

Annual Meeting

April 25, 2023

F&M TRUST

Franklin Financial
Services Corporation

Call to Order

G. Warren Elliott

F&M TRUST

Franklin Financial Services Corporation

Invocation

Pam Johns

F&M TRUST

Franklin Financial Services Corporation

Minutes of Last Meeting

G. Warren Elliott

F&M TRUST

Franklin Financial Services Corporation

Forward Looking Statements

In order to help you to better understand the business of the Company – where we have been and where we want to go – my remarks today (and those of other Company officers who will speak or respond to questions) will include forward looking statements relating to anticipated financial performance, future operating results, business prospects, new products, and similar matters. These statements represent our best judgment, based upon present circumstances and the information now available to us, of what we think may occur in the future – and, of course, it is possible that actual results may differ materially from those we envision today.

For a more complete discussion on the subject of forward looking statements, including a list of some of the risk factors that might adversely affect operating results, I refer you to section 1A entitled "Risk Factors" which appears in our annual report on Form 10-K as filed with the Securities and Exchange Commission (SEC).

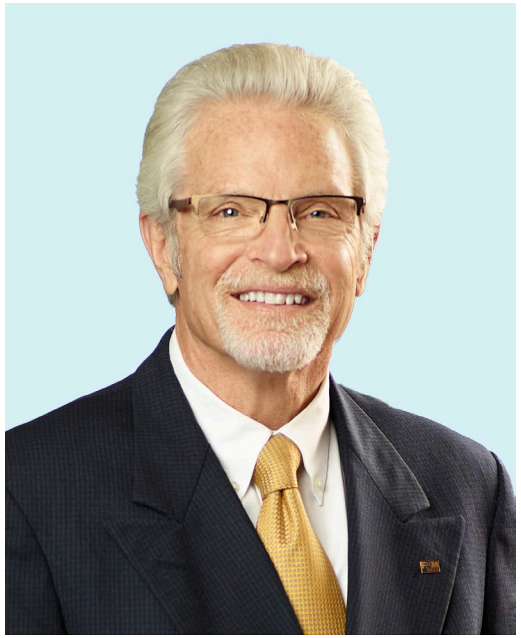
Introduction

G. Warren Elliott

F&M TRUST

Franklin Financial Services Corporation

Board of Directors



G. Warren Elliott
Chairman of the Board



Timothy (Tim) G. Henry
President & CEO

Board of Directors



Martin R. Brown



Kevin W. Craig



Gregory A. Duffey

Board of Directors



Daniel J. Fisher



Allan E. Jennings, Jr.



Stanley J. Kerlin

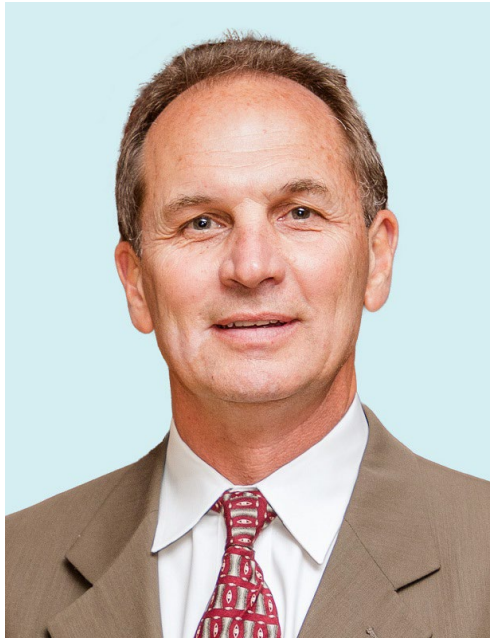
Board of Directors



Donald H. Mowery



Kimberly M. Rzomp



Gregory I. Snook

Nick Bybel
Partner, Bybel Rutledge LLP

Zoe Clayton
Assistant Corporate Secretary – Judge of Elections

Ian Kandray
CPA, Crowe

Warren Hurt
Vice President and Chief Investment Officer

F&M TRUST
Franklin Financial Services Corporation

Chairman Comments

G. Warren Elliott

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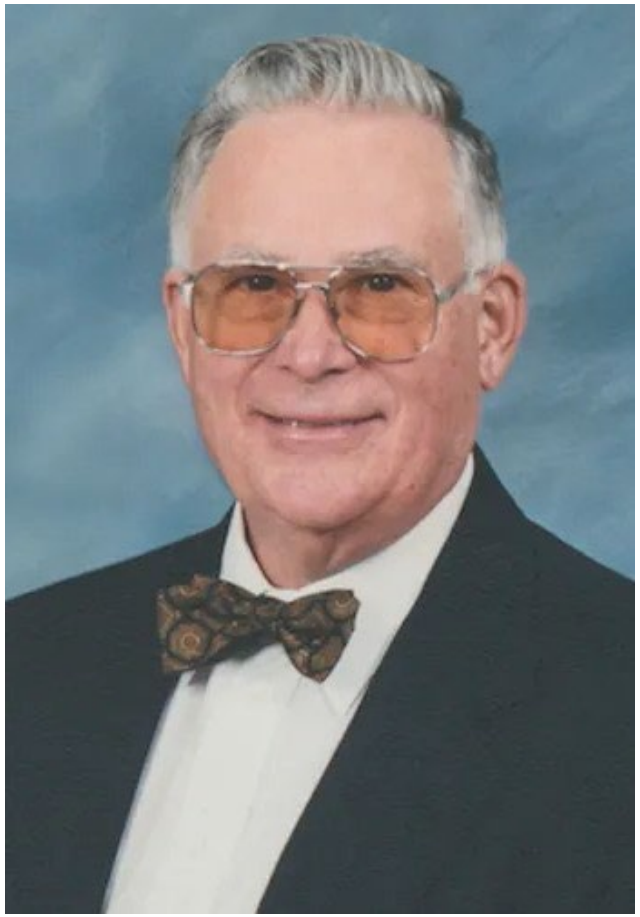
Franklin Financial Services Corporation



John M. Hull

February 12, 1928 – January 4, 2023



G. Warren Elliott

Chairman of the Board

F&M TRUST

Franklin Financial Services Corporation





G. Warren Elliott

Chairman of the Board

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Franklin Financial Services Corporation


CASHIER



G. Warren Elliott

Chairman of the Board

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Franklin Financial Services Corporation

FINANCE ›

How Pennsylvania banks compare to Silicon Valley Bank

KDKA NEWS

BY SETH KAPLAN

UPDATED ON: MARCH 13, 2023 / 6:09 PM / CBS PITTSBURGH

Nat'l rank by total deposits	Bank name	Location in Pennsylvania	Percentage of domestic deposits FDIC insured
506	Ephrata National Bank	Ephrata	77%
534	FNCB Bank	Dunmore	73%
539	F&M Trust	Chambersburg	92%
551	QNB	Quakertown	66%
555	Embassy Bank	Bethlehem	62%



G. Warren Elliott

Chairman of the Board

F&M TRUST

Franklin Financial Services Corporation



Franklin Financial
Services Corporation

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As a valued shareholder of Franklin Financial Services Corporation, you are cordially invited to join the Board of Directors and Senior Leadership for an opportunity to exchange information and learn more about the company's vision for the future. Light refreshments, beer and wine will be provided.

