

Investor Presentation

Fourth 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

2022 was a year of positioning Franklin Financial Services Corporation for the future. With several members of the senior management team retiring, we overlapped their successors to make for a smooth transition. Last year saw a move to a new corporate headquarters from facilities used since the early 1900s, and we also transitioned the bank to using Salesforce to improve both sales and service to our customers. Also, we opened our first full-service community office in Maryland and added a new Board member from Maryland who brings a wealth of knowledge and experience to our existing Board of Directors.

While the dramatic interest-rate changes of 2022 helped us improve our Net Interest Margin (NIM), we can expect that in 2023 the cost of funding will increase and tighten NIM. At the same time, with the addition of commercial relationship managers with experience in adjoining markets, we should be able to grow loans even in the face of possible recession. Our credit quality further improved, and we are appropriately provisioned should changes in the economy create challenges for some of our customers.

Fee income should be supported by continued growth in the number of clients using our Investment & Trust Services, and the bank is focused on improving efficiencies throughout the company. The negative effect of Accumulated Other Comprehensive Income (AOCI) on book capital should level off given a portfolio duration under 4 ½ years, particularly if the rate of interest hikes slows down in 2023.

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.

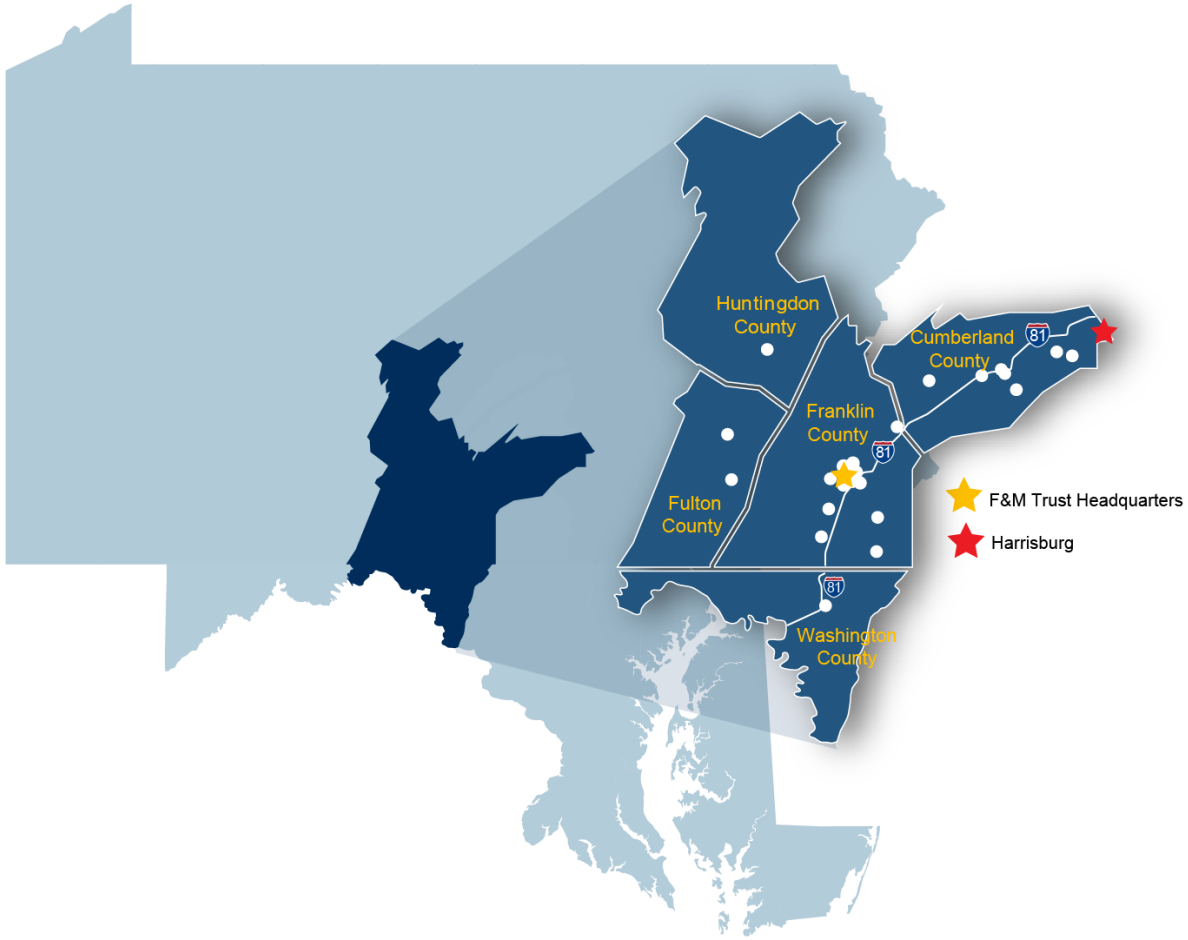
Core Values

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 a 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 $1.70 billion as of December 31, 2022
- As of December 31, 2022, Franklin Financial reported $1.02 billion in brokerage and trust assets under management
- Franklin Financial stock is trading on the Nasdaq Stock Market (NASDAQ: FRAF)

A Market Share Leader



- 22 locations in Franklin, Cumberland, Fulton, and Huntingdon counties PA, and Washington County MD.
