

Investor Presentation

Fourth Quarter 2020 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

We finished 2020 with strong fourth quarter results and net income for the year that was the second highest in the Company's history, second only to our performance in 2019. While we started the year without realizing the coming impact of Covid-19, the successful implementation of our existing Pandemic Policy and Procedures plan, our strong capital base made stronger by the sale of $20 million in sub debt, our strong customer base and the determination, competence and creativity of our team of employees carried us through the year successfully.

Despite the challenges, there have been positives to the Company as a result of the situations caused by the Pandemic. The conditions we had to operate under have helped propel us forward by forcing us to adopt more digital resources and rethink how we do business, which will benefit our customers and shareholders We have been pleased with how we responded to the Paycheck Protection Program and the growth of our residential mortgage team which resulted in record mortgage originations and fee income.

While our stock performance for the year was disappointing it has been nice to see our stock price start to recover in the fourth quarter as the investors began to find opportunities in the financial services sector and in Franklin Financial Services Corp. We will continue to do what we can to support the value of our shares throughout the coming year. Our short-term challenges going forward will be loan portfolio growth, while maintaining good credit quality, and improving the bank's overall operating efficiency. Given the strength of the Bank's balance sheet and how well the Bank's team of employees handled the challenges of 2020, I believe we are well positioned to be successful in 2021.

The following investor presentation being released on Form 8(k) is a supplement to our quarterly earnings release. While it remains very difficult to give clear guidance for 2021, we can give you insight to where we are today and what we are doing for tomorrow. We appreciate the support of our shareholders and I am available to you at any time to listen to your concerns and ideas and answer your questions to the best of my ability.

