales and life insurance

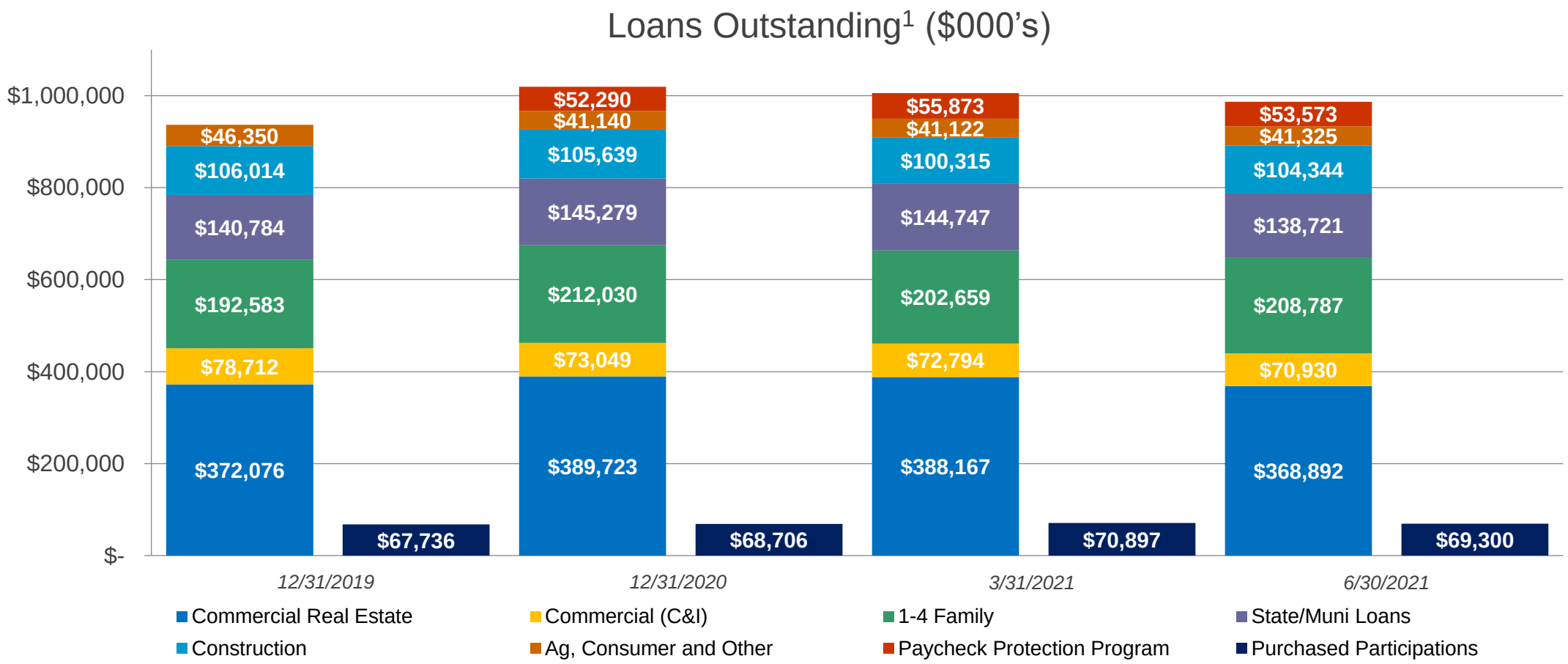
Stable, Low-Cost Core Deposits





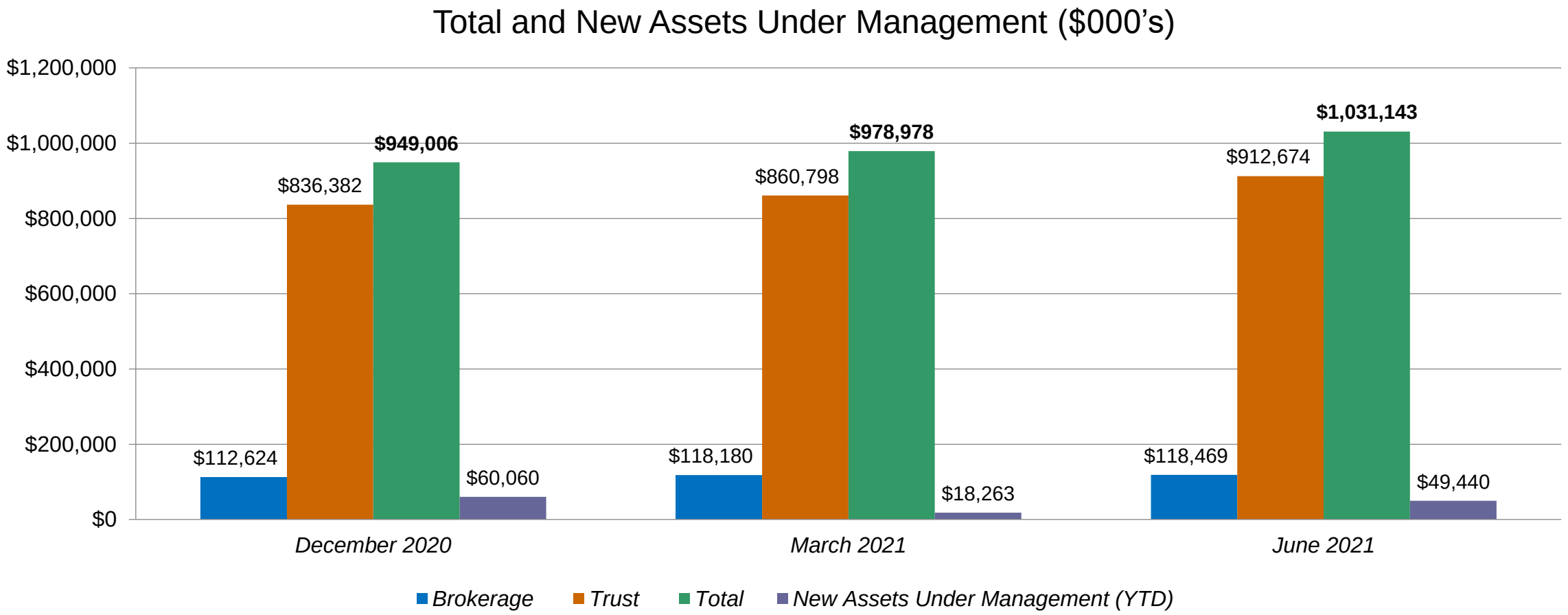
[1]For the year-to-date period

A Growing and Diversified Loan Portfolio

