

Investor Presentation

First Quarter 2022 Highlights



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 certainly began much differently than the previous two years. While we have, for the most part, been able to put the pandemic in the rearview mirror, its effects and our national response to them are still being realized. Rising interest rates, supply chain disruptions, and world conflicts are but a few of the macro changes that are affecting the economy as a whole and, as a result, our customers and our company.

At times like these, I appreciate that we are a well-diversified company with sources of income from both commercial and consumer markets. Clearly our residential mortgage business, and the fee income we derive from it, has dropped off from the comparative period last year as mortgage refinancing has dried up in the face of rising rates. While we are still doing well in the purchase mortgage line of business, we expect this will be tempered over the course of the year by rising rates.

Our Investment and Trust business has gotten off to a good start as we continue to add clients and bring in new assets. While ahead of last year's results for the same period, we expect some pressure on earnings if the equity and bond markets continue to lose value.

The pipeline for commercial lending looks good and rising rates are lifting the income we generate from our floating-rate assets. If rates continue to rise, I anticipate our net interest margin also improving throughout the year. Deposits continue to grow, and our cost of deposits has remained steady at 12 basis points. The growth of deposits demonstrates the depth of customer relationships, which continue to be extremely important to us.

We continue to work to establish a full-service community office in Hagerstown, which will be our first in Maryland. We have received all necessary approvals and are renovating a downtown office and hiring retail, commercial, and trust employees. We expect to open the office July 1.

CEO Comments *(continued)*

We also have two community office renovations underway and will move into our new headquarters on Nitterhouse Drive in July. We also will be going live with Salesforce in July as we start using the software to improve customer service, increase sales, and create efficiencies within the bank.

The bank's senior management team has evolved as several members have retired or will retire this year. We have onboarded Chief Operations Officer Steve Poynot, Chief Retail Services Officer Louis Giustini, and Chief Technology Officer David Long, and each is making valuable contributions to the company. I am very thankful that we have been able to add these leaders to our team.

2022 is setting up to be a challenging year, one that will require us to adapt to a changing economic environment. Our first quarter results were good, and we will look to build upon them throughout the year. Our sights are set on the future and taking the steps now that will help us succeed not just in 2022 but in the years that follow.

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 at any time to listen to your concerns, thoughts, and ideas, and to answer your questions to the best of my ability.