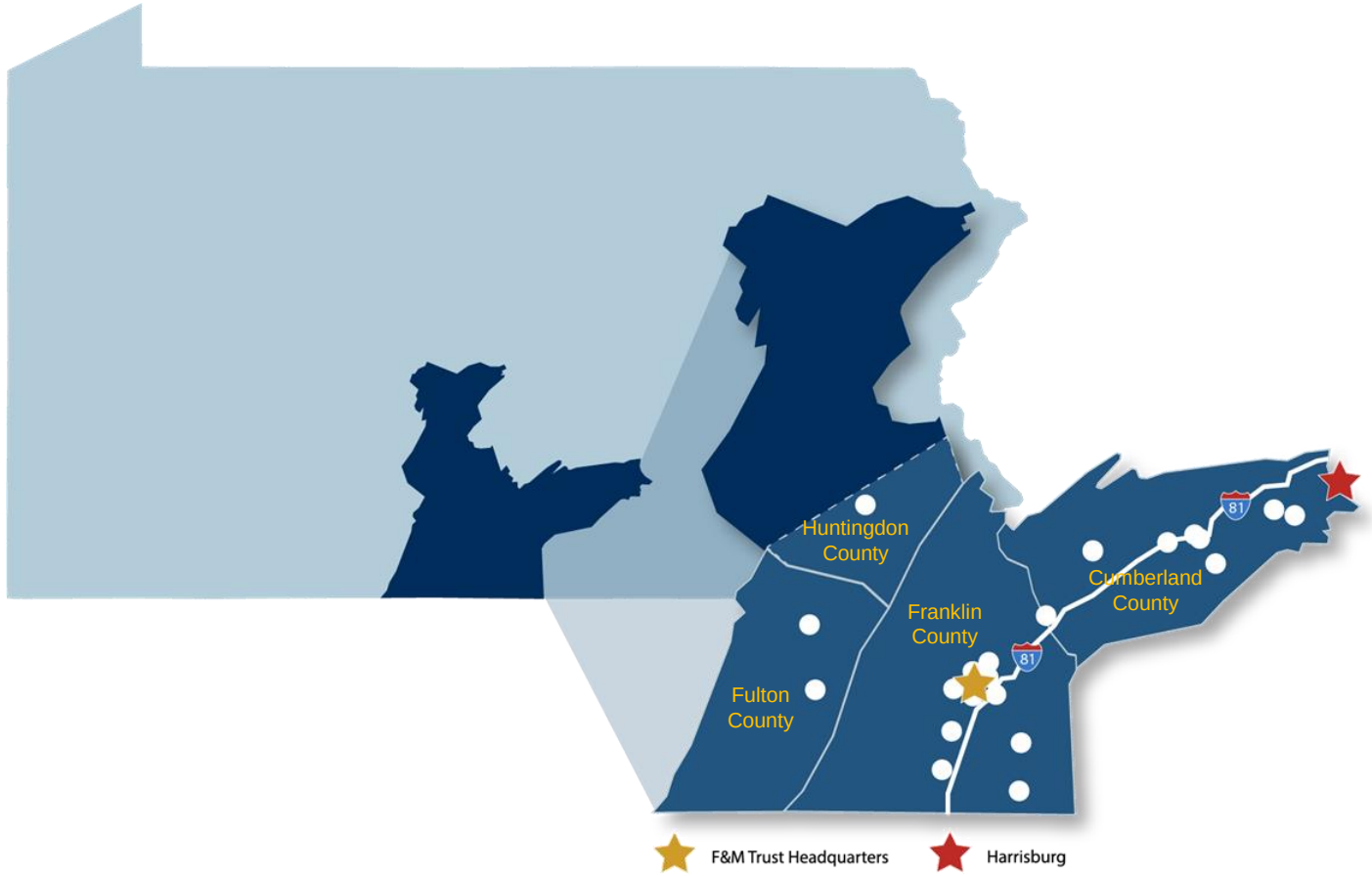
Sincerely,



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 $1.5 billion as of December 31, 2020
- As of December 31, 2020, Franklin Financial reported $949.0 million in brokerage and trust assets under management
- Franklin Financial stock is trading on the Nasdaq Stock Market (NASDAQ: FRAF)

A Market Share Leader



- 22 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

Well-Positioned for Post COVID-19

- Market share leader in core deposit, loan and asset management segments in economically stable and historically growing local markets
- Deep executive team with 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 funding mix 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

Deep 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*

Liquidity Available at December 31, 2020

Dollars in Thousands (000's)			
Liquidity Source	**Capacity**	**Outstanding**	**Available**
Federal Home Loan Bank	$387,749	$ –	$387,749
Federal Reserve Bank Discount Window	$25,646	$ –	$25,646
Correspondent Banks	$21,000	$ –	$21,000
Paycheck Protection Program Liquidity Facility	$52,290	$ –	$52,290
Total	**$486,685**	**$ –**	**$486,685**

YTD Financial Updates

- Continued to monitor and reduce deposit rates in response to market conditions
- Net interest margin is 3.21% compared to 3.68% for the same period in 2019
- Recorded a provision for loan loss expense of $4.6 million due to increased qualitative risk factors related to the COVID-19 pandemic
- Allowance for loan loss ratio of 1.66% (1.75% excluding PPP); non-performing loan ratio of 0.87%
- Capital position remained strong with a total risk-based capital ratio of 17.45% and a leverage ratio of 8.69%
- Issued $20 million of subordinated notes to strengthen the capital position

YTD Financial Updates

- Maintained the dividend at $0.30 per share for the first quarter of 2021
- Profitability during 2020 has positioned the Company to increase the allowance for loan losses and strengthen capital levels during a time of continued economic uncertainty
- Loan-to-deposit ratio of 75% enhances liquidity position and allows for quality lending opportunities
- Significant reduction in participation loans has improved overall portfolio credit quality
- New mortgage originations totaled $125.1 million, an increase of 186.0% from 2019, as a result of new departmental leadership and significant restructuring
- Fee income from new mortgages originated for sale in the secondary market increased $1.1 million over the same period in 2019

YTD Financial Updates

- Consumer loan originations increased 109.0% when compared to 2019, primarily due to the bank's new FlexLOC® home equity product
- Online banking and mobile banking users have increased 12.0% and 24.0% respectively from the same period in 2019 as customers transition to digital banking channels
- Total calls handled by after-hours call center increased 27.4% from 2019 to 2020

Continuing Response to COVID-19 Pandemic

- F&M Trust Community Office lobbies remained closed to ensure the safety of all employees and customers; drive-up services and access to banking services that require an appointment continue to be available

- To protect the bank's at-risk customers, F&M Trust lobbies are reserved for senior citizens (customers age 60 and older) and those with underlying health conditions on Tuesdays and Thursdays from 9:00 a.m. to 10:00 a.m.