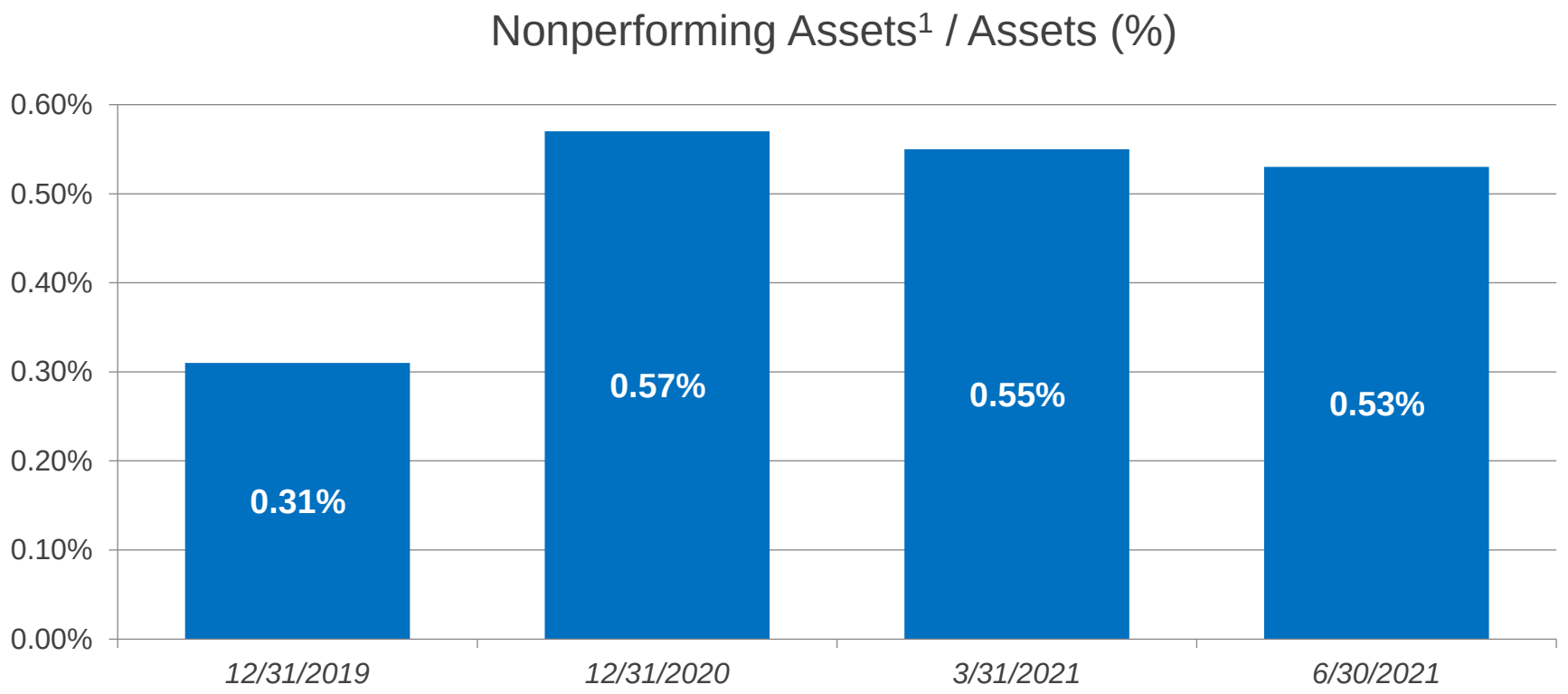


[1]Purchased participations are included as part of the loans outstanding; $1.9 million of net PPP fees to be recognized at June 30, 2021