- #1 Deposit Market Share in Chambersburg (53.5%)
- #1 Deposit Market Share in Franklin County (40.5%)
- #2 Deposit Market Share in Fulton County (36.4%)
- Began operation in MD in June 2022

Source: Federal Deposit Insurance Corporation; Deposit Market Share Report; June 30, 2022

Experienced and Cohesive Executive Team

Executive	Title	Years of Banking Experience	Joined F&M Trust	Prior Experience
Timothy G. Henry	*President & Chief Executive Officer*	**41**	2016	*Fulton, Centra Bank, BlueRidge Bank, Susquehanna Bank, BB&T*
Mark R. Hollar	*Executive Vice President, Chief Financial Officer & Treasurer*	**35**	1994	*ValleyBank & Trust*
Charles B. Carroll, Jr.	*Executive Vice President, Chief Operating Officer*	**29**	2023	*S&T Bank, FirstMerit / Huntington National Bank, BBVA Compass*
Lorie Heckman	*Senior Vice President, Chief Risk Officer*	**37**	1986	
Steven D. Butz	*Senior Vice President, Chief Commercial Services Officer*	**38**	2013	*PNC, Waypoint, Sovereign, Graystone Tower, Susquehanna Bank*
Scott Ehrig, CFP, CIMA	*Senior Vice President, Chief Investment & Trust Services Officer*	**30**	2020	*FMA Advisory, Wilmington Trust, M&T Investment Group, JP Morgan*

Experienced and Cohesive Executive Team

Executive	Title	Years of Banking Experience	Joined F&M Trust	Prior Experience
Louis J. Giustini	*Senior Vice President, Chief Retail Services Officer*	**35**	2022	*Hagerstown Trust, Columbia Bank, Fulton Bank*
Karen K. Carmack, DM	*Senior Vice President, Chief Human Resources Officer*	**28**	2000	*ACNB*
Matthew D. Weaver	*Senior Vice President, Chief Marketing Officer*	**23**	2014	*Susquehanna Bank, Clifton LarsonAllen, IMRE*
David Long	*Senior Vice President, Chief Technology Officer*	**16**	2022	*Howard Bank*

Well-Established Company

- Market share leader in core deposit, loan, and asset-management segments in economically stable and historically growing markets
- Recently hired executive team members with extensive banking industry experience and market knowledge, adding to an experienced management team
- 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, 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 growth and service