- Bank employees able to telework continued work-from-home rotation schedules in following orders from the Commonwealth of Pennsylvania

- Modified operations at the bank's Camp Hill, Brookview and Memorial Square Community Offices based on specific circumstances at those locations

Paycheck Protection Program (PPP)

- Continued participation in the Paycheck Protection Program (PPP), under the Coronavirus Aid, Relief and Economic Security (CARES) Act, to support eligible borrowers for loan forgiveness and the PPP Second Draw loan program
- To date, F&M Trust has received 377 PPP loan forgiveness applications from the bank's 756 total funded loans
- 262 PPP loan forgiveness applications have been submitted to the SBA; 218 applications are approved for forgiveness, which represents an original principal loan balance of approximately $14.0 million
- 115 PPP loan forgiveness applications are currently under review
- As of year-end 2020, $1.3 million of PPP loan fees remain to be recognized
- To date, F&M Trust has received 216 Second Draw and new PPP loan applications for approximately $18.0 million in funding; 151 applications have been submitted to the SBA

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	20	$46,487	5%	33%	$46,481	$6
Arts, Entertainment, and Recreation	3	$14,075	1%	10%	$14,075	$ –
Real Estate, Rental & Leasing	1	$4,718	< 1%	< 1%	$4,718	$ –
Food Service	5	$1,606	< 1%	< 1%	$1,606	$ –
Other Services (except Public Administration)	1	$671	< 1%	< 1%	$671	$ –
Total	**30**	**$67,557**	**7%**	**47%**	**$67,551**	**$6**

*Loan deferrals as of December 31, 2020 by North American Industry Classification System (NAICS) code and type of collateral; [1]Based on Bank's risk-based capital

Type of Loan Modifications

Dollars in Thousands (000's) Industry Description	Principal Deferred Interest Only Payments	Interest Only Loans Payments Deferred	Principal & Interest Payments Deferred	Total
Hotels	$40,304	$ –	$6,183	$46,487
Arts, Entertainment, and Recreation	$13,613	$ –	$462	$14,075
Real Estate, Rental & Leasing	$ –	$4,718	$ –	$4,718
Food Service	$ –	$882	$724	$1,606
Other Services (except Public Administration)	$ –	$ –	$671	$671
Total	**$53,917**	**$5,600**	**$8,040**	**$67,557**

Hotel Modifications

Dollars in Thousands (000's) ***(Except average daily rate)***	
Modified Balance Loans with Principal Payment Deferred, Paying Interest Loans with Deferred Principal and Interest	$46,487 $40,304 $6,183
Expected Modification Expiration 1 – 3 Months 4 – 6 Months	 $11,214 $35,273
Number of Loans Modified	20
Average Balance	$2,324
Average Loan-to-Value	62%
Risk Rated: 5 – Pass	$3,502
Risk Rated: 6 – Other Asset Especially Monitored	$30,194
Risk Rated: 7 – Substandard	$12,791
December 2020 Daily Occupancy*	36%
December 2019 Daily Occupancy*	51%
December 2020 Average Daily Rate*	$90
December 2019 Average Daily Rate*	$110
Hotel Flags	12

Financial Updates

Fourth Quarter Ended December 31, 2020

F&M TRUST

Franklin Financial Services Corporation

Balance Sheet Highlights

Dollars in Thousands (000's)	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Total Assets	$1,127,443	$1,179,813	$1,209,587	$1,270,923	$1,535,038
Cash and Cash Equiv.	$36,665	$58,603	$52,957	$83,828	$57,146
Investments	$145,925	$127,336	$131,846	$187,873	$397,331
Net Loans[1]	$883,338	$932,350	$960,960	$922,609	$992,915
Deposits	$982,120	$1,047,181	$1,082,629	$1,125,392	$1,354,573
Shareholders' Equity	$116,493	$115,144	$118,396	$127,528	$145,176

