

Investor Presentation

Second Quarter 2022 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

The value of being a diversified, community bank with strong customer relationships was evident in the second quarter as growing loan and deposit balances helped to improve net interest income, and fee income grew from Investment and Trust services compared to the prior quarter. Despite the headwinds of a volatile stock market and the talk of recession, we remain focused on building shareholder value through the growth of the franchise and our capabilities.

To accommodate future growth and improve operating efficiencies, we consolidated the executive, commercial, investment and trust, and operations teams, which had been spread across two separate buildings, into one new location in Chambersburg, Pennsylvania. On July 1, we opened our first Maryland community office in downtown Hagerstown. Later this year, we will implement the Salesforce customer relationship management system across the bank to better meet the changing needs of clients.

Through the balance of the year, we will continue to position ourselves to navigate any broad economic issues that may arise. We also will maintain our ability to support our customers and take advantage of opportunities to enhance shareholder value.

Sincerely,



Mission, Vision & Core Values

Mission Statement

Delivering the right financial solutions from people you know and trust.

Vision

We are committed to remaining independent by growing our bank to meet the increasing needs of our customers, communities and shareholders. We will be the financial services leader in the markets we serve.

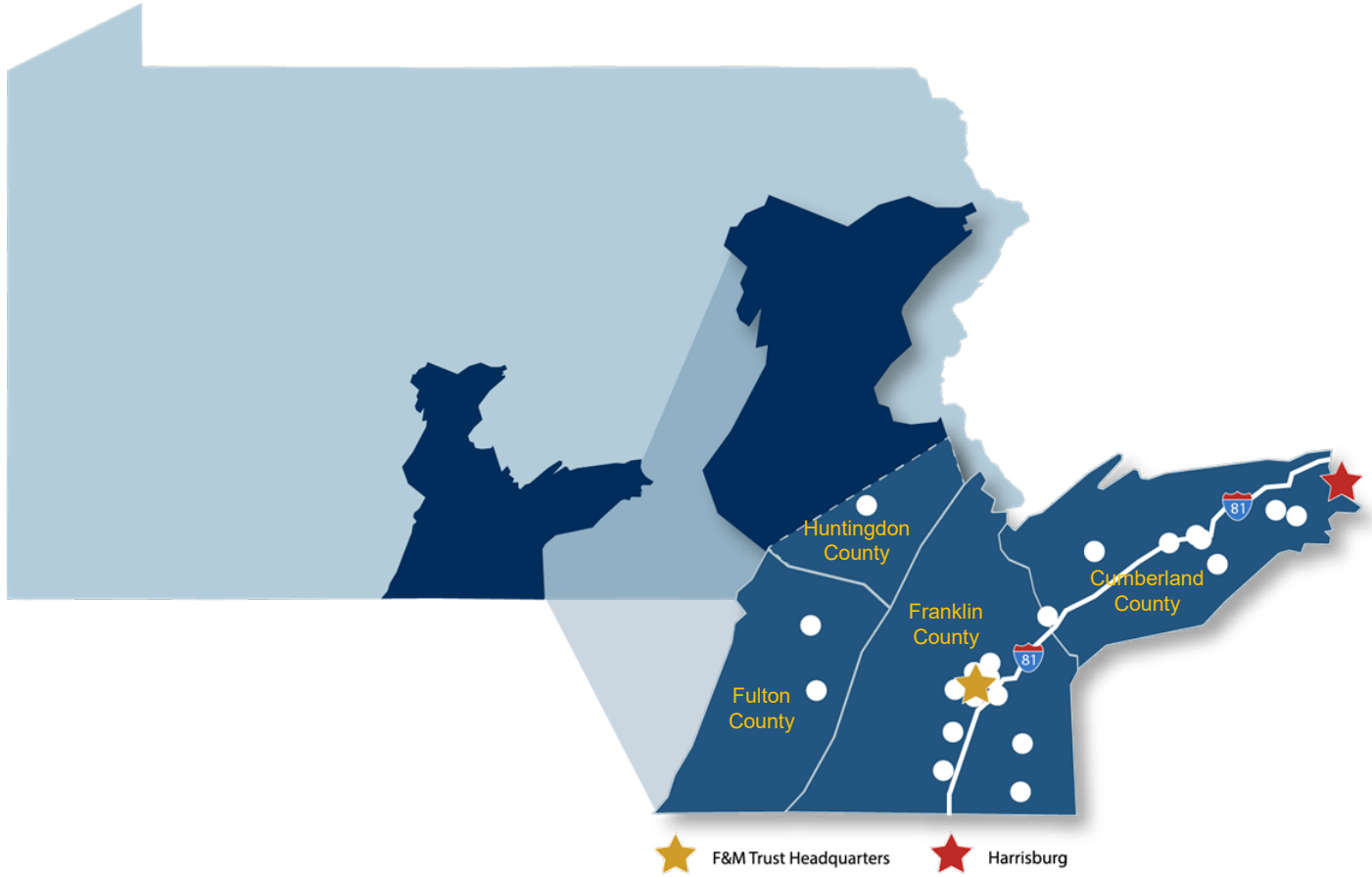
Core Values

The employees, officers and directors are committed to the core values of integrity, teamwork, excellence, accountability and concern for our customers and the communities we serve.

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 $1.83 billion as of June 30, 2022
