

Investor Presentation

Fourth 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 fourth quarter was a transitional quarter in many ways as we start to leave behind the immediate effects of the pandemic and continue to prepare ourselves for the future. Earnings in the fourth quarter were good and capped a record year of earnings for the company that was supported, in part, by the one-time sale of the headquarters building in the third quarter and fee income from forgiven PPP loans that reduced outstanding loans but added to the bottom line.

A continuing trend in the fourth quarter, and for the year, has been the growth in our residential mortgage business and our investment and trust business. Both lines of business established record levels of performance for the year. While we expect residential mortgage business -- in particular the refinance business -- to modulate during 2022, our investment and trust business is expected to continue to grow as we add specialized staff and enter new markets.

2022 is seeing the company adopt Salesforce to assist us in bringing all the bank has to offer to our customers while serving as a “digital backbone” to help us continue to grow our digital capabilities and improve customer outreach and internal efficiencies.

Our stock performance has held, though at significantly reduced daily average volumes due to our exit from the Russell 3000. Dividend performance remains strong compared to peers and the Board approved a new stock buy-back program in December 2021.

As we move into 2022, we are carefully transitioning key members of senior management who are retiring in 2022. With three members of the senior management team retiring, we have hired a Chief Operations Officer, a Chief Retail Services Officer, and a Chief Technology Officer to replace them after overlaps ranging from four to 10 months. The overlaps are allowing us to make a smooth transition that will benefit all who are affected by the changes.

CEO Comments *(continued)*

2022 will be a year for repositioning the bank for future growth. Along with moving into a new headquarters building, we are expanding into Maryland by establishing a full-service community office in Hagerstown. We are renovating outdated community offices in both the Chambersburg and Mechanicsburg markets and building and strengthening our team as members retire and are replaced.

I am very optimistic for our future, as we continue to challenge ourselves to grow with our customers and with the new opportunities that are in front of us. We survived and thrived through the pandemic, and I feel that we will do the same as we move forward into new challenges and opportunities.

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.