[1]Includes $52.3 million Paycheck Protection Program loans at December 31, 2020

Income Statement Highlights

Dollars in Thousands (000's)	Quarter Ended 12/31/2019	Quarter Ended 9/30/2020	Quarter Ended 12/31/2020
Interest Income	$12,130	$11,237	$11,871
Interest Expense	$1,734	$854	$878
Provision for Losses	$ –	$375	($725)
Noninterest Income[1]	$5,083	$3,658	$4,037
Noninterest Expense	$10,304	$9,649	$10,541
Net Income	$4,395	$3,462	$4,553

[1]Excludes securities gains

Key Performance Measures

Percent (%)	Quarter Ended 12/31/2019	Quarter Ended 9/30/2020	Quarter Ended 12/31/2020
Return on Avg. Assets	1.36	0.94	1.18
Return on Avg. Equity	13.83	10.14	12.94
Efficiency Ratio	65.73	66.87	68.41
Net Interest Margin	3.50	3.02	3.08
Noninterest Inc[1] / Operating Revenue	32.84	26.10	26.86

[1]Excludes securities gains

Well-Positioned to Manage Uncertain Times

Percent (%)	Quarter Ended 12/31/2019	Quarter Ended 9/30/2020	Quarter Ended 12/31/2020
Risk-Based Capital Ratio (Total)	16.08	17.62	17.45
Leverage Ratio (Tier 1)	9.72	8.75	8.69
Common Equity Ratio (Tier 1)	14.82	14.21	14.12
Tangible Common Equity Ratio	9.40	8.69	8.92
Nonperforming Assets[1] / Total Assets	0.31	0.63	0.57
Allowance for Loan Loss as a % of Loans	1.28	1.68	1.66
Allowance to Nonperforming Loans	306.43	180.31	192.05

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

Strong Dividend Yield

Per Share Measure / Market Valuation	Quarter Ended 12/31/2019	Quarter Ended 9/30/2020	Quarter Ended 12/31/2020
Diluted Earnings Per Share	$1.01	$0.79	$1.04
Cash Dividend Yield	3.10%	5.61%	4.44%
Regular Cash Dividends Paid	$0.30	$0.30	$0.30
Market Value (Per Share)	$38.69	$21.38	$27.03
Book Value	$29.30	$31.93	$33.07
Tangible Book Value[1]	$27.23	$29.87	$31.02
Market Cap ($M)	$168.41	$93.44	$118.64
Price / Book (%)	132.05%	66.95%	81.72%
Price / Tangible Book (%)	142.10%	71.57%	87.14%
Price / LTM EPS (X)	10.54	7.37	9.23

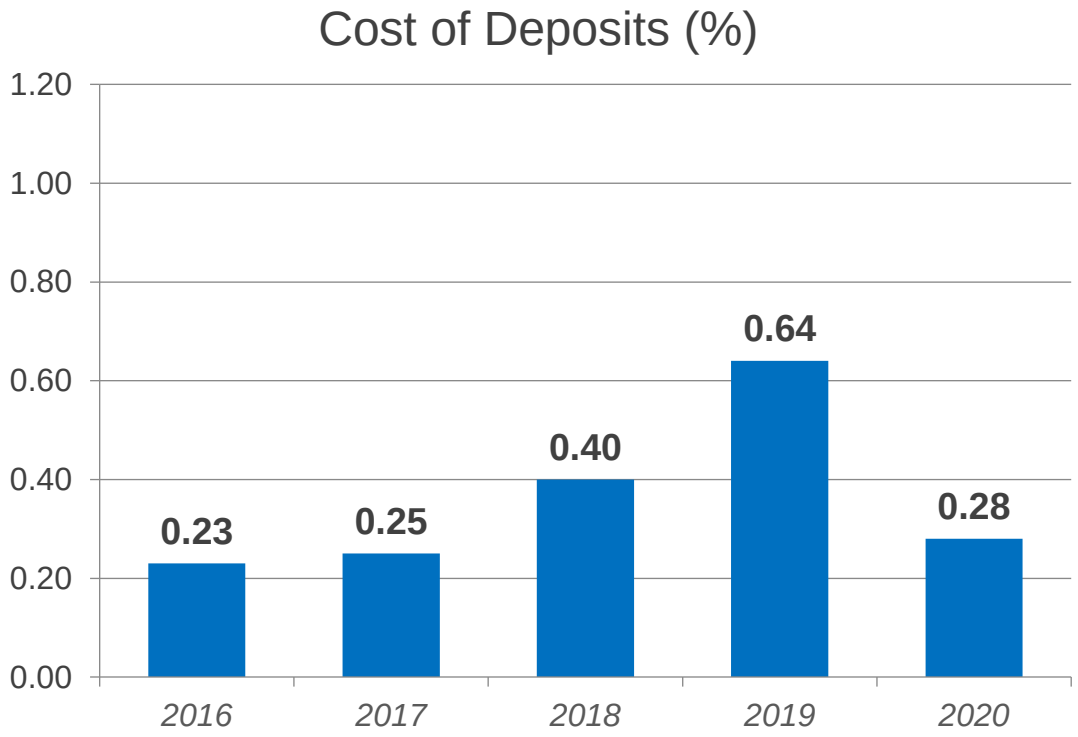
[1]See GAAP versus Non-GAAP reconciliation