- As of June 30, 2022, Franklin Financial reported $943.7 million 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 (52.0%)
- #1 Deposit Market Share in Franklin County (39.0%)
- #2 Deposit Market Share in Fulton County (35.7%)

Source: Federal Deposit Insurance Corporation; Deposit Market Share Report; June 30, 2021

Experienced and Cohesive Executive Team

Executive	Title	Years of Banking Experience	Joined F&M Trust	Prior Experience
Timothy G. Henry	*President & Chief Executive Officer*	**40**	2016	*Fulton, Centra Bank, BlueRidge Bank, Susquehanna Bank, BB&T*
Mark R. Hollar	*Executive Vice President, Chief Financial Officer & Treasurer*	**34**	1994	*ValleyBank & Trust*
Steven M. Poynot	*Executive Vice President, Chief Operating Officer*	**25**	2022	*Mercantile-Safe Deposit & Trust Company, Howard Bank*
Lorie Heckman	*Senior Vice President, Chief Risk Officer*	**36**	1986	
Steven D. Butz	*Senior Vice President, Chief Commercial Services Officer*	**37**	2013	*PNC, Waypoint, Sovereign, Graystone Tower, Susquehanna Bank*
Scott Ehrig, CFP, CIMA	*Senior Vice President, Chief Investment & Trust Services Officer*	**29**	2020	*FMA Advisory, Wilmington Trust, M&T Investment Group, JP Morgan*
Louis J. Giustini	*Senior Vice President, Chief Retail Services Officer*	**34**	2022	*Hagerstown Trust, Columbia Bank, Fulton Bank*

Experienced and Cohesive Executive Team

Executive	Title	Years of Banking Experience	Joined F&M Trust	Prior Experience
Karen K. Carmack, DM	*Senior Vice President, Chief Human Resources Officer*	**27**	2000	*ACNB*
Matthew D. Weaver	*Senior Vice President, Chief Marketing Officer*	**22**	2014	*Susquehanna Bank, Clifton LarsonAllen, IMRE*
Joseph C. Lieb*	*Senior Vice President, Chief Technology Officer*	**36**	2015	*Commonwealth Bank, Jonestown Bank, Integrity Bank*
David Long	*Senior Vice President, Chief Technology Officer*	**15**	2022	*Howard Bank*