Investment and Trust Services



Strong Credit Quality



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

Outlook for the Remainder of 2021

- Anticipating a challenging economic environment and slow but consistent recovery into 2022
- The low interest rate environment will continue to put pressure on the net interest margin
- Loan demand will be moderate through the remainder of 2021 with significant competition to meet the demand from both bank and non-bank resources
- Deposit growth will moderate in the second half of the year as the broad economy begins to open up
- Both commercial and consumer customers will continue to transition to digital banking and call center channels for day-to-day financial needs

Outlook for the Remainder of 2021

- Residential mortgage business will continue to grow though likely at a slower rate than 2020 as opportunities to refinance existing mortgages begins to taper; new home purchase business is expected to continue to be strong
- Net income generated by the Investment & Trust Services business line will continue to grow due to the origination of new customers, anticipation of continued strong market performance and cost controls that are in place
- Fee income from the Paycheck Protection Program will be recognized during the year as loans are forgiven
- A focus on cross-selling between Commercial, Retail and Investment & Trust Services lines of business should yield new opportunities across the bank with our existing customers

Summary

- The Company is well capitalized and positioned to successfully work through the current complex social and economic conditions to the benefit of our customers and shareholders
- Liquidity remains strong with additional resources available if needed
- The Company is positioning for future growth and expansion following the completed purchase of a new corporate headquarters and operations center
- Asset quality is good with continued reduction in modified loans and the Company is well provisioned for losses should they occur in future quarters
- The Company is actively working to bring more digitally based products and services to its customers with numerous rollouts of new offerings anticipated for the remainder of 2021

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

www.franklinfin.com

www.fmtrust.bank



Appendix

F&M TRUST

Franklin Financial Services Corporation

Liquidity Available at June 30, 2021

Dollars in Thousands (000's)			
Liquidity Source	**Capacity**	**Outstanding**	**Available**
Federal Home Loan Bank	$351,666	$ –	$351,666
Federal Reserve Bank Discount Window	$24,635	$ –	$24,635
Correspondent Banks	$56,000	$ –	$56,000
Total	**$432,301**	**$ –**	**$432,301**

Loan Modifications by Industry* and Collateral

Dollars in Thousands (000's) Industry Description	Number of Loans	Balance	Percent of Gross Loans	Percent of Risk-Based Capital[1]	Real Estate Secured	Non-Real Estate Secured
Hotels	2	$7,790	1%	5%	$7,790	$ –
Real Estate, Rental & Leasing	1	$4,719	< 1%	3%	$4,719	$ –
Food Service	1	$771	< 1%	< 1%	$771	$ –
Total	**4**	**$13,280**	**1%**	**9%**	**$13,280**	$ –

*Loan deferrals as of June 30, 2021 by North American Industry Classification System (NAICS) code and type of collateral; All loans on modified status were making interest only payments at June 30, 2021; [1]Based on Bank's risk-based capital

Hotel Modifications

Dollars in Thousands (000's) ***(Except average daily rate)***	
Modified Balance Loans with Principal Payment Deferred, Paying Interest	$7,790
Expected Modification Expiration 1 – 3 Months	$7,790
Number of Loans Modified	2
Average Balance	$3,895
Average Loan-to-Value	62%
Risk Rated: 5 – Pass	$ –
Risk Rated: 6 – Other Asset Especially Monitored	$6,842
Risk Rated: 7 – Substandard	$948
May 2021 Daily Occupancy*	58%
May 2020 Daily Occupancy*	28%
May 2021 Average Daily Rate*	$99
May 2020 Average Daily Rate*	$62
Hotel Flags	2

GAAP / Non-GAAP Reconciliation

Tangible Book Value (per share) (non-GAAP)		Quarter Ended 6/30/2021	Quarter Ended 3/31/2021	Quarter Ended 6/30/2020
Shareholders' equity	$	151,156	140,699	134,840
Less intangible assets		(9,016)	(9,016)	(9,016)
Shareholders' equity (non-GAAP)		142,140	131,683	125,824
Shares outstanding (in thousands)		4,425	4,408	4,352
Tangible book value (non-GAAP)		32.12	29.87	28.91
Efficiency Ratio				
Noninterest expense	$	10,111	10,165	9,644
Net interest income		10,823	10,844	10,332
Plus tax equivalent adjustment to net interest income		363	370	340
Plus noninterest income, net of securities transactions		4,360	4,173	3,385
Total revenue		15,546	15,387	14,057
Efficiency Ratio (non-GAAP)		65.04%	66.06%	68.61%