2022 Year-End Financial Updates

- Net interest income for 2022 was $51.6 million compared to $44.7 million in 2021
- Continue to adjust deposit rates in response to market conditions
- Net interest margin was 3.58% for the fourth quarter compared to 2.79% for the same period in 2021 and 3.11% for 2022 compared to 2.88% in 2021
- Provision for loan loss was $650 thousand for the fourth quarter and for the year
- Allowance for loan loss ratio of 1.35%; non-performing asset ratio of 0.01%
- Capital position remained strong with a total risk-based capital ratio of 17.21% and a leverage ratio of 8.95%
- Maintained the dividend at $0.32 per share for the first quarter of 2023

2022 Year-End Financial Updates

- Loan-to-deposit ratio of 67% is up slightly and allows for lending opportunities at higher interest rates
- Fee income from new mortgages originated for sale in the secondary market decreased $1.7 million compared to 2021
- Deposits decreased 2.1% from year-end 2021
- A new retail checking account lineup introduced in 2021 helped to generate a 12% increase in deposit fees year-over-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 in 2022

- Registered Zelle® users increased 21.0% and mobile banking users increased 5.0% from the same period in 2021 as customers continue to transition to digital banking channels
- Introduced MX Personal Finance and Credit Score powered by SavvyMoney® as online and mobile banking enhancements, improving bank's reach to customers
- Treasury services improved digital solutions to help business customers streamline payment and collection processes, manage liquidity, and prevent fraud, resulting in increased fee income and deposits
- Business online banking customers increased 10.5% 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
- Launched Salesforce in Retail, Commercial and Investment & Trust Services segments of the bank

Outlook for 2023

- Continue building for the future by making investments in our physical, technological, and sales infrastructure including:
  - Further integration of Salesforce, a digital sales platform 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
- Rising deposit rates will challenge expansion of NIM

Outlook for 2023

- 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
- Expect growth in commercial lending relationships due to addition of new relationship managers and growth into newer markets for the bank
- Declines in deposit balances as the federal pandemic funding is spent by individual businesses and municipalities
- The negative effect of AOCI on book capital should level off (given a portfolio duration under 4 ½ years) particularly if the rate of interest hikes slows down in 2023

Outlook for 2023

- Improving efficiency ratio as addition of Salesforce and move to new headquarters building are fully absorbed and benefits start to be realized
- Growth from the Investment & Trust Services division as equity and bond markets stabilize from 2022 and the division continues its pace of adding new relationships

Summary

- The Company continues to be well capitalized and positioned to successfully develop new commercial and investment and trust relationships
- The bank is positioned to fund growth though the resulting NIM will likely contract
- Asset quality is good, and the Company is well provisioned for losses should they occur in future quarters due to economic factors
- 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 consolidation and move to 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, 2022

F&M TRUST

Franklin Financial Services Corporation

Balance Sheet Highlights

Dollars in Thousands (000's)	12/31/2022	9/30/2022	12/31/2021	12/31/2020
Total Assets	$1,699,579	$1,847,162	$1,773,806	$1,535,038
Cash and Cash Equiv.	$64,899	$210,156	$175,149	$57,146
Investments	$487,247	$492,467	$530,292	$397,331
Net Loans	$1,036,866	$1,033,518	$983,746	$992,915
Deposits	$1,551,448	$1,704,983	$1,584,359	$1,354,573
Shareholders' Equity	$114,197	$108,151	$157,065	$145,176

Income Statement Highlights

Dollars in Thousands (000's)	Quarter Ended 12/31/2022	Quarter Ended 9/30/2022	Quarter Ended 12/31/2021
Interest Income	$16,997	$15,043	$12,133
Interest Expense	$2,392	$980	$723
Provision for Losses	650	--	(200)
Noninterest Income[1]	$3,690	$3,739	$4,544
Noninterest Expense	$13,196	$12,200	$11,981
Net Income	$3,717	$4,631	$3,653