JANUARY

THURSDAY 19 5:00 to 6:30pm

2023

F&M Trust Community Room
1500 Nitterhouse Drive
Chambersburg, PA 17201

Kindly

RSVP

by Thursday, January 12, 2023
to Zoe Clayton
zoe.clayton@f-mtrust.com
or (717) 261-3551



F&M TRUST

Franklin Financial
Services Corporation


SHAREHOLDER LETTER
2021
Franklin Financial Services Corporation
F&M TRUST
SHAREHOLDER LETTER
2022
DEAR SHAREHOLDERS,
It is an honor and a pleasure to once again
be writing to share with you what your
company accomplished in the past
Franklin Financial Services Corpora
(FFSC) successfully completed the
third-most profitable year in its hist
during a time of dynamic changes t
both positive and negative effects c
local economy and the company.
Nationally and regionally, 2022 will be remembered
financially tumultuous year, as the country continue
to its response to the pandemic. 2022 saw interest
from December 31, 2021, to December 31, 2022, as
Reserve's funds rate went from 0.08% to 4.33%, the
rose from 3.25% to 7.50%, and the 10-year treasury
from 0.94% to 3.88%. As interest rates climbed, the
equally dramatic effects on loan and deposit pricing
stock and bond markets. Just as challenging for th
and the region were international and employment
well as financial issues, that created an economy s
historic inflation levels that affected everyone.
FFSC was affected by the same economic factors
affected the nation and our region. While addressin
current short-term issues, it was also important tha
company not overreact and lose sight of our long-te
and goals. By maintaining a long-term view, your co
able to continue to position itself for future growth a
profitability by adding key employees to our team; g
new markets, adding digital infrastructure, including
and adding to our physical footprint with a new hea
building and two newly renovated community office
In 2022, your company posted a net income of $14,
While rising interest rates helped us to recognize hig
interest income, when compared to 2021, that adva
offset by lower non-interest income and higher expe
of the differences between 2021 and 2022 were du
benefits recognized in 2021, including a $2.1 million
reversal and the sale of the company's headquarter
downtown Chambersburg. In 2022, your company
salary and benefit costs, as inflation and wage and
pressures required the company to raise wages to
demand. With the end of federal government suppo
related to the pandemic, spending habits changed,
some of the bank's non-interest income. Increased interest rates
affected your company in several other ways. The Investment &
Your Way
QUARTERLY WINTER 2023
F&M TRUST
PERSPECTIVES FROM THE HAGERSTOWN REGION
Three experienced professionals become inaugural members of F&M Trust's new Advisory Board in Washington County, Maryland.
SEE PAGE 5
PAUL CRAMPTON, JR.
PAUL C. MELLOTT, JR.
GREGORY I. SNOOK
2 TIM TALK
Notes from the President
4 INVESTOR NEWS
4th Quarter Review
5 BANK NEWS
Hagerstown Advisory Board
6 SPOTLIGHT
The Benefits of YourBux
7 LEADING THE WAY
Meet Our Team Members
8 HELPFUL WAYS
In Our Community
Banking Done Your Way
1.888.264.6116
fmtrust.bank
A BETTER BANKING
F&M Trust now
streamline proc
service to custo
SEE PAG
NEW PL
BETTER
The new corporate
and open for busine
more centralized,
service-oriented to
and communities
western MD.
SEE PAG
Member FDIC


F&M TRUST
SHARE-
HOLDER
PARKING
ONLY
F&M TRUST
F&M TRUST
SHARE-
HOLDER
PARKING
ONLY



G. Warren Elliott

Chairman of the Board

F&M TRUST

Franklin Financial Services Corporation


Dear Shareholder:
Thank you so much!
Warren Elliott
appreciated!
Thank you
Warren El
-0734
Dear Shareh
Thank you
F&M

Election of Directors

G. Warren Elliott

F&M TRUST

Franklin Financial Services Corporation

G. Warren Elliott

Timothy G. Henry

Stanley J. Kerlin

Kimberly M. Rzomp

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Franklin Financial Services Corporation

Say-On-Pay Vote

G. Warren Elliott

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Say-On-Frequency Vote

G. Warren Elliott

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Ratification of Auditors

G. Warren Elliott

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Polls Open

G. Warren Elliott

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Franklin Financial Services Corporation

Economic Review & Outlook

Warren Hurt, Chief Investment Officer

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Franklin Financial Services Corporation