*Retiring in December 2022

Well-Established Corporation

- Market share leader in core deposit, loan, and asset-management segments in economically stable and historically growing local markets
- New executive team members with extensive banking industry experience and 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 positioned to benefit from rising interest rates
- Stable, low-cost core deposit base and strong liquidity position, which becomes more valuable in a rising rate environment
- A well-diversified loan portfolio with an emphasis on small-business relationships without reliance on participation loans
- Accelerating digital transformation and technology adoption to support business continuity

YTD Financial Updates

- Net interest income was $12.1 million, up 12.0% over the prior year, inclusive of $746 thousand of PPP interest and fees
- Continue to adjust deposit rates in response to market conditions
- Net interest margin was 2.90% compared to 2.82% for the same period in 2021
- Provision for loan loss was $0 for the second quarter and year-to-date periods of 2022
- Allowance for loan loss ratio of 1.45%; non-accrual loan ratio of 0.55%
- Capital position remained strong with a total risk-based capital ratio of 17.36% and a leverage ratio of 8.53%
- Maintained the dividend of $0.32 per share for the third quarter of 2022

YTD Financial Updates

- Loan-to-deposit ratio of 62% enhances liquidity position and allows for quality lending opportunities as the economy reopens
- Fee income from new mortgages originated for sale in the secondary market decreased $829 thousand over the same period in 2021
- Deposits increased 6.0% over the same period in 2021, with interest-bearing checking accounts showing the largest increase
- A new retail checking account lineup introduced in 2021 helped to generate a 34% increase in deposit fees over the year
- Focusing on the value of relationships and aided by technology, eliminated non-sufficient fund, continuous overdraft and return deposit item processing fees on consumer accounts, which will have a negative impact on deposit fee income

Digital Transformation

- Registered Zelle® users increased 24.7% and mobile banking users increased 5.7% from the same period in 2021 as customers transition to digital banking channels
- Introduced MX Personal Finance and Credit Score powered by SavvyMoney® as online and mobile banking enhancements
- Treasury services provide digital solutions to help business customers streamline payment and collection processes, manage liquidity and prevent fraud
- Business online banking customers increased 16.3% from the same period in 2021
- Utilize AI-driven predictive modeling to deliver targeted marketing content through the bank's online and mobile banking platforms, website, and at the point-of-sale

Outlook for the Remainder of 2022

- Continue building for the future by making investments in our physical, technological, and sales infrastructure including:
  - Establishing a new corporate headquarters in Chambersburg, PA
  - Adopting Salesforce, a digital sales platform to be used throughout the bank
  - Expanding our banking presence in Hagerstown, MD
  - Enhancing our team of employees with the addition of several key positions and expanded training
- Continue to transition commercial and consumer customers to digital banking and call center channels for day-to-day financial needs
- Increased competition for quality credit in the market will challenge loan demand

Outlook for the Remainder of 2022

- Fee income generated by the Investment & Trust Services business line will be challenged due to the current downward trend in the equity and bond markets but will be offset by the origination of new customers and cost controls that are in place
- A focus on cross-selling between Commercial, Retail, and Investment & Trust Services lines of business will 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
- Asset quality is good with continued improvement 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
- The Company is positioning for future growth and expansion following the completed purchase of a new corporate headquarters and operations center, the addition of Salesforce, transitioning of senior leadership, and a new full-service community office in Maryland

Financial Updates

Second Quarter Ended June 30, 2022

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Franklin Financial Services Corporation

Balance Sheet Highlights

Dollars in Thousands (000's)	6/30/2022	3/31/2022	12/31/2021	12/31/2020
Total Assets	$1,832,296	$1,767,061	$1,773,806	$1,535,038
Cash and Cash Equiv.	$198,269	$173,709	$175,149	$57,146
Investments	$510,282	$511,969	$530,292	$397,331
Net Loans	$1,019,608	$985,927	$983,746	$992,915
Deposits	$1,679,187	$1,596,386	$1,584,359	$1,354,573
Shareholders' Equity	$121,797	$137,136	$157,065	$145,176