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

Key Performance Measures

Percent (%)	Quarter Ended 12/31/2022	Quarter Ended 9/30/2022	Quarter Ended 12/31/2021
Return on Avg. Assets	0.84	1.00	0.84
Return on Avg. Equity	13.58	14.86	9.56
Efficiency Ratio[1]	70.42	67.23	73.40
Net Interest Margin	3.58	3.28	2.79
Noninterest Inc[2] / Operating Revenue	20.17	21.00	28.48

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

Balance Sheet Strength

Percent (%)	Quarter Ended 12/31/2022	Quarter Ended 9/30/2022	Quarter Ended 12/31/2021
Risk-Based Capital Ratio (Total)	17.21	17.34	18.41
Leverage Ratio (Tier 1)	8.95	8.59	8.52
Common Equity Ratio (Tier 1)	14.22	14.29	15.20
Tangible Common Equity Ratio	6.22	5.39	8.39
Nonperforming Assets[1] / Total Assets	0.01	0.30	0.42
Allowance for Loan Loss as a % of Loans	1.35	1.43	1.51
Allowance to Nonaccrual Loans	NM[2]	268.33	204.04

[1]Nonperforming assets = nonaccrual loans, loans 90-days past due and other real estate owned; [2]Not meaningful = 11,812.50%

Market Statistics

Per Share Measure / Market Valuation	Quarter Ended 12/31/2022	Quarter Ended 9/30/2022	Quarter Ended 12/31/2021
Diluted Earnings Per Share	$0.84	$1.05	$0.82
Cash Dividend Yield	3.55%	4.06%	3.87%
Regular Cash Dividends Paid	$0.32	$0.32	$0.32
Dividend Payout Ratio	37.77%	30.36%	38.83%
Market Value Per Share	$36.10	$31.56	$33.10
Book Value	$26.01	$24.60	$35.36
Tangible Book Value[1]	$23.96	$22.55	$33.34
Market Cap ($M)	$158.48	$138.74	$147.00
Price / Book (%)	138.79%	128.29%	93.61%
Price / Tangible Book (%)	150.67%	139.95%	99.29%
Price / LTM EPS (X)	10.74	9.45	7.51

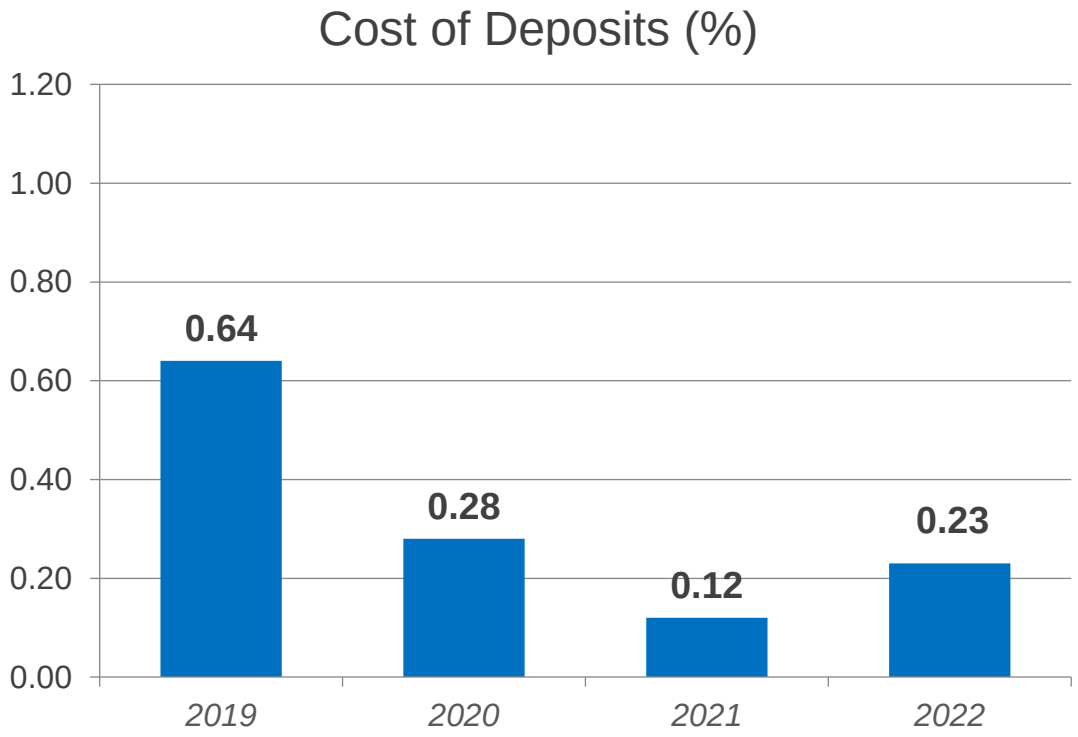
[1]See GAAP versus Non-GAAP reconciliation