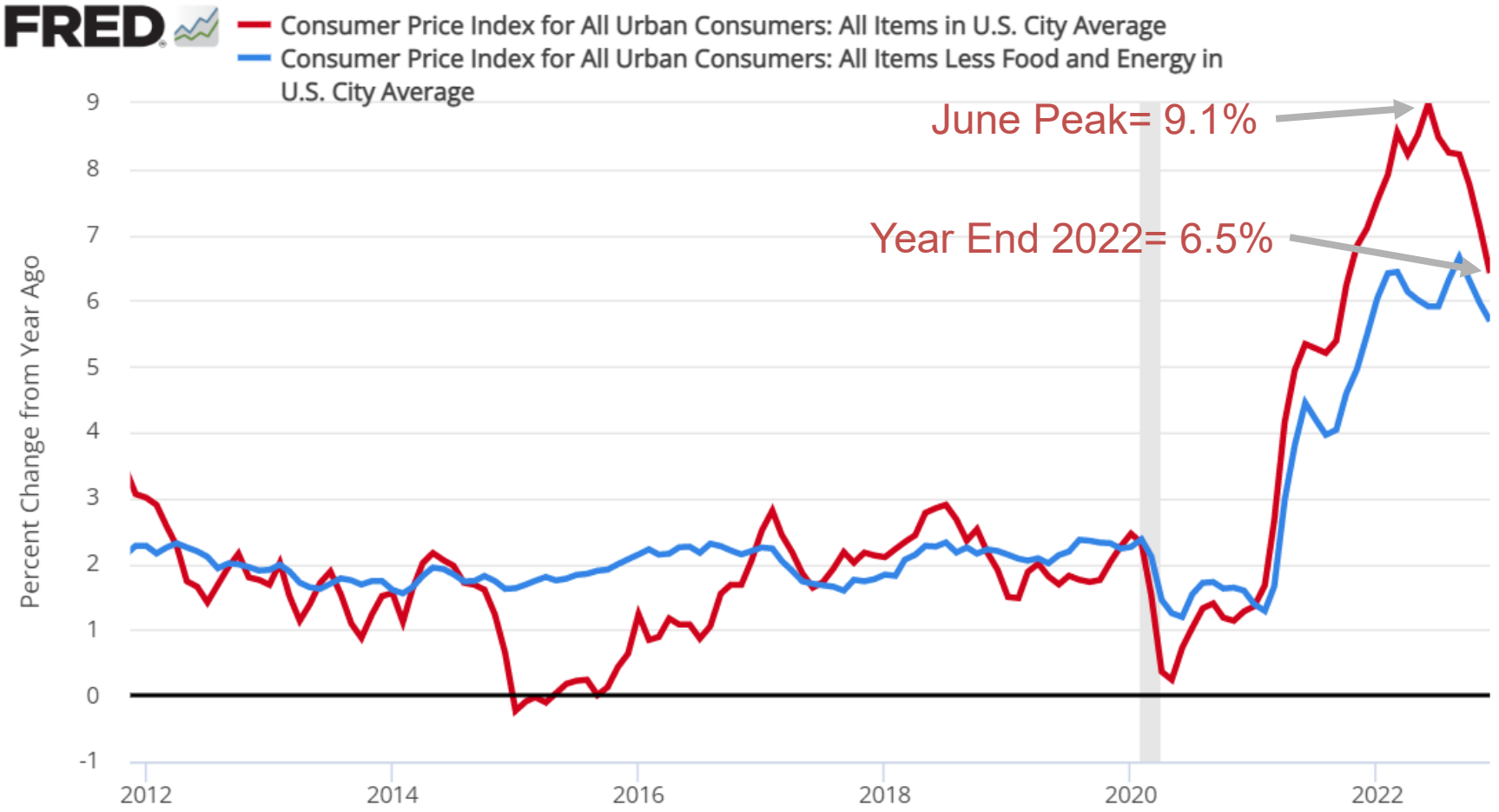
Economic Review and Outlook

Headlines: 2022 – A Uniquely Challenging Year



Economic Review and Outlook

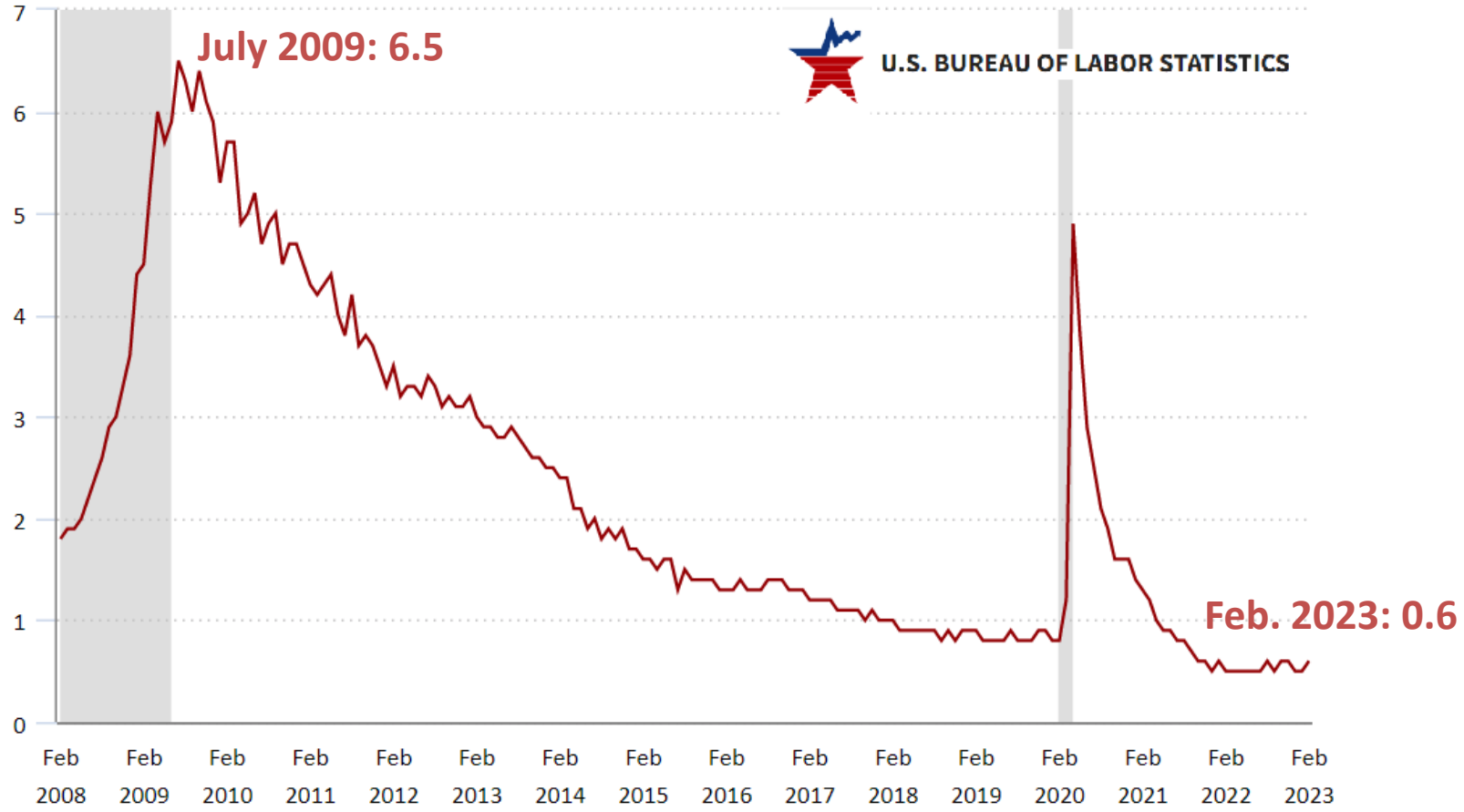
2022 Economic Review: Inflation – Highest in 40 years



Economic Review and Outlook

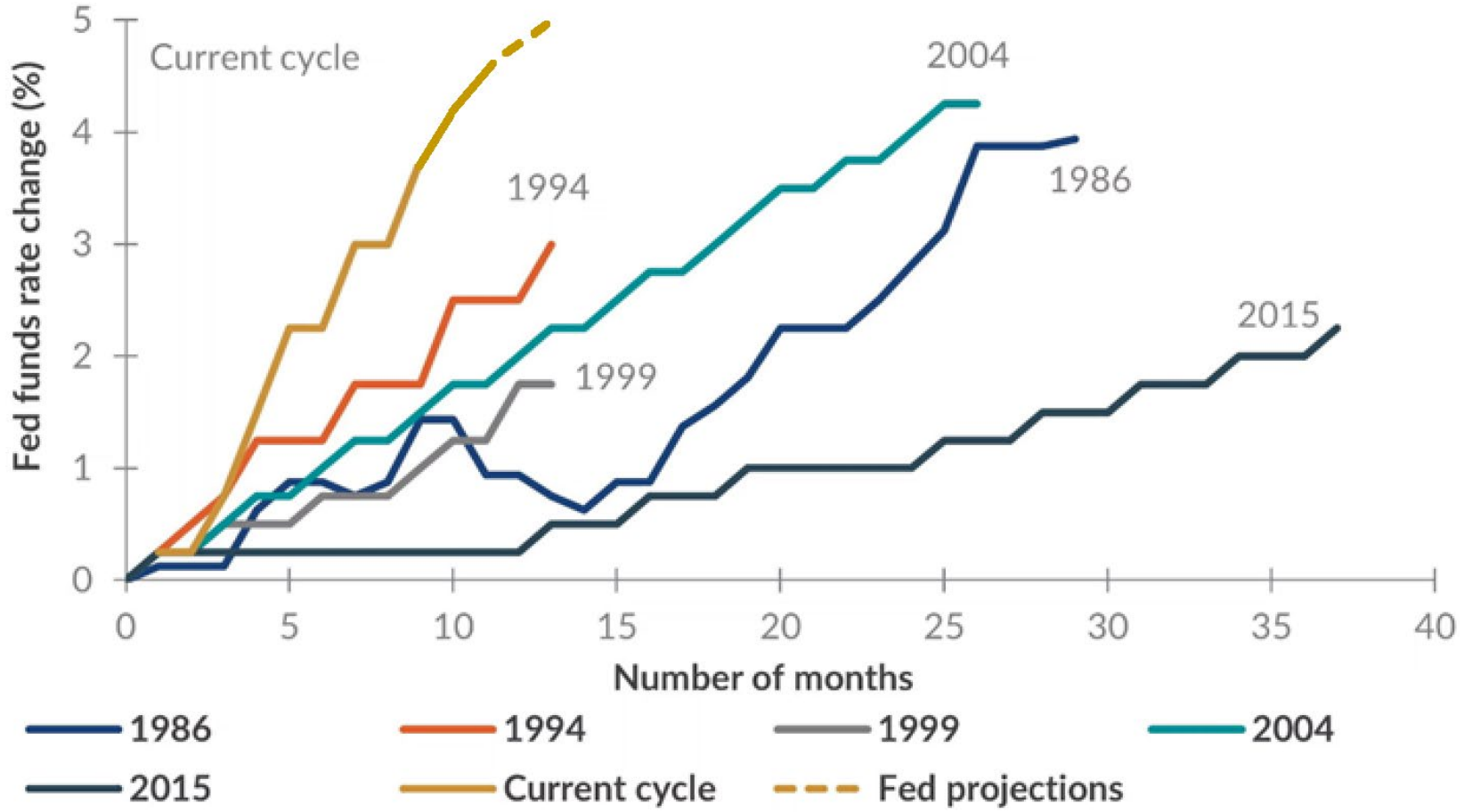
2022 Economic Review: Employment – Out of Balance