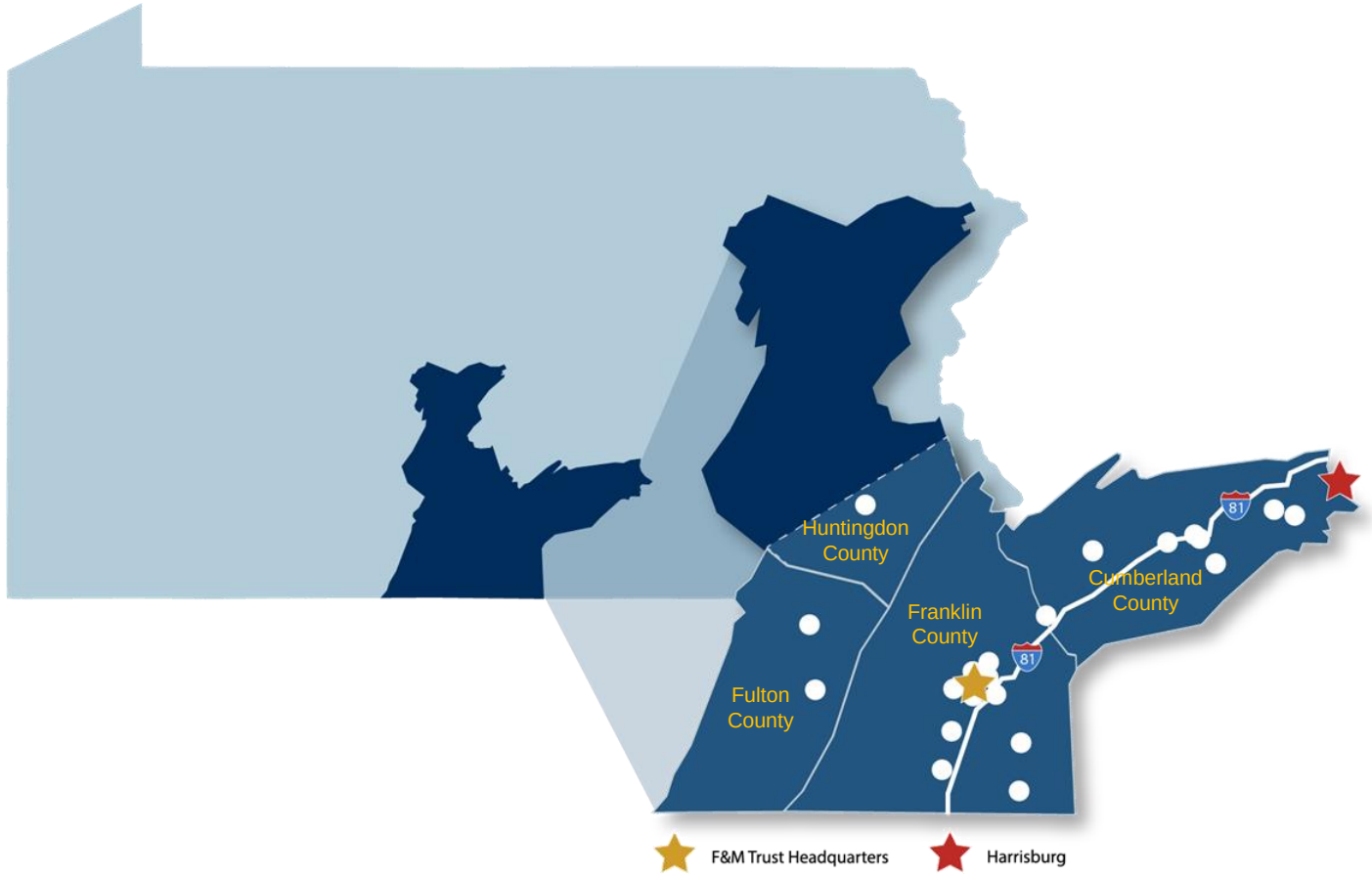
Sincerely,



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 $1.77 billion as of December 31, 2021
- As of December 31, 2021, Franklin Financial reported $1.01 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 (52.0%)
- #1 Deposit Market Share in Franklin County (39.0%)
- #2 Deposit Market Share in Fulton County (35.7%)

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

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*
Patricia A. Hanks*	*Senior Vice President, Chief Retail Services Officer*	**43**	1999	*Lebanon Valley National*
Louis J. Giustini	*Senior Vice President, Chief Retail Services Officer*	**34**	2022	*Hagerstown Trust, Columbia Bank, Fulton Bank*

*Retiring in May 2022

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
- 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 $44.7 million, up 6.5% over the prior year, inclusive of $3.3 million interest and fees from PPP
- Continue to adjust deposit rates in response to market conditions
- Net interest margin was 2.88% compared to 3.21% for the same period in 2020
- As pandemic-related credit concerns lessened in 2021, the Company released $2.1 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%; non-performing loan ratio of 0.74%
- Capital position remained strong with a total risk-based capital ratio of 18.41% and a leverage ratio of 8.52%

YTD Financial Updates

- Maintained the dividend of $0.32 per share for the first quarter of 2022
- Loan-to-deposit ratio of 63% enhances liquidity position and allows for quality lending opportunities as the economy reopens
- New mortgage originations totaled $127.6 million, an increase of 2.4% 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 $894 thousand over the same period in 2020
- Mobile banking users increased 10.5% from the same period in 2020 as customers transition to digital banking channels

YTD Financial Updates

- Deposits increased 17.0% over the same period in 2020, with money management accounts and interest-bearing checking products showing the largest increases

- Introduced new retail checking account lineup that will generate additional fee income and provide valuable benefits and increased engagement for our customers

Outlook for the Remainder of 2022

- Adapting to the challenges and changes brought on by the pandemic over the past two years
- 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

Outlook for the Remainder of 2022

- Increased competition for quality credit in the market will challenge loan demand
- Continued pressure on net interest margin as low interest rate environment continues
- Residential mortgage business will continue to grow though likely at a slower rate than 2021 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
- 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
- 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