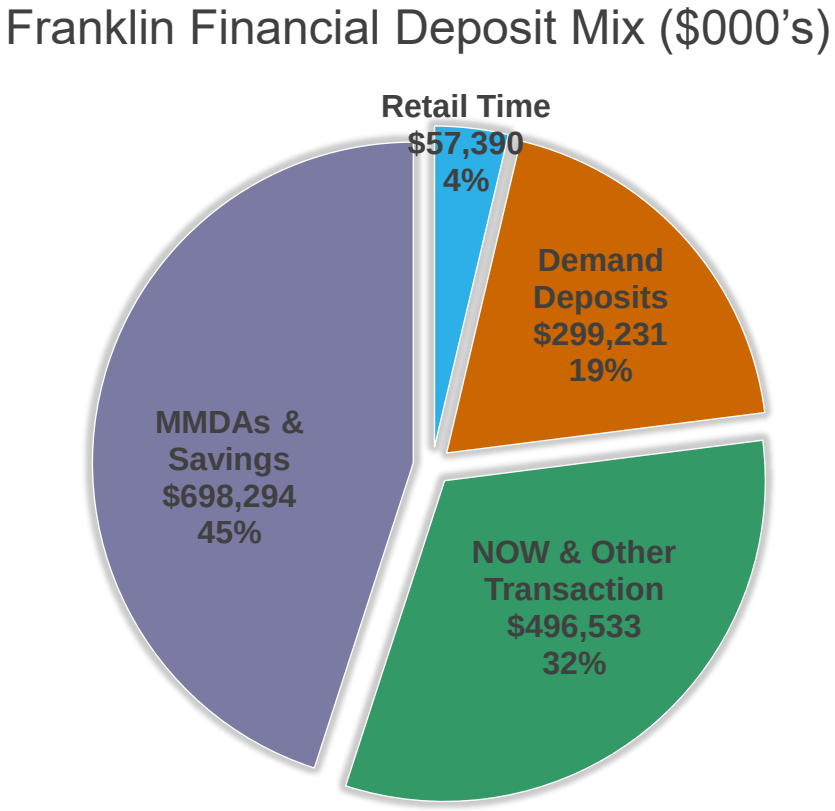
Balanced Revenue Model

Annualized Noninterest Income Source as a percentage of Average Assets as of December 31, 2022	2022 Franklin Financial	Median PA Banks Peer[1]
Trust	0.41%	0.01%
Service Charges on Deposits	0.15%	0.09%
Gain on Sale of Loans	0.05%	0.03%
Other	0.22%	0.27%
Total Noninterest Income[2]	0.91%	0.56%

[1]PA Banks and Holding Companies with assets between $1-3 billion reporting for the last twelve months ended as of September 30, 2022; Source: S&P Global Market Intelligence; [2]Excludes gains on securities