Number of unemployed persons per job opening



Economic Review and Outlook

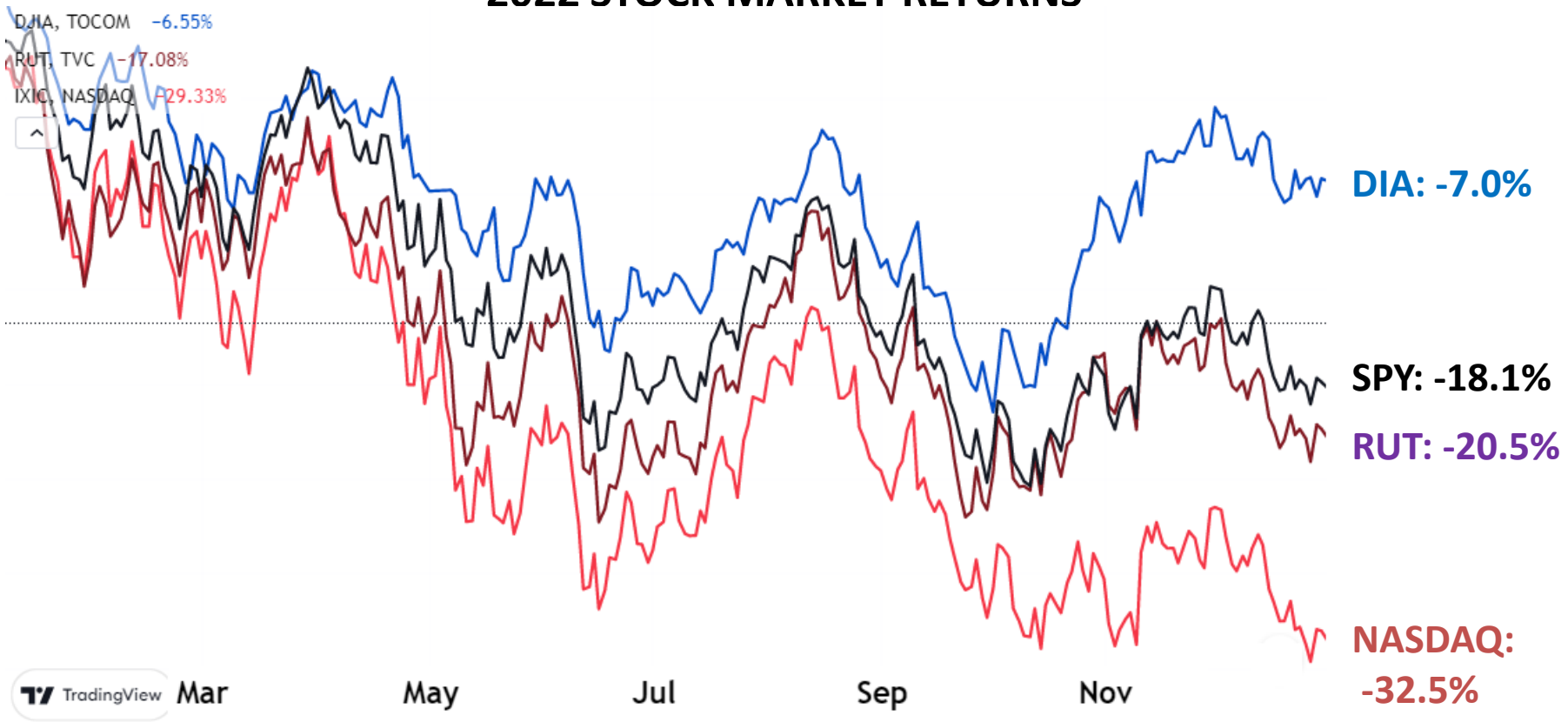
2022 Economic Review: Fed Policy – Record Tightening