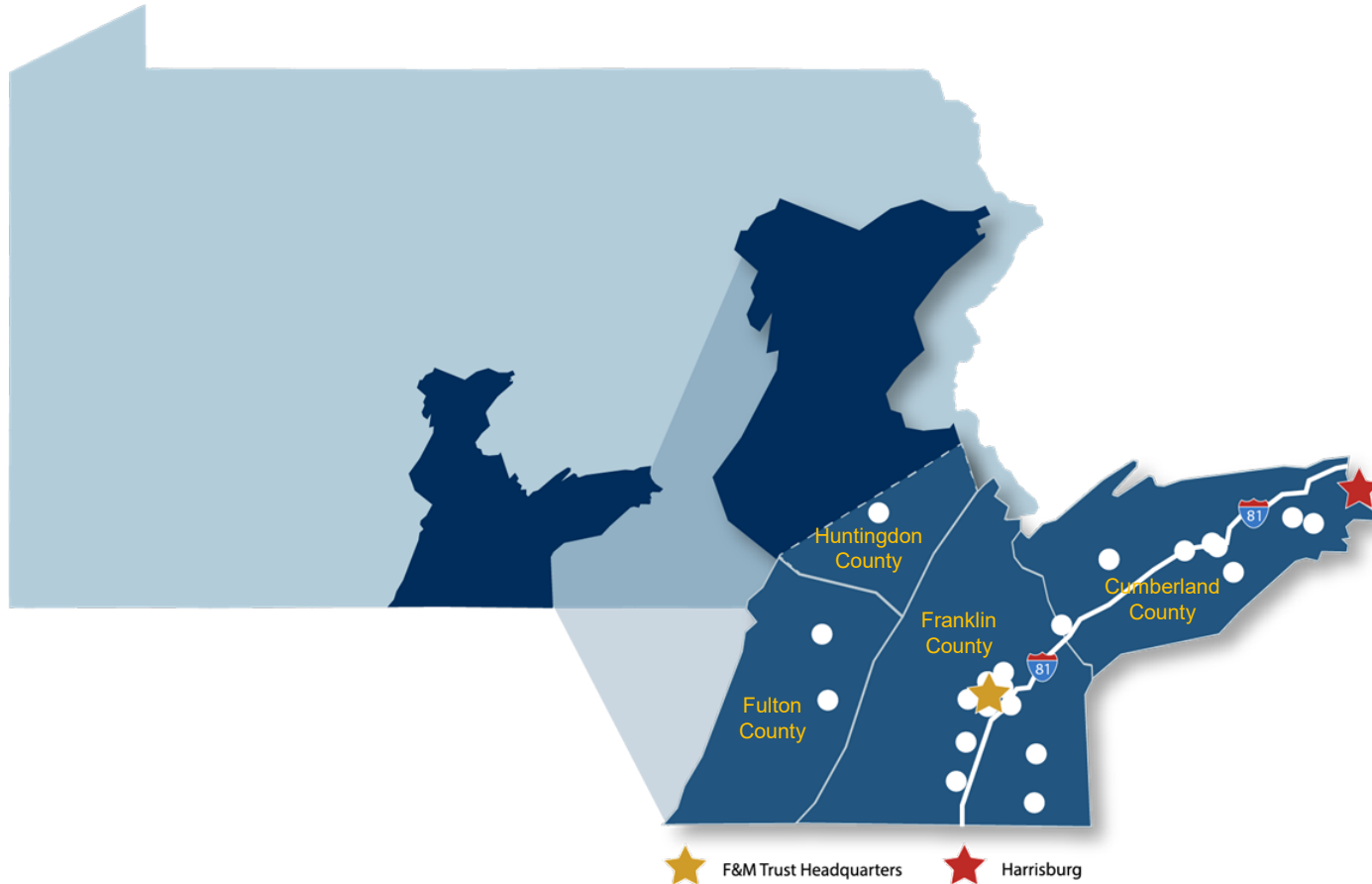
Sincerely,



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 March 31, 2022
- As of March 31, 2022, Franklin Financial reported \$976.5 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%)

Experienced and Cohesive Executive Team

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

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

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
- 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 \$10.8 million unchanged from the same period in the prior year; PPP interest and fees for the first quarter of 2022 were \$500 thousand less than the first quarter of 2021
- Continue to adjust deposit rates in response to market conditions
- Net interest margin was 2.66% compared to 3.03% for the same period in 2021
- Provision for loan loss was \$0 for the first quarter of 2022
- Allowance for loan loss ratio of 1.50%; non-accrual loan ratio of 0.74%
- Capital position remained strong with a total risk-based capital ratio of 18.09% and a leverage ratio of 8.59%
- Maintained the dividend of \$0.32 per share for the second quarter of 2022

YTD Financial Updates

- Loan-to-deposit ratio of 63% 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 \$528 thousand over the same period in 2021
- Deposits increased 12.3% over the same period in 2021, with money management accounts and interest-bearing checking products showing the largest increases
- A new retail checking account lineup introduced in 2021 helped to generate a 33% increase in deposit fees over the year

Digital Transformation

- Registered Zelle[®] users increased 27.6% and mobile banking users increased 7.2% 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 35.4% 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

- 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
- Net income generated by the Investment & Trust Services business line will continue to grow due to the origination of new customers and cost controls that are in place, though fee income will be challenged by if there is deterioration in the equity and bond markets
- 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

First Quarter Ended March 31, 2022

Balance Sheet Highlights

<i>Dollars in Thousands (000's)</i>	3/31/2022	12/31/2021	9/30/2021	6/30/2021
Total Assets	\$1,767,061	\$1,773,806	\$1,732,441	\$1,678,308
Cash and Cash Equiv.	\$173,709	\$175,149	\$98,893	\$98,131
Investments	\$511,969	\$530,292	\$546,261	\$512,729
Net Loans	\$985,927	\$983,746	\$1,002,802	\$983,980
Deposits	\$1,596,386	\$1,584,359	\$1,544,295	\$1,491,208
Shareholders' Equity	\$137,136	\$157,065	\$152,838	\$151,156

Income Statement Highlights

<i>Dollars in Thousands (000's)</i>	Quarter Ended 3/31/2022	Quarter Ended 12/31/2021	Quarter Ended 3/31/2021
Interest Income	\$11,534	\$12,133	\$11,592
Interest Expense	\$726	\$723	\$748
Provision for Losses	--	(\$200)	(\$800)
Noninterest Income ¹	\$3,873	\$4,544	\$4,173
Noninterest Expense	\$11,266	\$11,981	\$10,165
Net Income	\$3,012	\$3,653	\$4,830