Deposit Mix

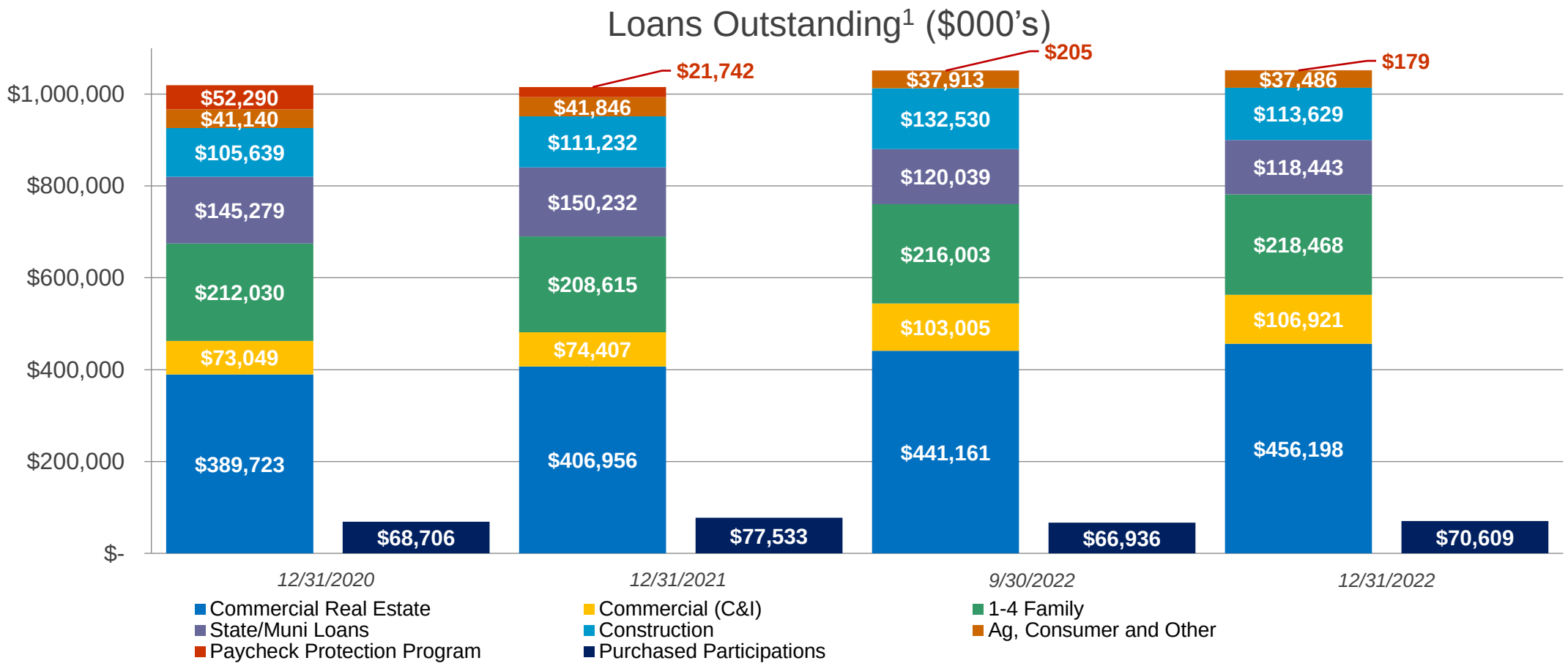

Cost of Deposits (%)
1.20
1.00
0.80
0.60
0.40
0.20
0.00
0.64
0.28
0.12
0.23
2019
2020
2021
2022


Franklin Financial Deposit Mix ($000's)
Retail Time
$57,390
4%
Demand
Deposits
$299,231
19%
NOW & Other
Transaction
$496,533
32%
MMDAs &
Savings
$698,294
45%