Economic Review and Outlook

2022 Economic Review: Equity Markets

2022 STOCK MARKET RETURNS



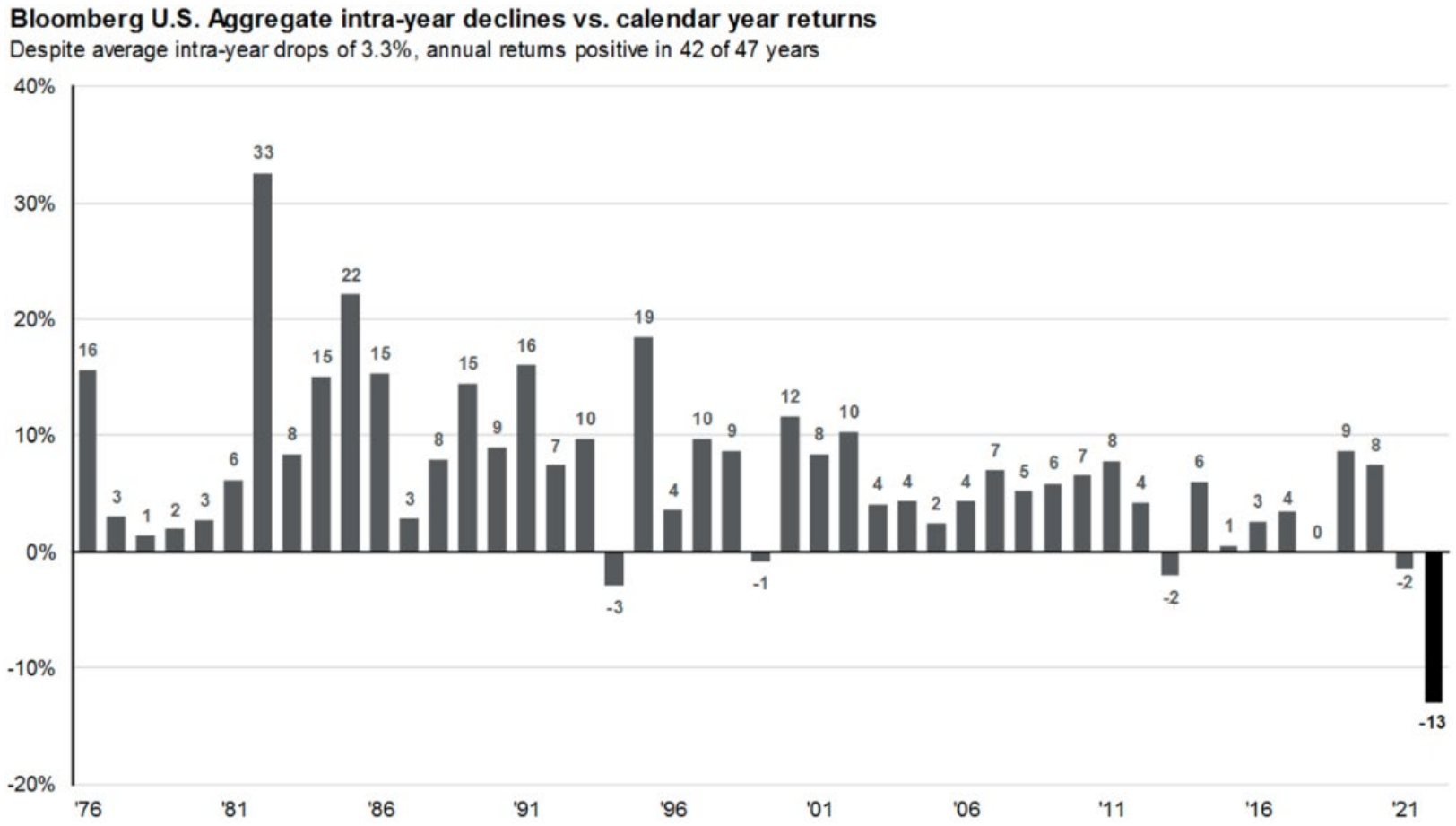
Economic Review and Outlook

2022 Economic Review: Bond Markets – Worst Year Ever?



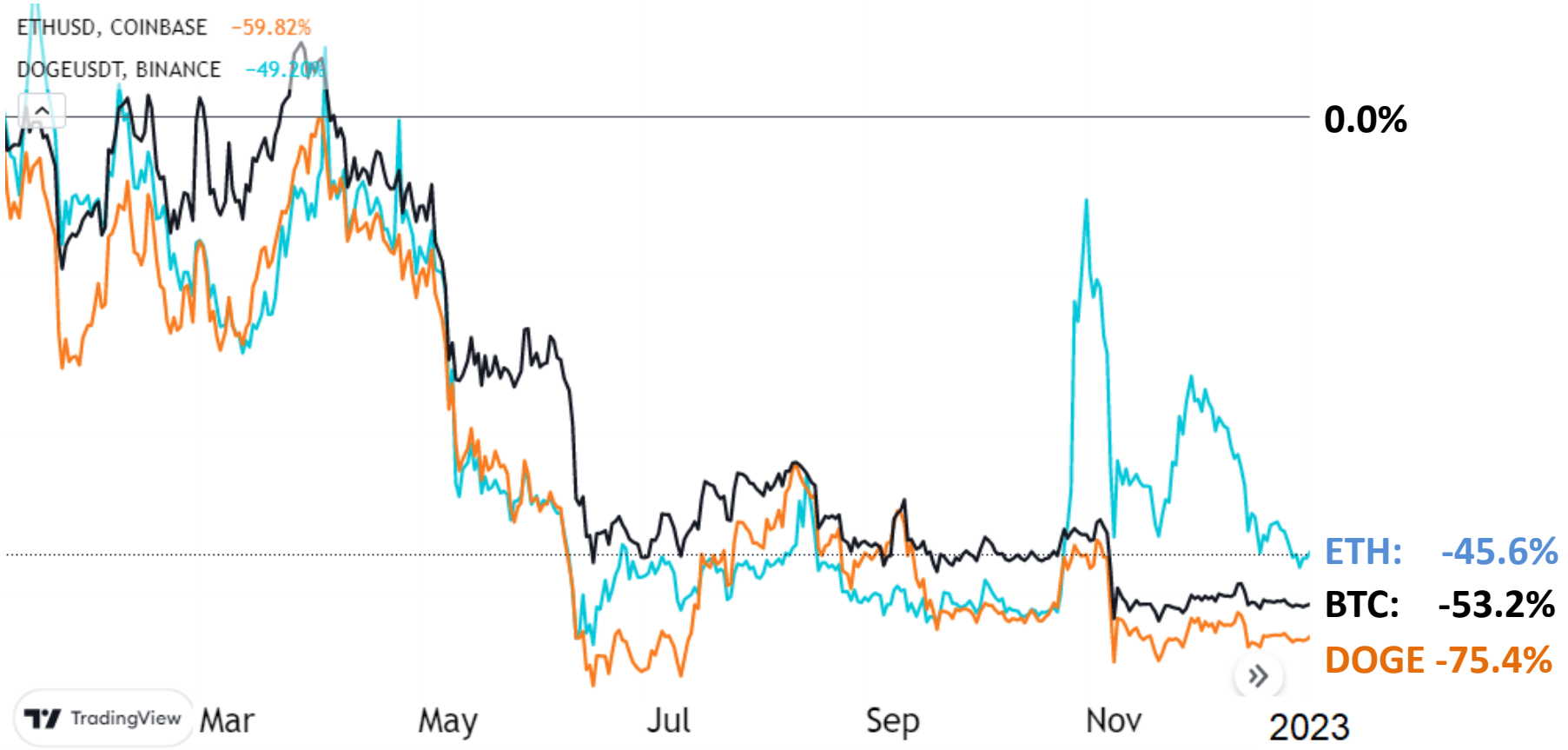
Economic Review and Outlook

2022 Economic Review: Bond Market – How Bad Was It?



Economic Review and Outlook

2022 Economic Review: Crypto Currency



Economic Review and Outlook

2022 Review: Vacation – “Let’s go to Yellowstone” (Day 1)





Economic Review and Outlook

2022 Review: Vacation – “Let’s go to Yellowstone” (Day 3)

WEATHER

Yellowstone-area floods strand visitors and residents, prompt evacuations

June 14, 2022 · 4:14 PM ET



Economic Review and Outlook

2022 Review: Economic Summary and Review

Economic Measure	2022 Result
Inflation	+9.1% Peak (Worst in 40 Years)
GDP	-1.6% to 3.2% (Two Consecutive Negative Quarters)
S&P 500	-18% (Worst since 2008 Financial Crisis)
Nasdaq	-32.5% (2nd Worst since 2001 Tech Wreck)
US Bond Performance	-13.1% (Worst since G. Washington was POTUS)

Economic Review and Outlook

2023 Outlook: Progress But More Work Ahead



Banking Industry Update

The Seeds Were Planted Three Years Ago

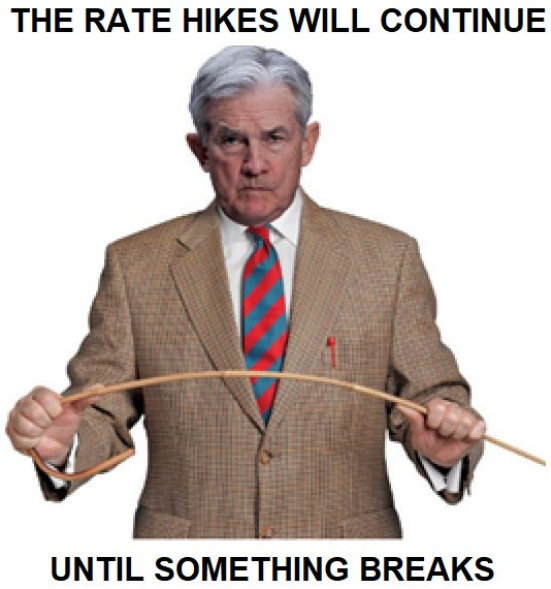
- 2020 – Massive fiscal stimulus pumped into the economy (PPP, IRS checks, expanded unemployment, student debt suspension)
- Most of these funds land in bank deposit accounts
- Fed also drops borrowing rates to 0% and starts $95 billion/month in quantitative easing
- Excess deposits along with Covid lockdowns reduces loan demand
- 0% rate environment forces banks to purchase bonds in effort to deliver yield
- Many banks took on duration risk in pursuit of additional yield