Income Statement Highlights

Dollars in Thousands (000's)	Quarter Ended 6/30/2022	Quarter Ended 3/31/2022	Quarter Ended 6/30/2021
Interest Income	$12,875	$11,534	$11,543
Interest Expense	$764	$726	$720
Provision for Losses	--	--	($1,100)
Noninterest Income[1]	$4,106	$3,873	$4,360
Noninterest Expense	$12,029	$11,266	$10,111
Net Income	$3,578	$3,012	$5,271

[1]Excludes net securities gains/losses in all periods

Key Performance Measures

Percent (%)	Quarter Ended 6/30/2022	Quarter Ended 3/31/2022	Quarter Ended 6/30/2021
Return on Avg. Assets	0.79	0.69	1.27
Return on Avg. Equity	11.11	7.96	14.67
Efficiency Ratio[1]	72.61	75.50	65.04
Net Interest Margin	2.90	2.66	2.82
Noninterest Inc[2] / Operating Revenue	25.32	26.38	28.72

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

Balance Sheet Strength

Percent (%)	Quarter Ended 6/30/2022	Quarter Ended 3/31/2022	Quarter Ended 6/30/2021
Risk-Based Capital Ratio (Total)	17.36	18.09	18.52
Leverage Ratio (Tier 1)	8.53	8.59	8.53
Common Equity Ratio (Tier 1)	14.30	14.94	15.16
Tangible Common Equity Ratio	6.19	7.29	8.51
Nonperforming Assets[1] / Total Assets	0.31	0.42	0.53
Allowance for Loan Loss as a % of Loans	1.45	1.50	1.51
Allowance to Nonperforming Loans	263.05	203.49	170.65

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

Market Statistics

Per Share Measure / Market Valuation	Quarter Ended 6/30/2022	Quarter Ended 3/31/2022	Quarter Ended 6/30/2021
Diluted Earnings Per Share	$0.80	$0.67	$1.19
Cash Dividend Yield	4.24%	3.81%	3.88%
Regular Cash Dividends Paid	$0.32	$0.32	$0.31
Dividend Payout Ratio	39.88%	47.18%	26.05%
Market Value Per Share	$30.16	$33.58	$31.94
Book Value	$27.54	$30.77	$34.16
Tangible Book Value[1]	$25.50	$28.75	$32.12
Market Cap ($M)	$133.37	$149.67	$141.33
Price / Book (%)	109.51%	109.13%	93.50%
Price / Tangible Book (%)	118.27%	116.80%	99.43%
Price / LTM EPS (X)	8.38	8.42	7.77