Key Performance Measures

<i>Percent (%)</i>	Quarter Ended 3/31/2022	Quarter Ended 12/31/2021	Quarter Ended 3/31/2021
Return on Avg. Assets	0.69	0.84	1.23
Return on Avg. Equity	7.96	9.56	13.47
Efficiency Ratio ¹	75.50	73.40	66.06
Net Interest Margin	2.66	2.79	3.03
Noninterest Inc ² / Operating Revenue	26.38	28.48	27.79

Balance Sheet Strength

<i>Percent (%)</i>	Quarter Ended 3/31/2022	Quarter Ended 12/31/2021	Quarter Ended 3/31/2021
Risk-Based Capital Ratio (Total)	18.09	18.41	18.18
Leverage Ratio (Tier 1)	8.59	8.52	8.76
Common Equity Ratio (Tier 1)	14.94	15.20	14.80
Tangible Common Equity Ratio	7.29	8.39	8.29
Nonperforming Assets ¹ / Total Assets	0.42	0.42	0.55
Allowance for Loan Loss as a % of Loans	1.50	1.51	1.61
Allowance to Nonperforming Loans	203.49	204.04	182.62

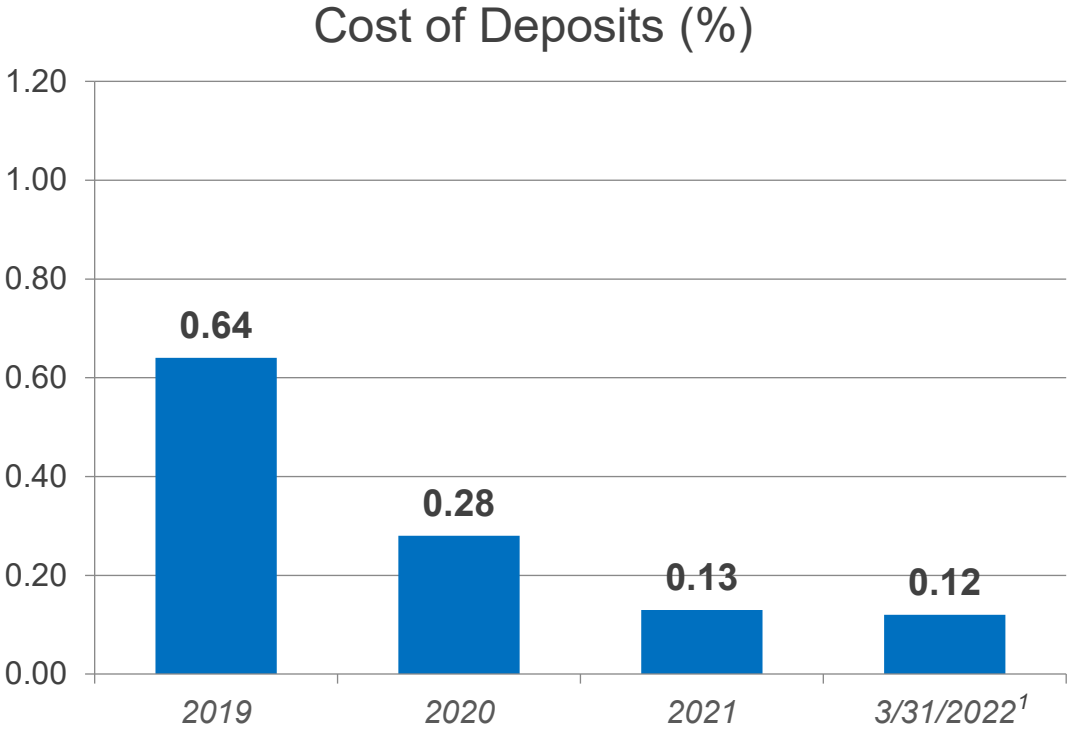
Market Statistics

<i>Per Share Measure / Market Valuation</i>	Quarter Ended 3/31/2022	Quarter Ended 12/31/2021	Quarter Ended 3/31/2021
Diluted Earnings Per Share	\$0.67	\$0.82	\$1.09
Cash Dividend Yield	3.81%	3.87%	3.85%
Regular Cash Dividends Paid	\$0.32	\$0.32	\$0.30
Dividend Payout Ratio	47.18%	38.83%	27.29%
Market Value Per Share	\$33.58	\$33.10	\$31.18
Book Value	\$30.77	\$35.36	\$31.92
Tangible Book Value ¹	\$28.75	\$33.34	\$29.87
Market Cap (\$M)	\$128,120	\$148,049	\$131,683
Price / Book (%)	109.13%	93.61%	97.68%
Price / Tangible Book (%)	116.80%	99.29%	104.39%
Price / LTM EPS (X)	8.42	7.51	8.59