Banking Industry Update

How We Got Here: 2022 – Aggressive Fed Policy Stresses the Economy

- $7 trillion in new liquidity delivered into a supply constrained economy delivers predictable inflation
- Fed calls it “transitory” – their reaction is too late and too timid (25bp first hike)
- Behind the curve, Fed raises 475bp in less than a year
- 475bp rate hike + long duration bonds = significant capital erosion
- All banks suffer some level of capital erosion
- Bank risk depends upon deposit stability, available liquidity and capital position



Banking Industry Update

How We Got Here: Silicon Valley Bank (SVB) – Built to Fail

- 94% of SVB deposits were uninsured by FDIC insurance
- Attempted to raise $2.25 billion in preferred and common equity capital but failed.
- Lack of capital spooked uninsured depositors, triggering mass withdraws
- Only 2.1% of SVB's $26 billion in "available for sale" assets were hedged in March 2023.
- SVB had hedges on "available for sale" assets but unwound $11 billion in swaps to book a 2022 gain



Banking Industry Update

F&M Trust in the Media



bizneswsPA

Local banks reassure in wake of big-bank failures

Following the high-profile implosion of two large banks over the weekend, community bankers have spent the last couple of days reassuring customers that their deposits are safe.

- A key talking point is the difference between a typical Main Street bank and the two banks that failed, **Silicon Valley Bank** in California and **Signature Bank** in New York.
- "In our communications, we emphasized the uniqueness of this situation and reinforced that **F&M Trust** is a conservatively managed community bank with a strong liquidity position," said Matt Weaver, chief marketing officer for Chambersburg-based F&M Trust.
- Customers seem to understand the difference, added Mike Price, president and **st Commonwealth Financial**, the western Pennsylvania bank that ught Harrisburg-based **Centric Financial**.

n out with customers all day, been in branches all day, and there's just any, concern," Price said in a phone interview yesterday.

CBS NEWS PITTSBURGH

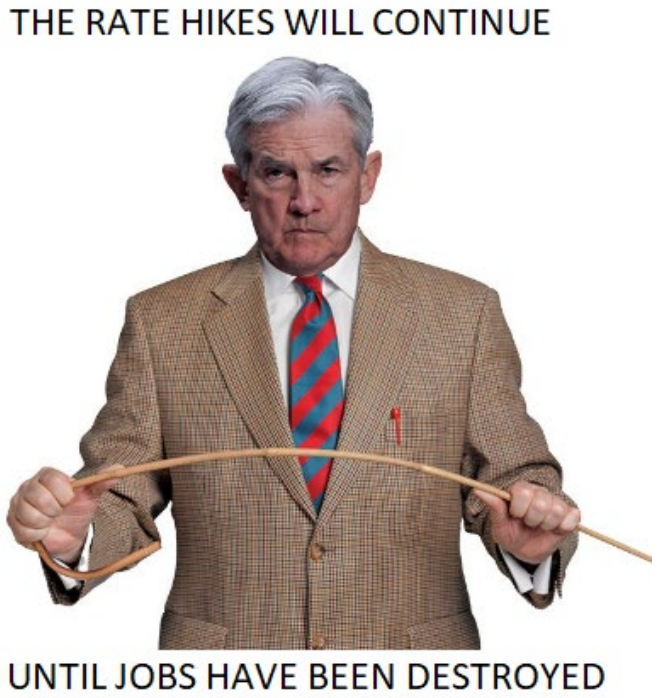
How Pennsylvania banks compare to Silicon Valley Bank

Bank name	Location in Pennsylvania	Percentage of domestic deposits FDIC insured
F&M Trust	Chambersburg	92%