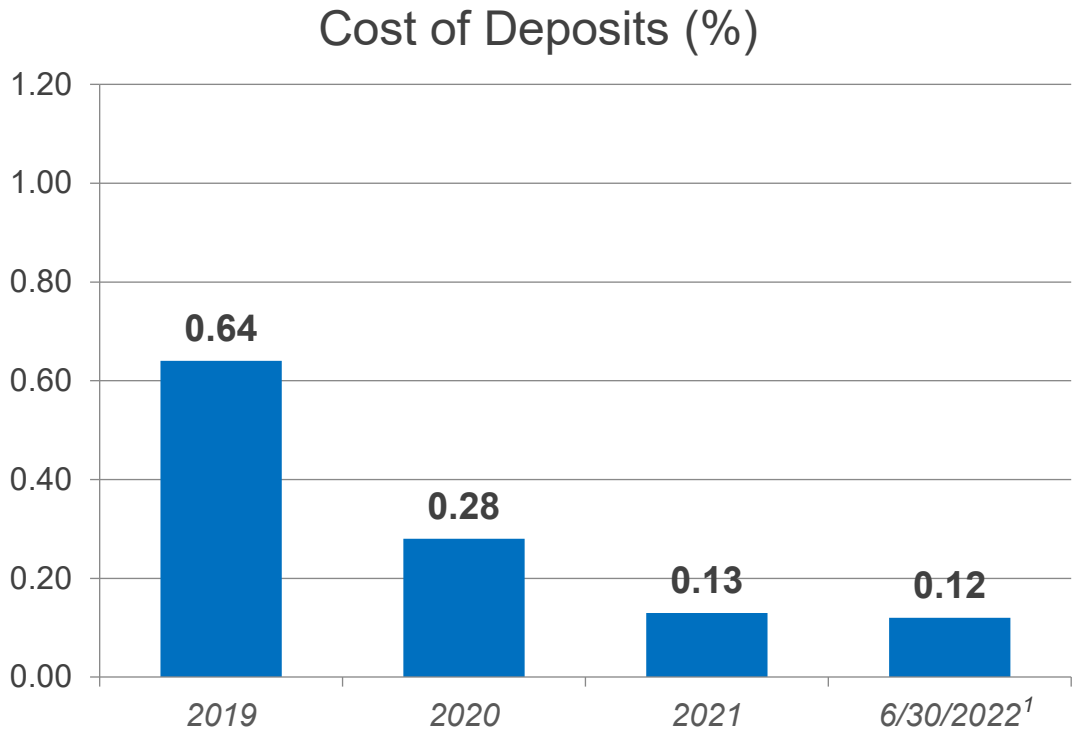
[1]See GAAP versus Non-GAAP reconciliation

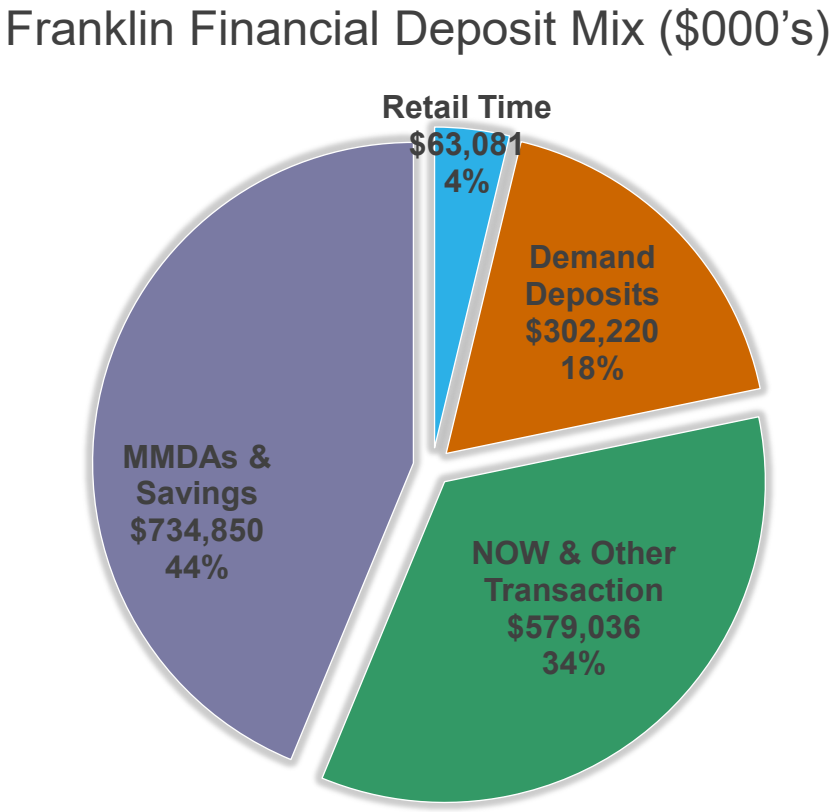
Balanced Revenue Model

Annualized Noninterest Income Source as a percentage of Average Assets as of June 30, 2022	2022 Franklin Financial	Median PA Banks Peer[1]
Trust	0.43%	0.02%
Service Charges on Deposits	0.15%	0.09%
Gain on Sale of Loans	0.06%	0.06%
Other	0.22%	0.29%
Total Noninterest Income[2]	0.94%	0.59%