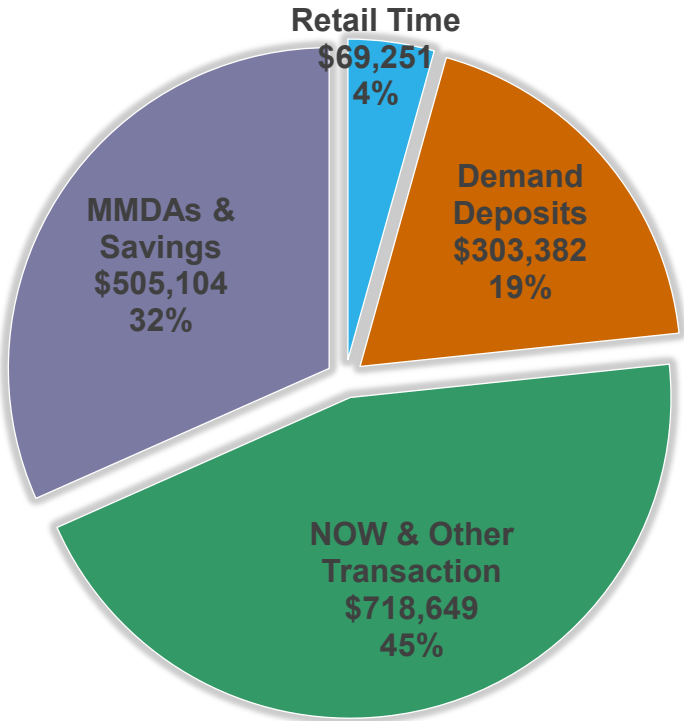
Balanced Revenue Model

<i>Annualized Noninterest Income Source as a percentage of Average Assets as of March 31, 2022</i>	2022 Franklin Financial	Median PA Banks Peer¹
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	0.92%	0.59%