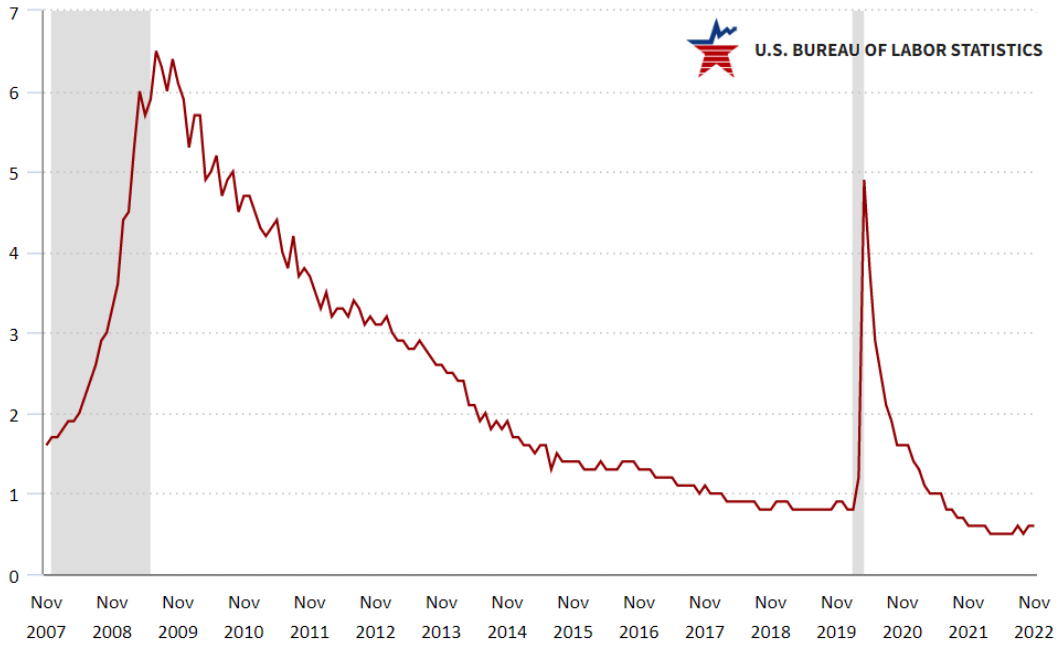
Economic Review and Outlook

2023 Outlook: Dependent on Two Major Factors

Fed Policy Decisions



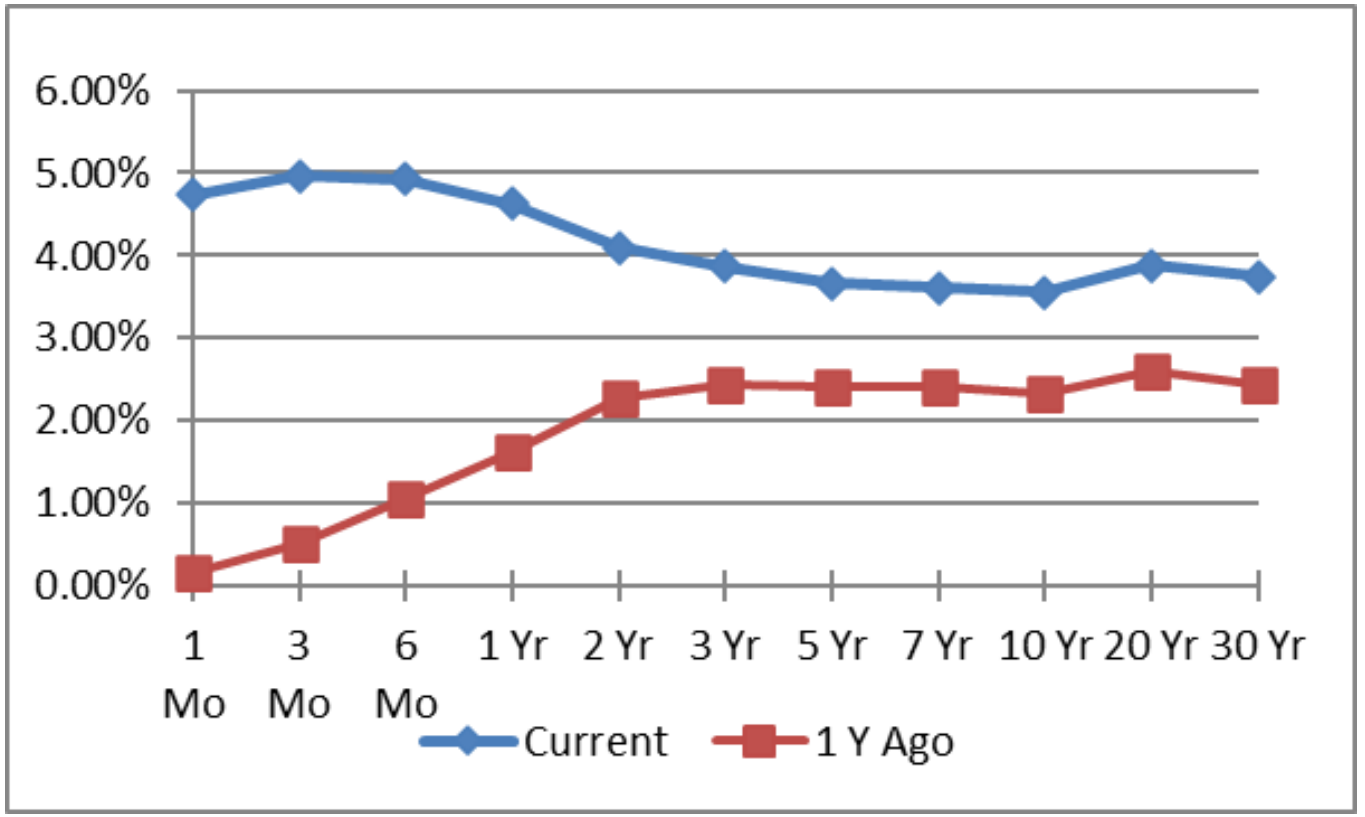
Employment Equilibrium – Workers/Jobs



Economic Review and Outlook

2023 Economic Outlook: Fed Policy

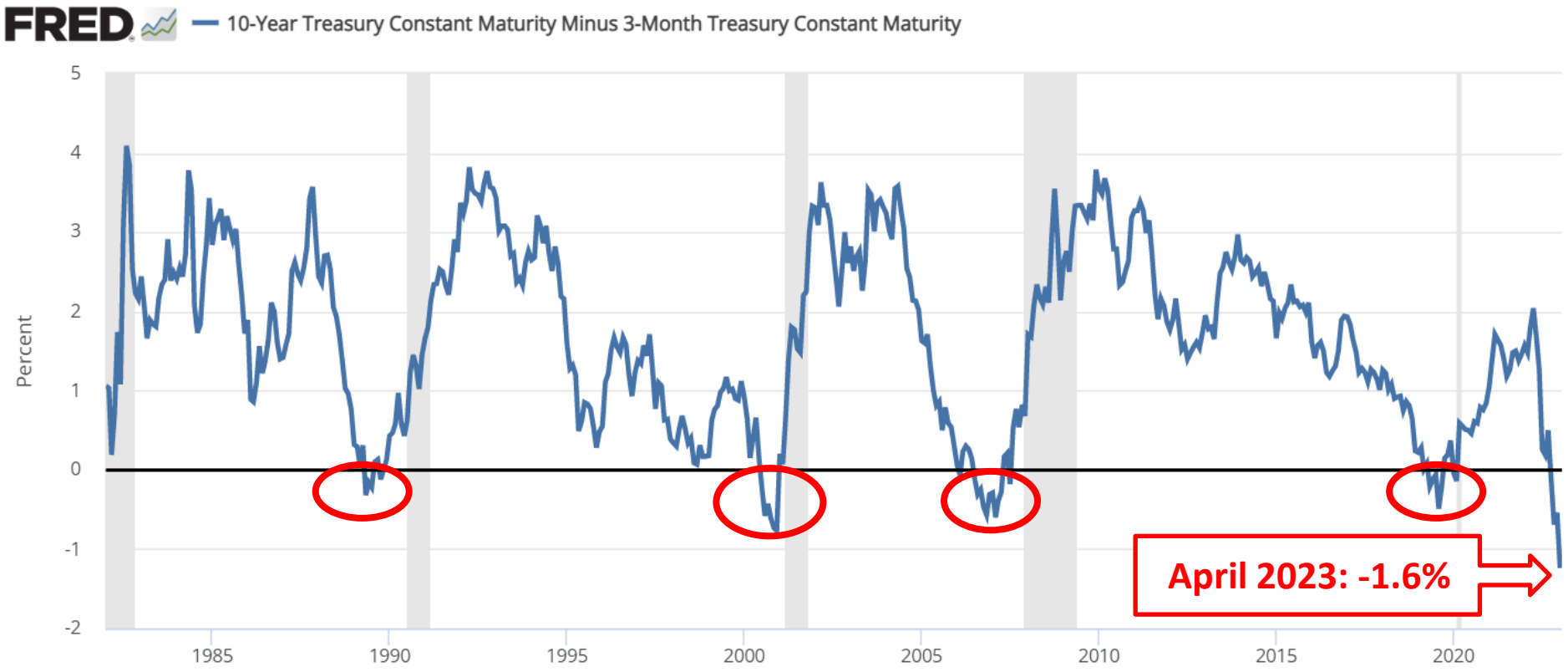
CHANGE IN US TREASURY YIELD CURVE



Economic Review and Outlook

2023 Economic Outlook: Fed Policy

MOST INVERTED YIELD CURVE IN FORTY YEARS



Economic Review and Outlook

2023 Economic Outlook: 2023 Forecasting Challenge

The Bull Case

- Significant progress has been made in the inflation fight.
- Fed tightening cycle appears to be reaching a conclusion.
- Banking sector stability concerns appear to be behind us.
- Recent stress could lead to tighter lending standards, reducing the need for ongoing Fed tightening.

The Bear Case

- Challenge is to slow demand without causing a significant recession.
- Push to 2% inflation target could be challenging due to tight labor market.
- Much of 2022 tightening has not yet had full impact.
- Fiscal spending continues to act in opposition to Fed attempts to slow inflation.
- Debt ceiling debate adds uncertainty to the 2023 outlook.

Financial Overview

Mark R. Hollar, Chief Financial Officer

F&M TRUST

Franklin Financial Services Corporation

Balance Sheet Highlights

Dollars in Thousands ($000's)	2022	2021	Change in $	Change in %
Total Assets	**$1,699,579**	$1,773,806	($74,227)	-4.2%
Investments	**$487,247**	$530,292	(43,045)	-8.1%
Net Loans[1]	**$1,036,866**	$983,746	$53,120	5.4%
Deposits	**$1,551,448**	$1,584,359	($32,911)	-2.1%
Shareholders' Equity	**$114,197**	$157,065	($42,868)	-27.3%

Source: Franklin Financial Services Corporation Annual Report on Form 10-K filed with the SEC. [1]Includes Paycheck Protection Program (PPP) loans of $179 as of 12-31-22.