[1]PA Banks and Holding Companies with assets between $1-3 billion reporting for the last twelve months ended as of March 31, 2022; Source: S&P Global Market Intelligence; [2]Excludes gains on securities

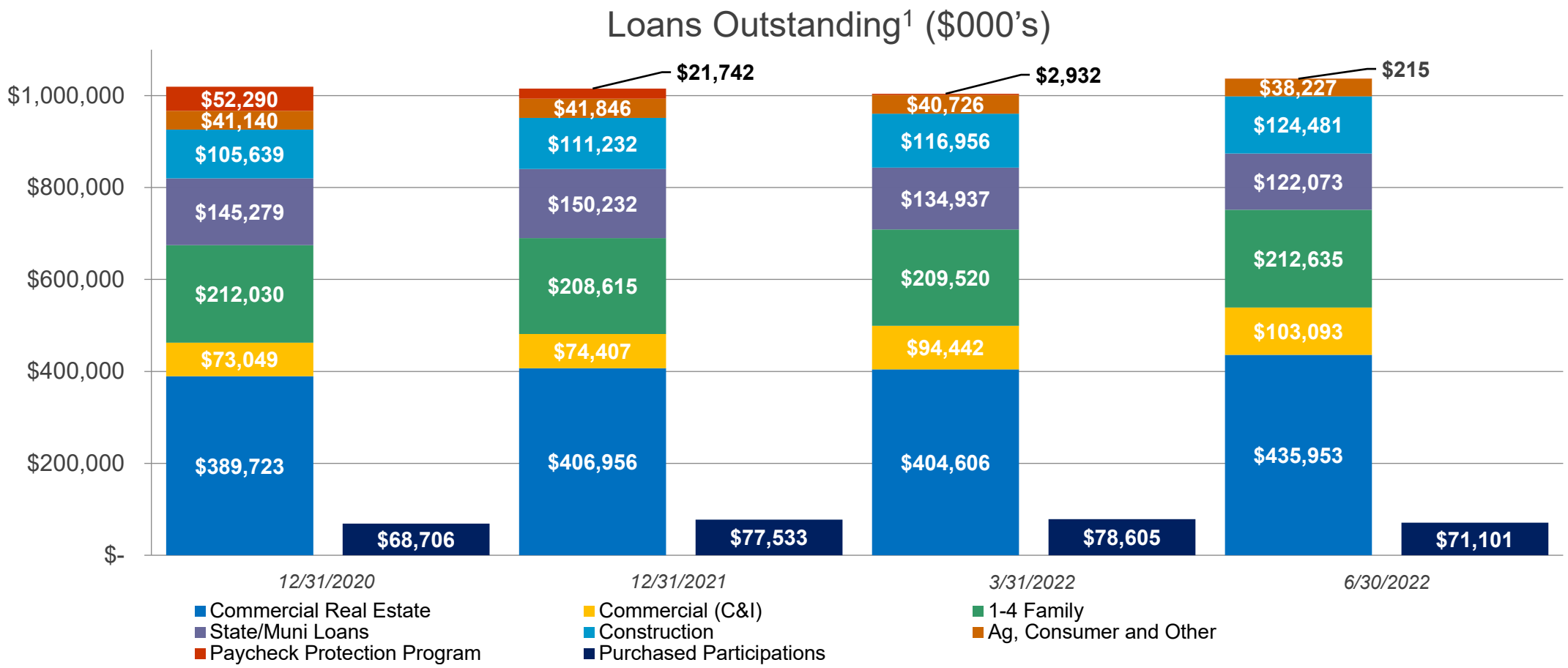
Stable, Low-Cost Core Deposits





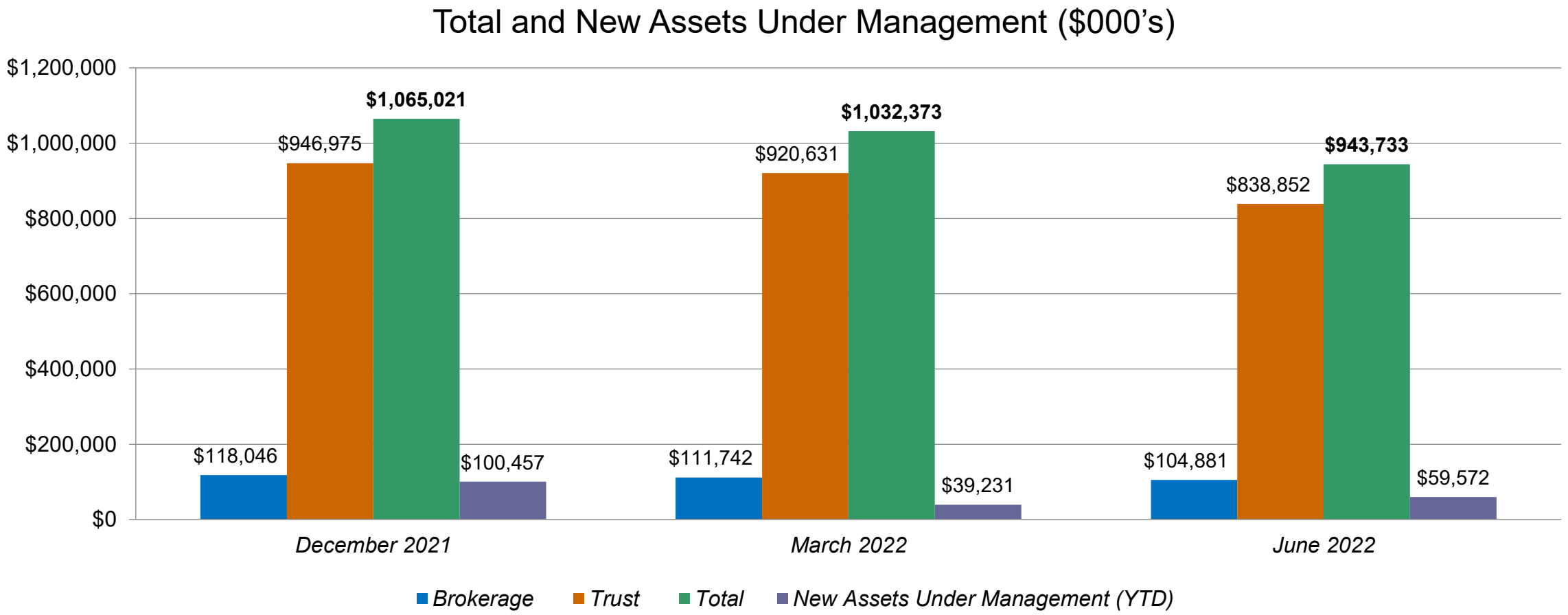
[1]For the year-to-date period

Diversified Loan Portfolio

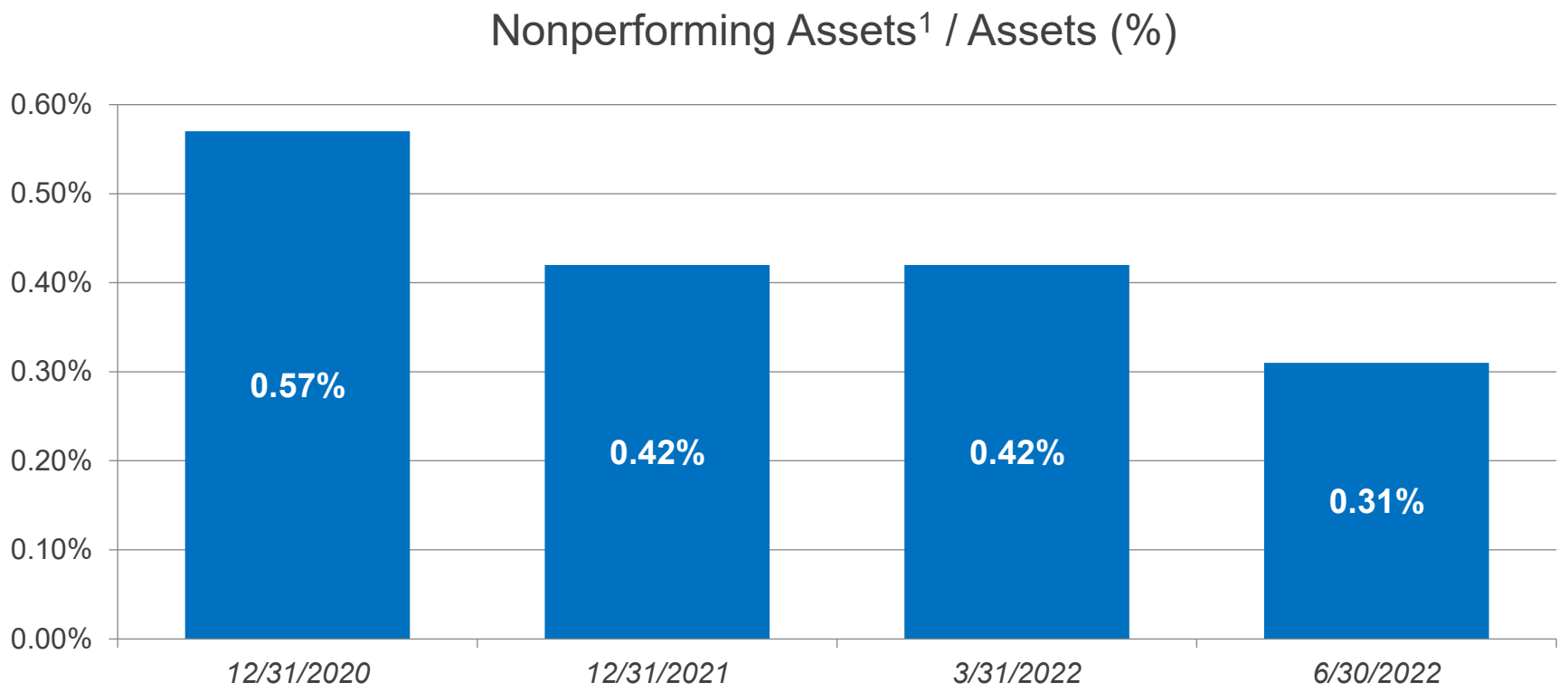


[1]Purchased participations are included as part of the loans outstanding

Investment and Trust Services



Strong Credit Quality



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

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

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www.fmtrust.bank



Appendix

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Franklin Financial Services Corporation

GAAP / Non-GAAP Reconciliation

Tangible Book Value (per share) (non-GAAP)		Quarter Ended 6/30/2022	Quarter Ended 3/31/2022	Quarter Ended 6/30/2021
Shareholders' equity	$	121,797	137,136	151,156
Less intangible assets		(9,016)	(9,016)	(9,016)
Shareholders' equity (non-GAAP)		112,781	128,120	142,140
Shares outstanding (in thousands)		4,422	4,457	4,425
Tangible book value (non-GAAP)	$	25.50	28.75	32.12
Efficiency Ratio				
Noninterest expense	$	12,029	11,266	10,111
Net interest income		12,111	10,808	10,823
Plus tax equivalent adjustment to net interest income		350	240	363
Plus noninterest income, net of securities transactions[1]		4,106	3,873	4,360
Total revenue		16,567	14,921	15,546
Efficiency Ratio (non-GAAP)		72.61%	75.50%	65.04%

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[1]Excludes securities gains in all periods