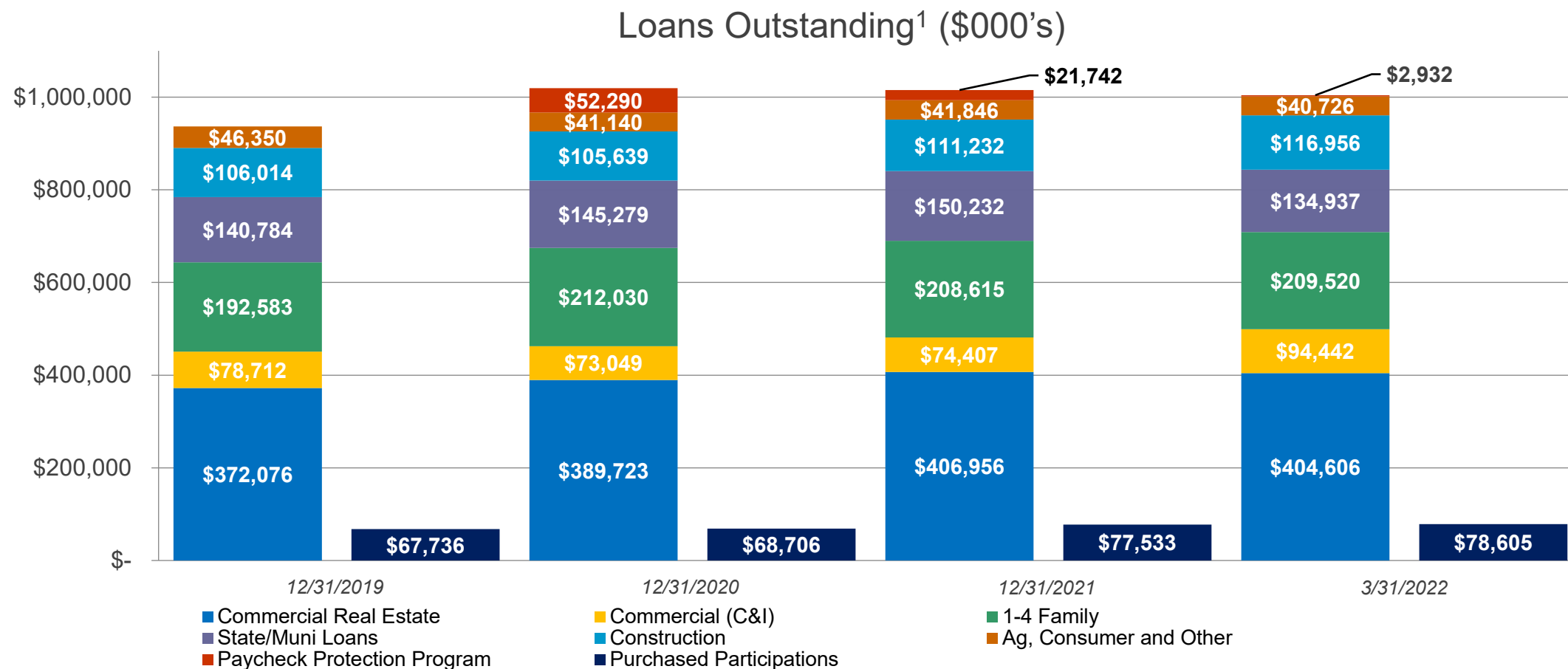
Stable, Low-Cost Core Deposits



Franklin Financial Deposit Mix (\$000's)