Financial Highlights

Dollars in Thousands ($000's)	2022	2021	Change in $	Change in %
Net Interest Income	**$51,586**	$44,671	$6,915	15.5%
Provision for Loan Losses	**$650**	($2,100)	$2,750	-131.0%
Noninterest Income	**$15,250**	$19,488	($4,238)	-21.7%
Noninterest Expense	**$48,691**	$43,245	$5,446	12.6%
Net Income	**$14,938**	$19,616	($4,678)	-23.8%

Source: Franklin Financial Services Corporation Annual Report on Form 10-K filed with the SEC.

Key Performance Measures

	2022	2021
Return on Avg. Assets	**0.83%**	**1.17%**
Return on Avg. Equity	**11.64%**	**13.20%**
Efficiency Ratio[1]	**71.21%**	**66.12%**
Net Interest Margin	**3.11%**	**2.88%**

Source: Franklin Financial Services Corporation Annual Report on Form 10-K filed with the SEC. [1]See GAAP versus Non-GAAP reconciliation.

Safety & Soundness

	2022	2021
Risk-Based Capital Ratio (Total)	**17.21%**	18.41%
Leverage Ratio (Tier 1)	**8.95%**	8.52%
Nonperforming Assets / Total Assets	**0.01%**	0.42%
Allowance for Loan Loss as a % of Loans	**1.35%**	1.51%
Net Recoveries (Charged-Off) Loans / Average Loans	**-0.15%**	0.04%

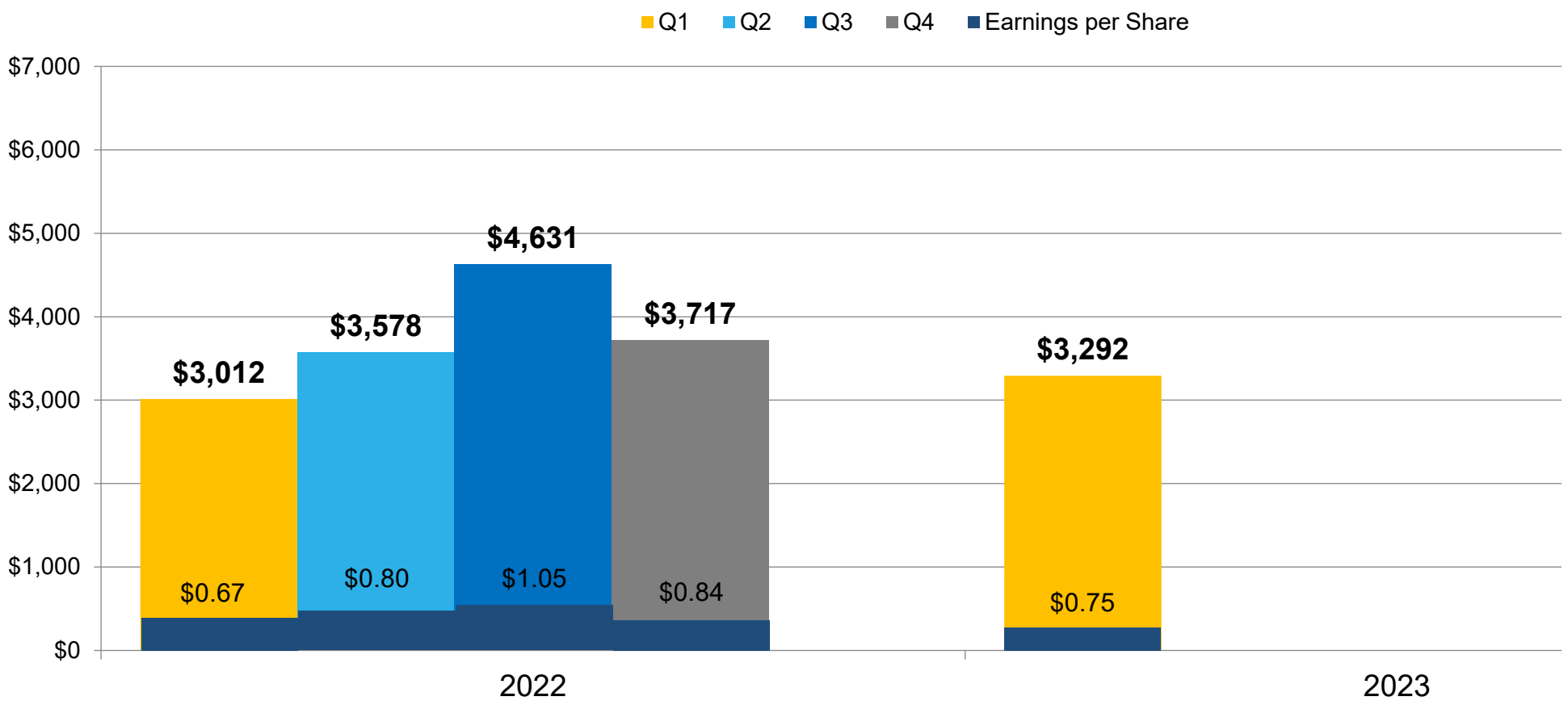
Source: Franklin Financial Services Corporation Annual Report on Form 10-K filed with the SEC.

Shareholder Value

Per Share Measure / Market Valuation	2022	2021
Diluted Earnings Per Share	**$3.36**	$4.42
Cash Dividend Yield[1]	**3.55%**	3.87%
Regular Cash Dividends Paid	**$1.28**	$1.25
Market Value Per Share	**$36.10**	$33.10
Book Value Per Share	**$26.01**	$35.36
Tangible Book Value Per Share[2]	**$23.96**	$33.34
Market Cap ($M)	**$158,493**	$147,011
Price / Book (%)	**138.79%**	93.61%
Price / Tangible Book (%)	**150.67%**	99.29%
Price / LTM EPS (X)	**10.74**	7.49

Source: Franklin Financial Services Corporation Annual Report on Form 10-K filed with the SEC. [1]Based on the annual dividend paid. [2]See GAAP versus Non-GAAP reconciliation.

Quarterly Earnings Performance



Dollars in thousands ($000's), except per share.

President & CEO Comments

Timothy (Tim) G. Henry

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Franklin Financial Services Corporation



Timothy (Tim) G. Henry

President & CEO

F&M TRUST

Franklin Financial Services Corporation



Chad Carroll

Executive Vice President & COO

F&M TRUST

Franklin Financial Services Corporation

Shareholder Video

Questions

Timothy (Tim) G. Henry

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Franklin Financial Services Corporation

Polls Closed

G. Warren Elliott

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Franklin Financial Services Corporation

Report by Judge of Election

Zoe R. Clayton

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Franklin Financial Services Corporation

Announcement

G. Warren Elliott

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Franklin Financial Services Corporation

Thank You

G. Warren Elliott

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Franklin Financial Services Corporation



Meeting Adjourned

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Franklin Financial
Services Corporation

GAAP / Non-GAAP Reconciliation

Tangible Book Value (per share) (non-GAAP)		2022		2021
Shareholders' equity	$	114,197	$	157,065
Less intangible assets		(9,016)		(9,016)
Shareholders' equity (non-GAAP)		105,181		148,049
Shares outstanding (in thousands)		4,390		4,441
Tangible book value (non-GAAP)		23.96		33.34
Efficiency Ratio				
Noninterest expense	$	48,691	$	43,245
Net interest income		51,586		44,671
Plus tax equivalent adjustment to net interest income		1,381		1,466
Plus noninterest income, net of securities transactions[1]		15,410		19,271
Total revenue		68,377		65,408
Efficiency Ratio (non-GAAP)		71.21%		66.12%