Fourth Quarter Ended December 31, 2021

F&M TRUST

Franklin Financial Services Corporation

Balance Sheet Highlights

Dollars in Thousands (000's)	12/31/2021	9/30/2021	12/31/2020	12/31/2019
Total Assets	$1,773,806	$1,732,441	$1,535,038	$1,269,157
Cash and Cash Equiv.	$175,149	$98,893	$57,146	$83,828
Investments	$530,292	$546,261	$397,331	$187,873
Net Loans	$983,746	$1,002,802	$992,915	$922,609
Deposits	$1,584,359	$1,544,295	$1,354,573	$1,125,392
Shareholders' Equity	$157,065	$152,838	$145,176	$127,528

Income Statement Highlights

Dollars in Thousands (000's)	Quarter Ended 12/31/2021	Quarter Ended 9/30/2021	Quarter Ended 12/31/2020
Interest Income	$12,133	$12,304	$11,871
Interest Expense	$723	$710	$878
Provision for Losses	($200)	--	($725)
Noninterest Income[1]	$4,544	$4,397	$4,037
Noninterest Expense	$11,981	$10,986	$10,541
Net Income	$3,653	$5,862	$4,553

[1]Excludes securities gains in all periods and gain on sale of premises in third quarter 2021

Key Performance Measures

Percent (%)	Quarter Ended 12/31/2021	Quarter Ended 9/30/2021	Quarter Ended 12/31/2020
Return on Avg. Assets	0.84	1.37	1.18
Return on Avg. Equity	9.56	15.20	12.94
Efficiency Ratio[1]	73.40	67.17	67.17
Net Interest Margin	2.79	2.89	3.08
Noninterest Inc[2] / Operating Revenue	28.48	27.50	26.86

[1]See GAAP versus Non-GAAP reconciliation;
[2]Excludes securities gains in all periods and gain on sale of premises in third quarter 2021

Balance Sheet Strength

Percent (%)	Quarter Ended 12/31/2021	Quarter Ended 9/30/2021	Quarter Ended 12/31/2020
Risk-Based Capital Ratio (Total)	18.41	18.16	17.69
Leverage Ratio (Tier 1)	8.52	8.53	8.69
Common Equity Ratio (Tier 1)	15.20	14.91	14.32
Tangible Common Equity Ratio	8.39	8.35	8.92
Nonperforming Assets[1] / Total Assets	0.42	0.50	0.57
Allowance for Loan Loss as a % of Loans	1.51	1.51	1.66
Allowance to Nonperforming Loans	204.04	177.95	192.05

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

Market Statistics

Per Share Measure / Market Valuation	Quarter Ended 12/31/2021	Quarter Ended 9/30/2021	Quarter Ended 12/31/2020
Diluted Earnings Per Share	$0.82	$1.31	$1.04
Cash Dividend Yield	**3.87%**	**3.90%**	**4.44%**
Regular Cash Dividends Paid	$0.32	$0.32	$0.30
Dividend Payout Ratio	38.83%	24.12%	28.89%
Market Value Per Share	$33.10	$31.77	$27.03
Book Value	$35.36	$34.49	$33.07
Tangible Book Value[1]	$33.34	$32.46	$31.02
Market Cap ($M)	$148,049	$143,822	$136,160
Price / Book (%)	93.61%	92.11%	81.74%
Price / Tangible Book (%)	99.29%	97.87%	87.14%
Price / LTM EPS (X)	7.51	6.86	9.23