A Balanced Revenue Model

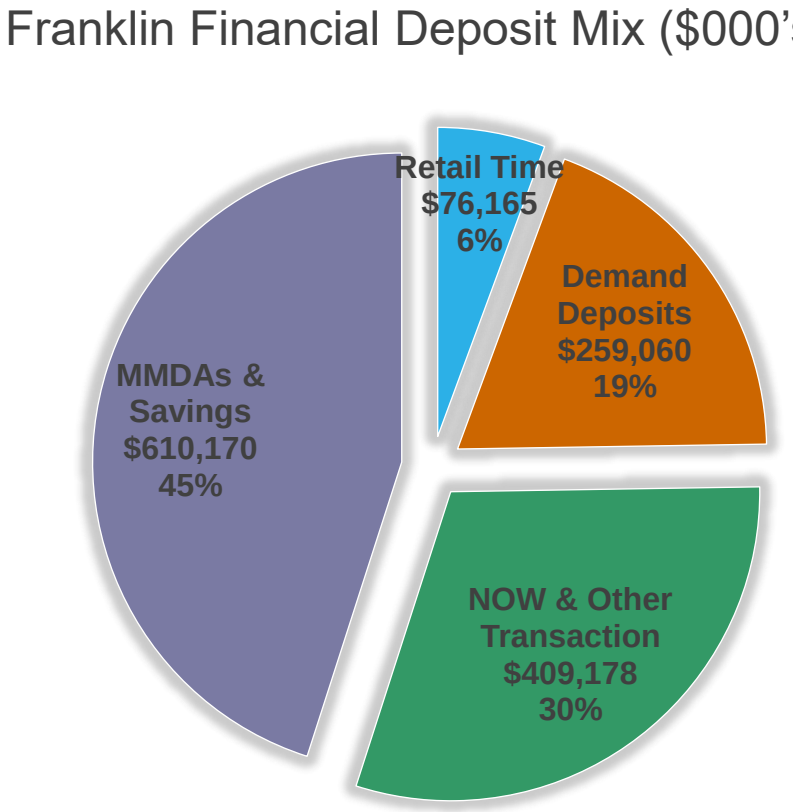
Annualized Noninterest Income Source as a percentage of Average Assets as of December 31, 2020	2020 Franklin Financial	Median PA Banks Peer[1]
Trust	0.41%	0.05%
BOLI	0.03%	0.05%
Insurance / Investment Banking / Brokerage	0.01%	0.04%
Loan Fees & Charges	0.17%	0.02%
Service Charges on Deposits	0.14%	0.14%
Other[2]	0.24%	0.22%
Total Noninterest Income[2]	1.01%	0.53%

[1]PA Banks and Holding Companies with assets between $1-3 billion reporting for the last twelve months ended as of September 30, 2020; Source: S&P Global Market Intelligence; [2]Excludes gains on sales and life insurance