Liquidity Available at December 31, 2022

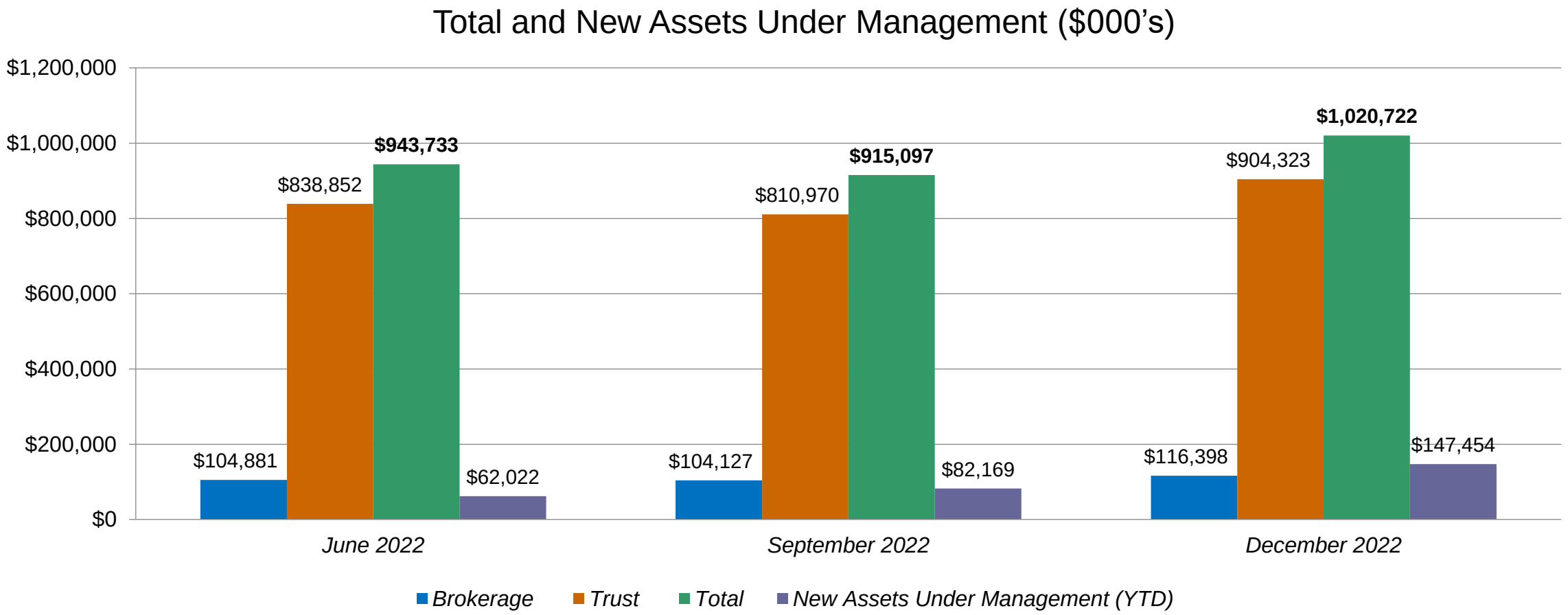
Dollars in Thousands (000's)			
Liquidity Source	**Capacity**	**Outstanding**	**Available**
Federal Home Loan Bank	$379,133	$ –	$379,133
Federal Reserve Bank Discount Window	$60,218	$ –	$60,218
Correspondent Banks	$56,000	$ –	$56,000
Total	**$495,351**	**$ –**	**$495,351**