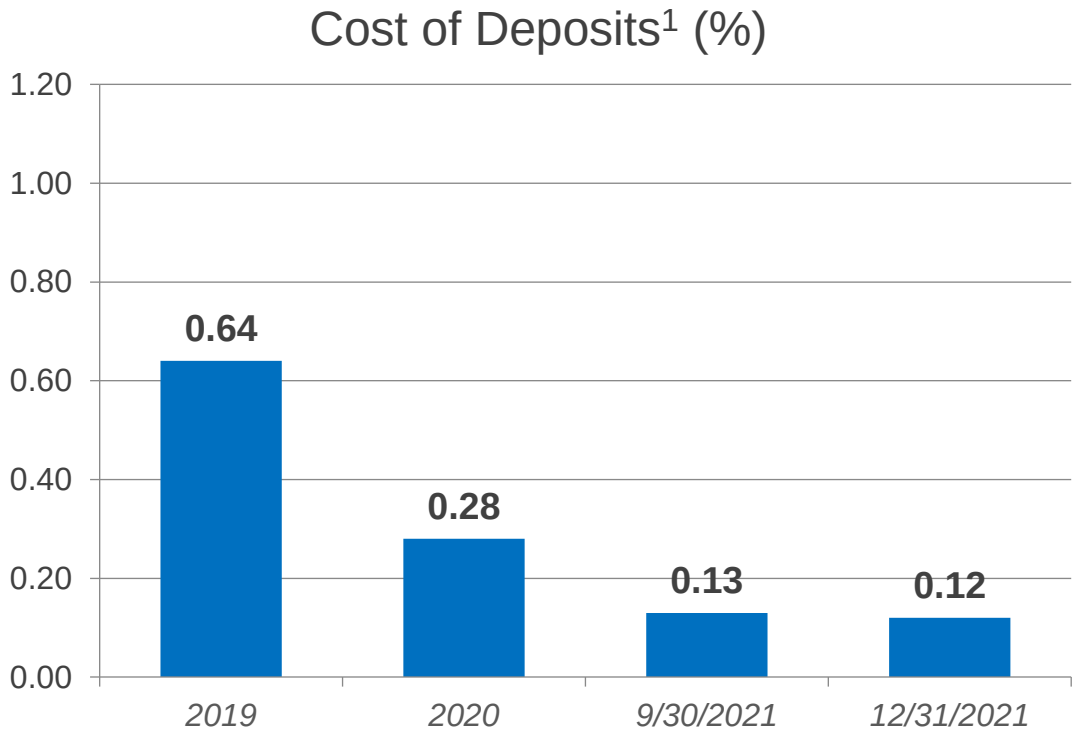
[1]See GAAP versus Non-GAAP reconciliation

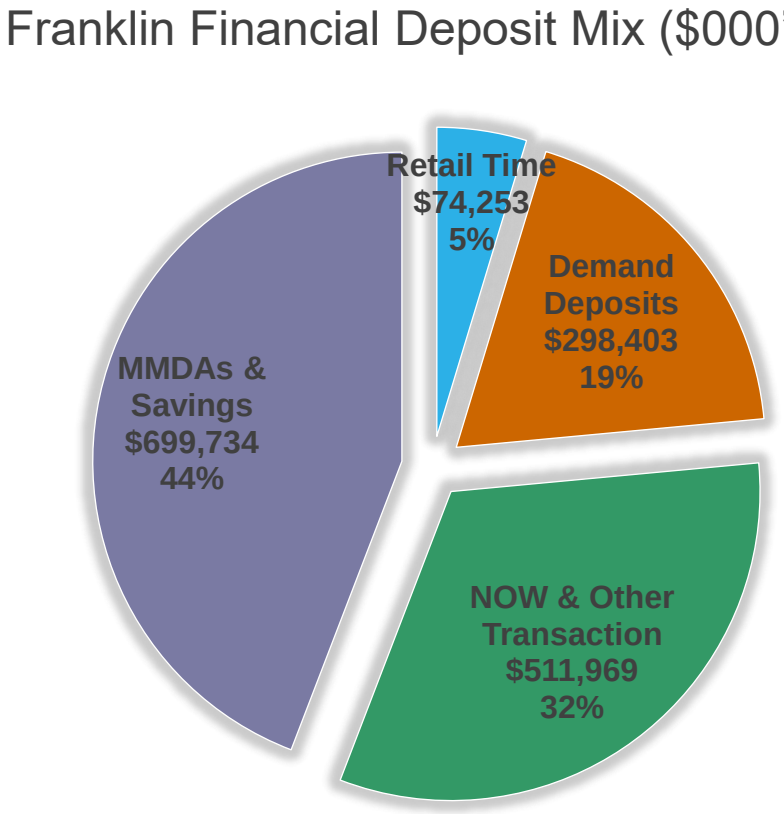
Balanced Revenue Model

Annualized Noninterest Income Source as a percentage of Average Assets as of December 31, 2021	2021 Franklin Financial	Median PA Banks Peer[1]
Trust	0.42%	0.02%
Service Charges on Deposits	0.14%	0.09%
Gain on Sale of Loans	0.15%	0.12%
Other	0.26%	0.27%
Total Noninterest Income[2]	1.05%	0.59%