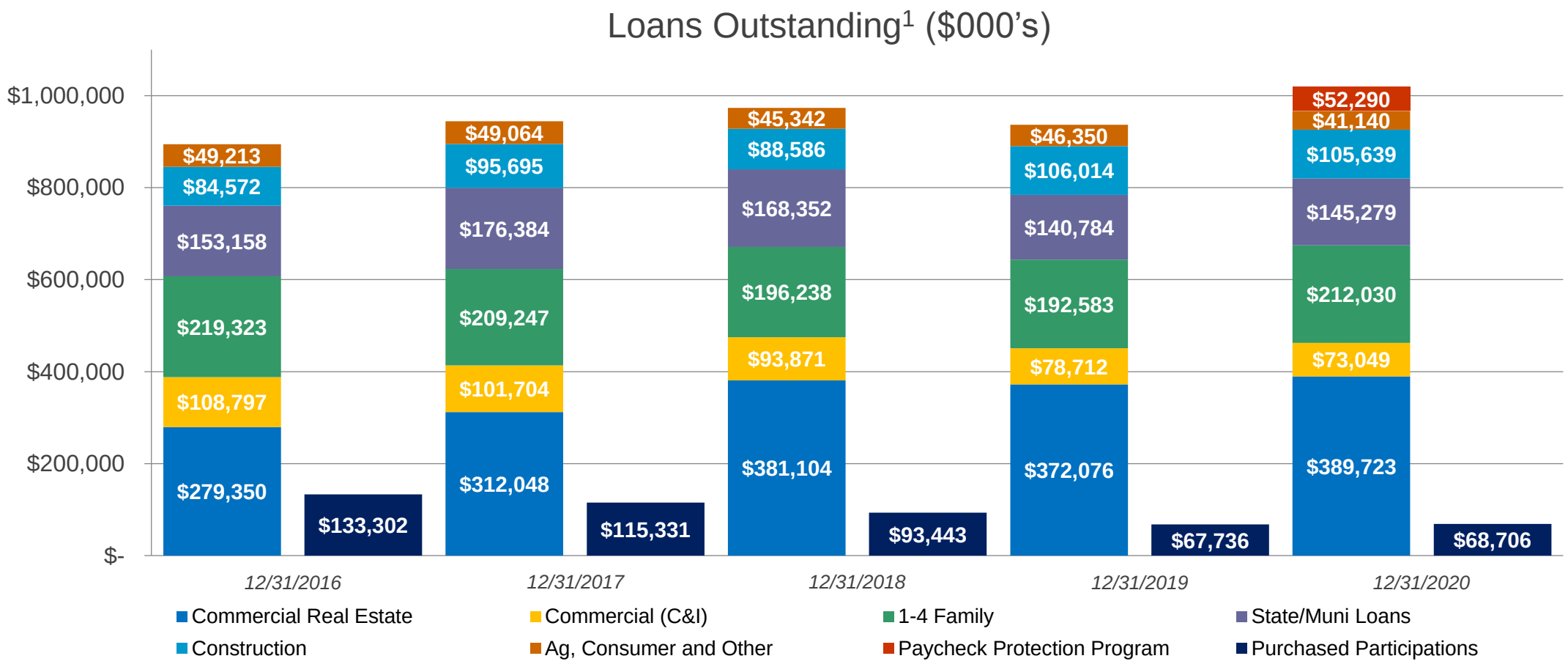
Stable, Low-Cost Deposits



Cost of Deposits for December 2020 was 0.16%

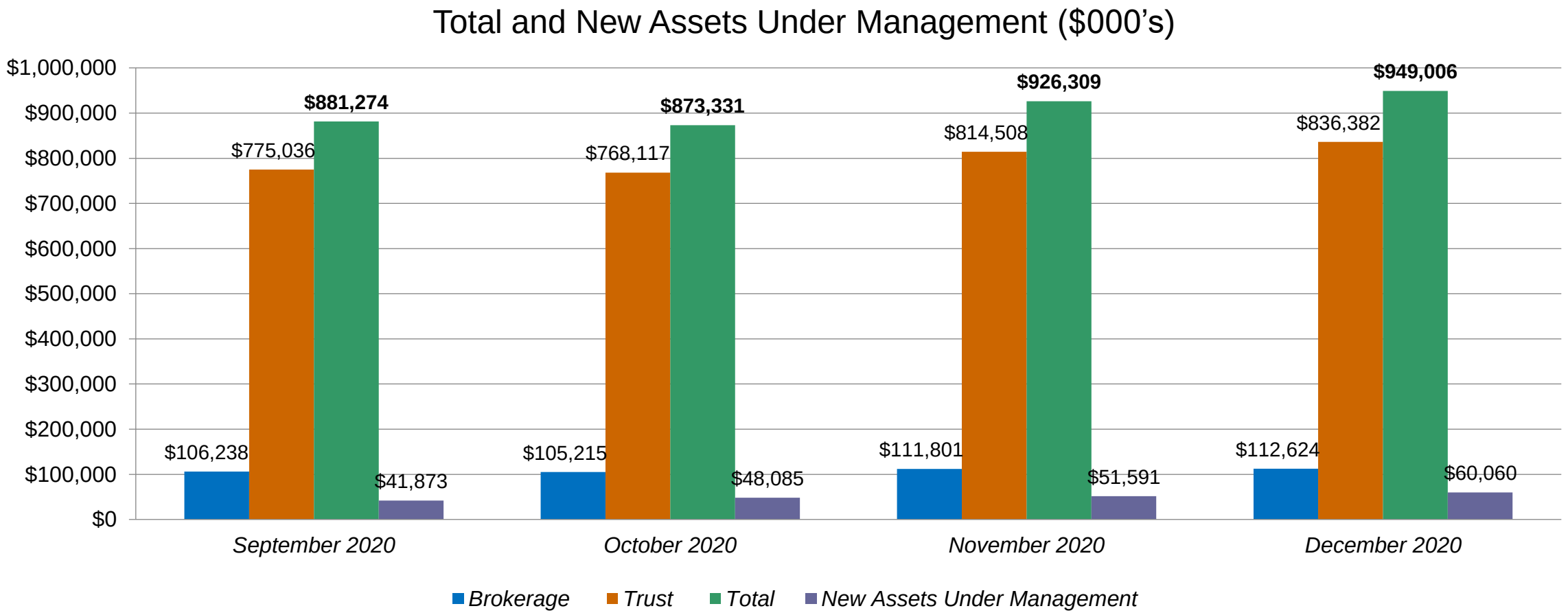


A Growing and Diversified Loan Portfolio

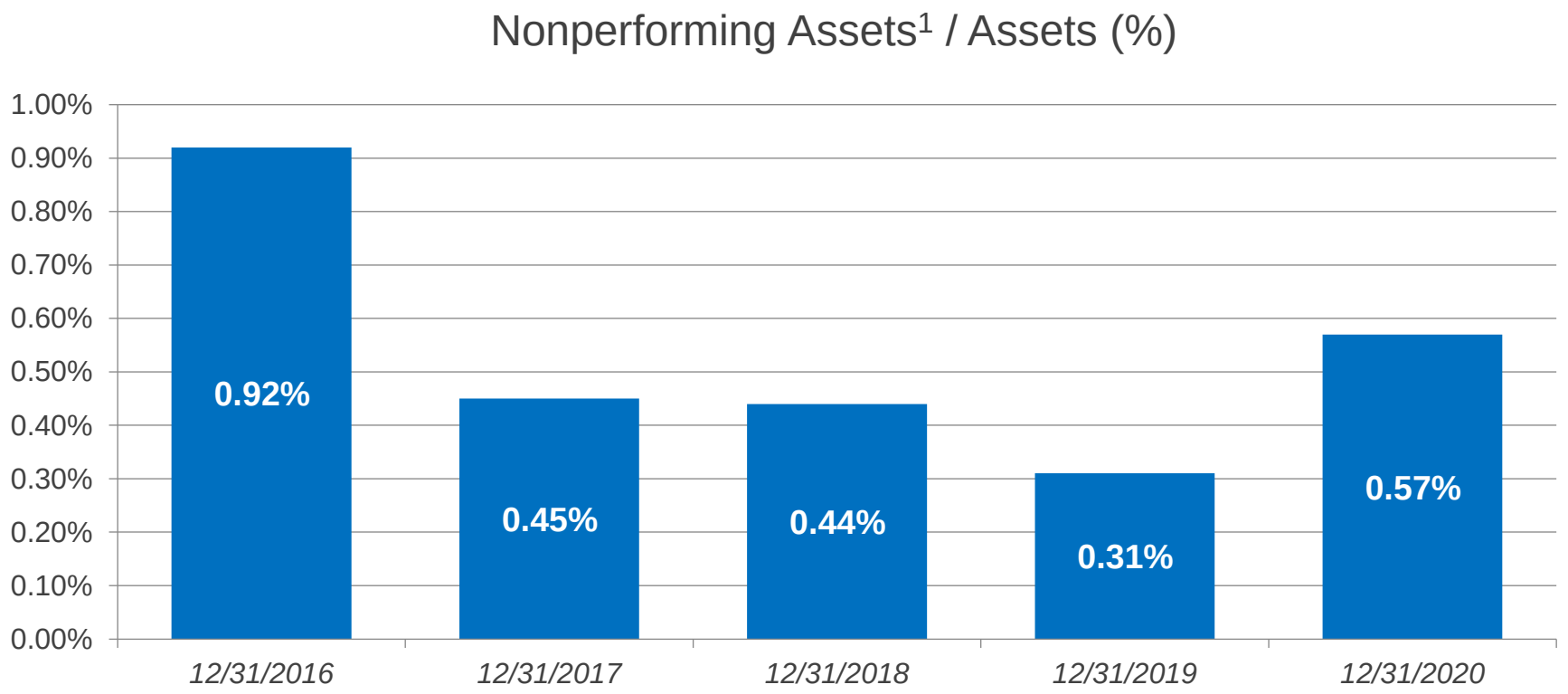


[1]Purchased participations are included as part of the loans outstanding

Investment and Trust Services



Strong Core Credit Quality



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

GAAP / Non-GAAP Reconciliation

Tangible Book Value (per share) (non-GAAP)	Quarter Ended 12/31/2019	Quarter Ended 9/30/2020		Quarter Ended 12/31/2020
Shareholders' equity	127,528	139,574	$	145,176
Less intangible assets	(9,016)	(9,016)		(9,016)
Shareholders' equity (non-GAAP)	118,512	130,558		136,160
Shares outstanding (in thousands)	4,353	4,371		4,389
Tangible book value (non-GAAP)	27.23	29.87		31.02
Efficiency Ratio				
Noninterest expense	10,304	9,649	$	10,541
Net interest income	10,396	10,383		10,993
Plus tax equivalent adjustment to net interest income	309	389		378
Plus noninterest income, net of securities transactions	5,027	3,658		4,037
Total revenue	15,732	14,430		15,408
Efficiency Ratio (non-GAAP)	65.50%	66.87%		68.41%

Outlook for 2021

- Anticipating a challenging economic environment and slow recovery in the second half of 2021 with the potential for a deterioration in credit metrics
- The low interest rate environment will continue to put negative pressure on the net interest margin
- Loan demand will be moderate through 2021 with significant competition to meet the demand from both bank and non-bank resources
- Deposit growth will continue to climb through the first half of the year as depositors seek safety and deposit new PPP loan funds; it is anticipated that deposits will start to decline 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 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
- On February 1, 2021, our new regional headquarters in Harrisburg will open, providing additional exposure in a significant growth market for the Company

Summary

- The Company is well capitalized and positioned to successfully work through the current challenging social and economic times to the benefit of our customers and shareholders
- Liquidity remains strong with additional resources available if needed
- Asset quality is good with continued reduction in modified loans and minimal exposure to participation loans; 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 in the first half of 2021
- Management is proactively addressing the current challenges and opportunities that exist today and are anticipated in the future

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

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