Diversified Loan Portfolio

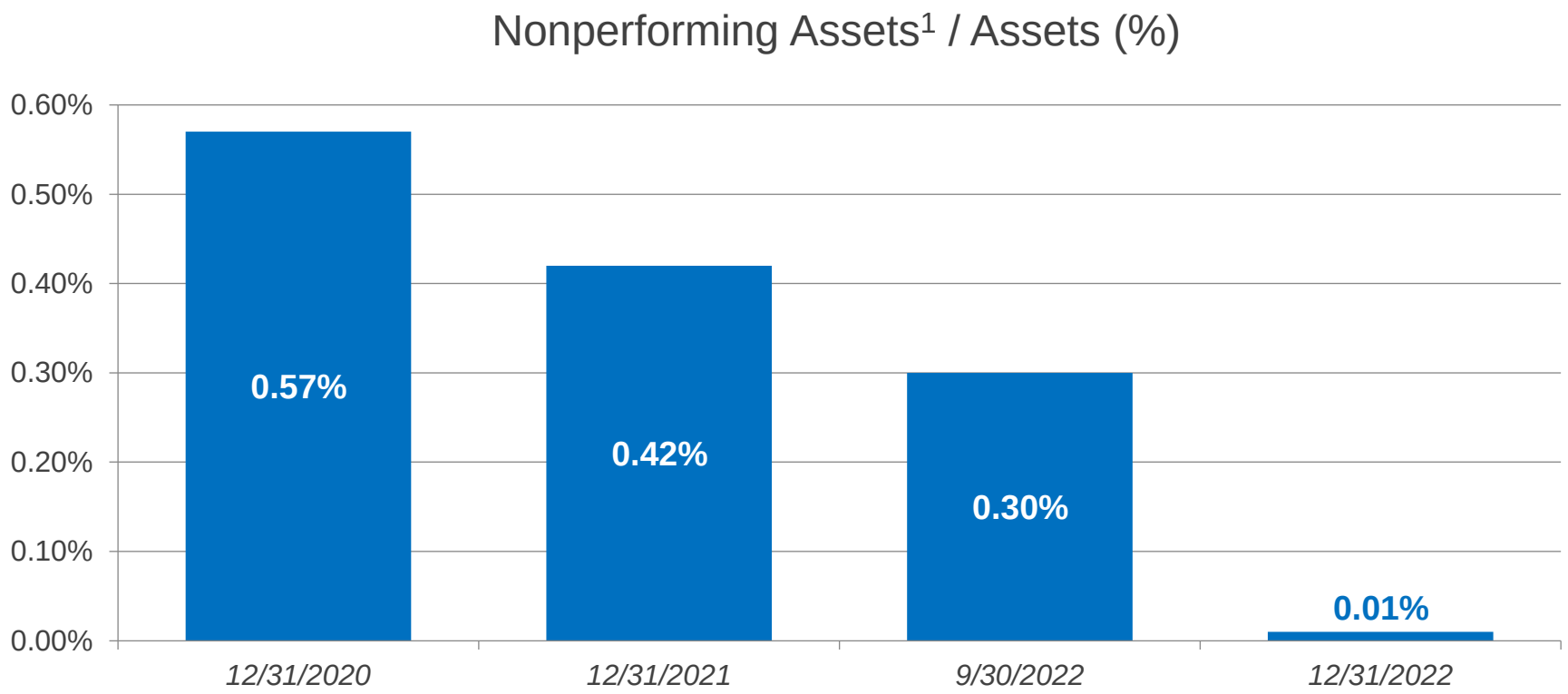


[1]Purchased participations are included as part of the loans outstanding

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*)

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 12/31/2022	Quarter Ended 9/30/2022	Quarter Ended 12/31/2021
Shareholders' equity	$114,197	$108,151	$157,065
Less intangible assets	(9,016)	(9,016)	(9,016)
Shareholders' equity (non-GAAP)	105,181	99,135	148,049
Shares outstanding (in thousands)	4,390	4,396	4,441
Tangible book value (non-GAAP)	$23.96	$22.55	$33.34
Efficiency Ratio			
Noninterest expense	$13,196	$12,200	$11,981
Net interest income	14,605	14,063	11,410
Plus tax equivalent adjustment to net interest income	445	346	368
Plus noninterest income, net of securities transactions[1]	3,690	3,739	4,544
Total revenue	18,740	18,148	16,322
Efficiency Ratio (non-GAAP)	70.42%	67.23%	73.40%

[1]Excludes securities gains in all periods