[1]PA Banks and Holding Companies with assets between $1-3 billion reporting for the last twelve months ended as of September 30, 2021; Source: S&P Global Market Intelligence;
[2]Excludes gains on securities and sale of bank premise

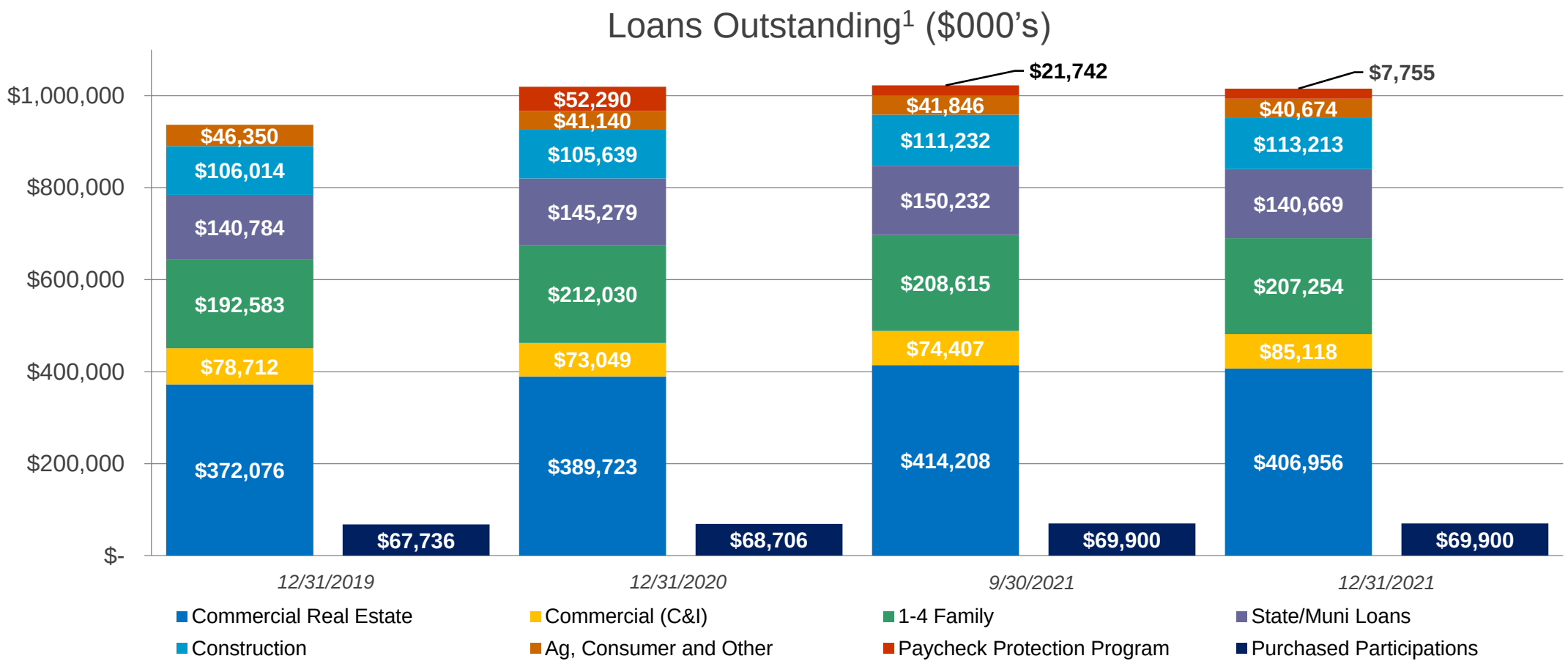
Stable, Low-Cost Core Deposits





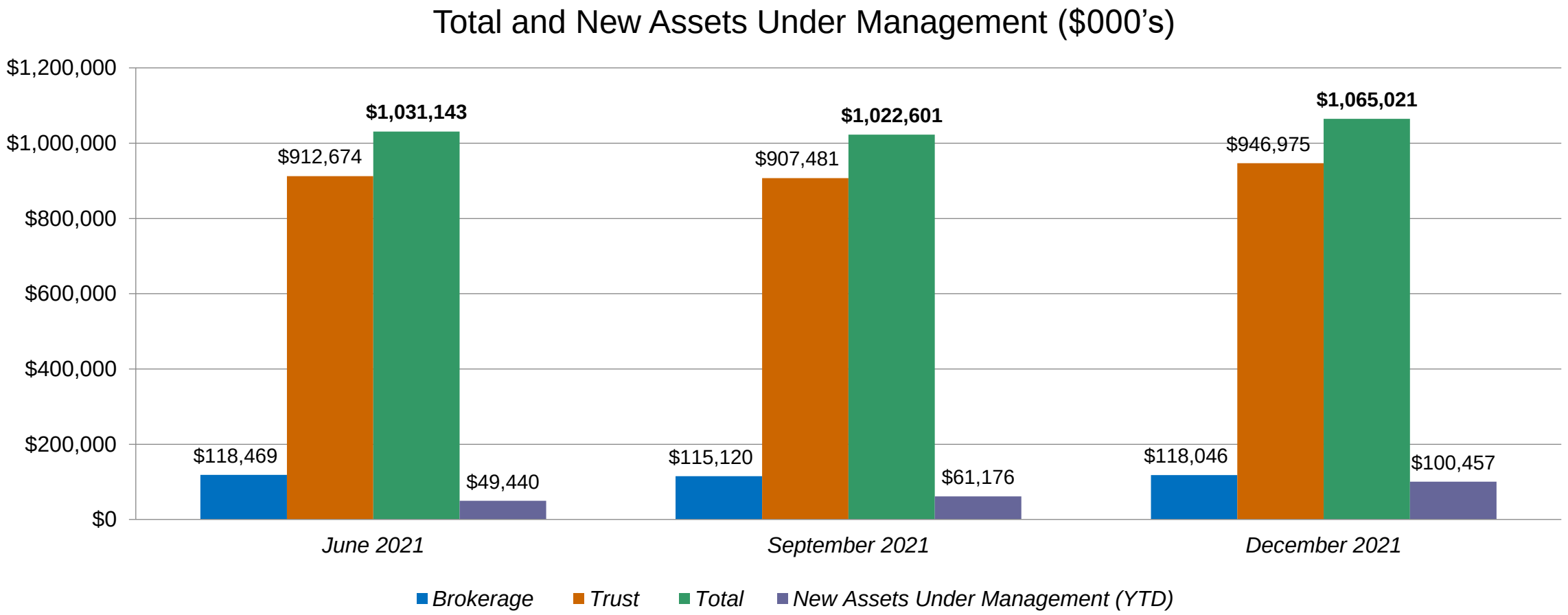
[1]For the year-to-date period

Diversified Loan Portfolio

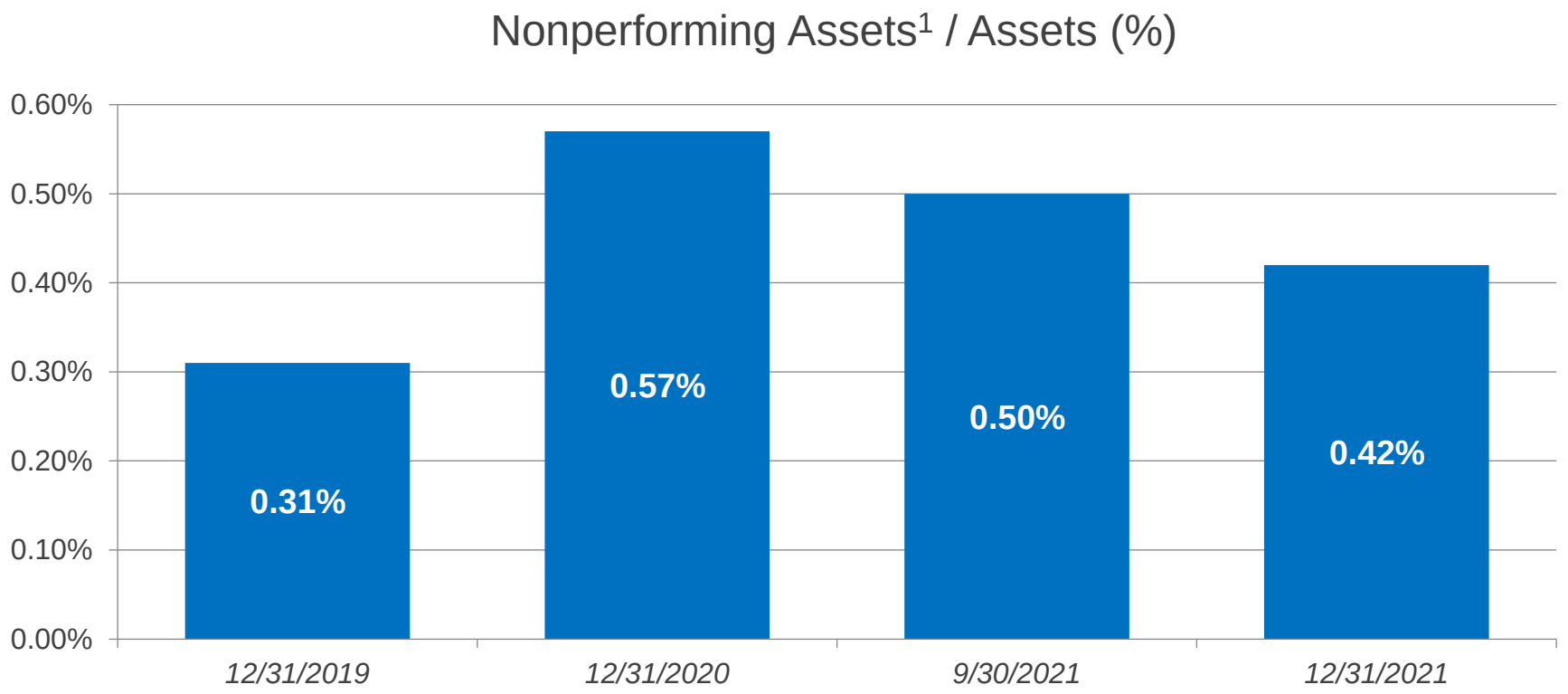


[1]Purchased participations are included as part of the loans outstanding; $1.9 million of net PPP fees to be recognized at September 30, 2021

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*)

www.franklinfin.com

www.fmtrust.bank



Appendix

F&M TRUST

Franklin Financial Services Corporation

GAAP / Non-GAAP Reconciliation

Tangible Book Value (per share) (non-GAAP)		Quarter Ended 12/31/2021	Quarter Ended 9/30/2021	Quarter Ended 12/31/2020
Shareholders' equity	$	157,065	152,838	145,176
Less intangible assets		(9,016)	(9,016)	(9,016)
Shareholders' equity (non-GAAP)		148,049	143,822	136,160
Shares outstanding (in thousands)		4,441	4,431	4,389
Tangible book value (non-GAAP)		33.34	32.46	31.02
Efficiency Ratio				
Noninterest expense	$	11,981	10,986	10,541
Net interest income		11,410	11,594	10,993
Plus tax equivalent adjustment to net interest income		368	365	378
Plus noninterest income, net of securities transactions[1]		4,544	4,397	4,037
Total revenue		16,322	16,356	15,408
Efficiency Ratio (non-GAAP)		73.40%	67.17%	68.41%

[1]Excludes securities gains in all periods and gain on sale of premises in third quarter 2021