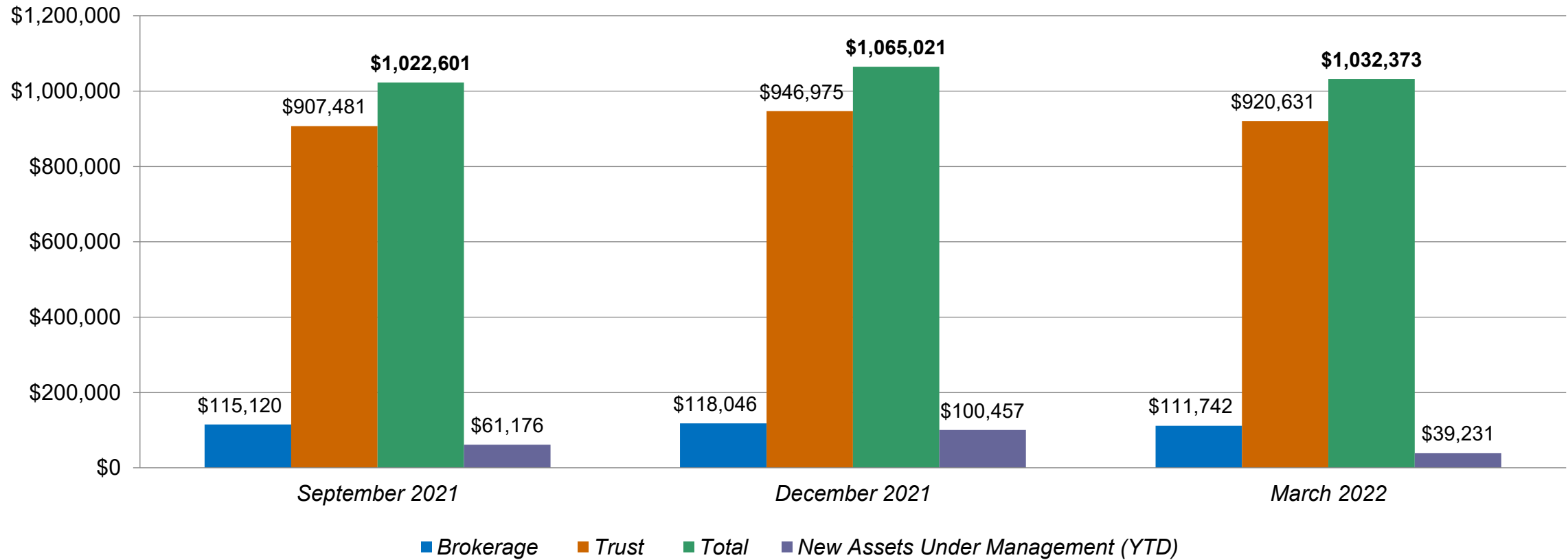


Diversified Loan Portfolio

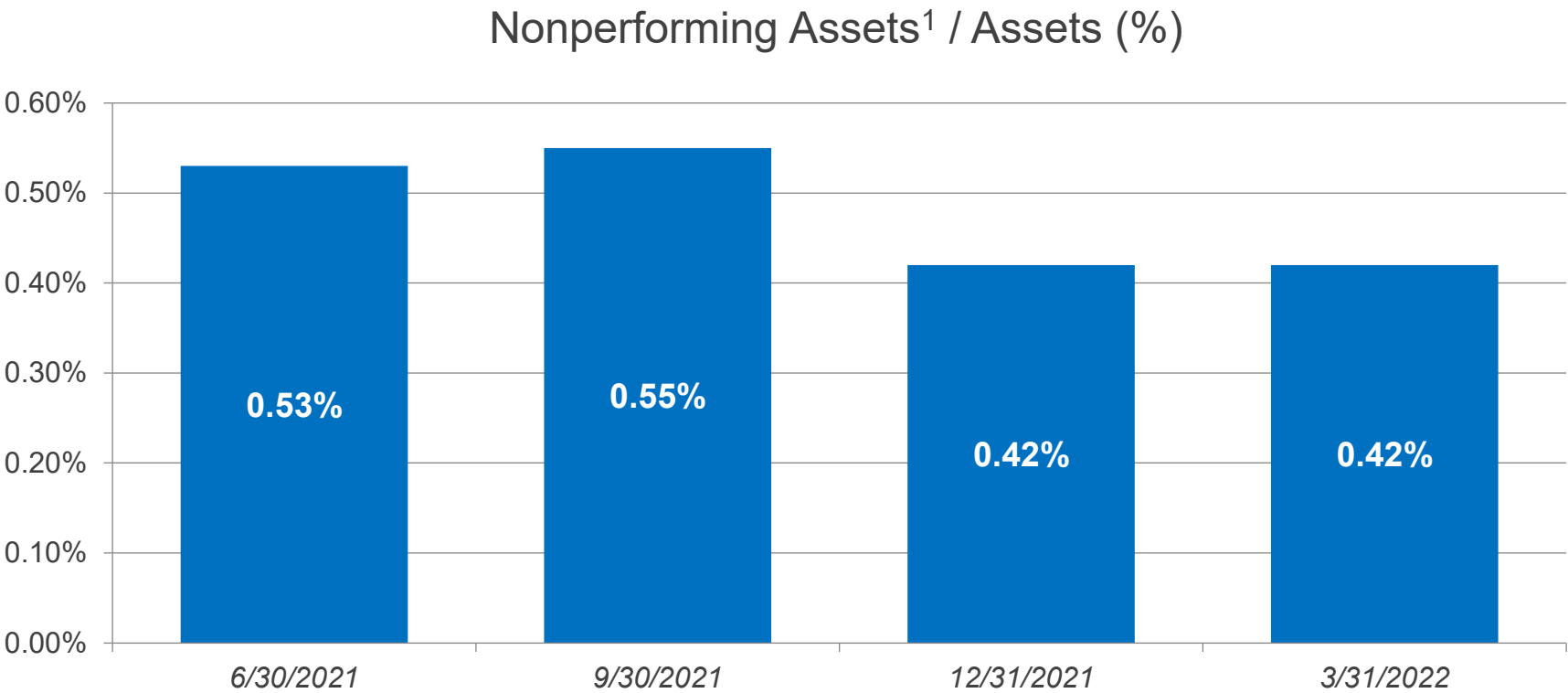


Investment and Trust Services

Total and New Assets Under Management (\$000's)



Strong Credit Quality



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

www.franklinfin.com

www.fmtrust.bank



Appendix

GAAP / Non-GAAP Reconciliation

Tangible Book Value (per share) (non-GAAP)	Quarter Ended 3/31/2022	Quarter Ended 12/31/2021	Quarter Ended 3/31/2021
Shareholders' equity	\$ 137,136	157,065	140,699
Less intangible assets	(9,016)	(9,016)	(9,016)
Shareholders' equity (non-GAAP)	128,120	148,049	131,683
Shares outstanding (in thousands)	4,457	4,441	4,408
Tangible book value (non-GAAP)	\$ 28.75	33.34	29.87
Efficiency Ratio			
Noninterest expense	\$ 11,266	11,981	10,165
Net interest income	10,808	11,410	10,844
Plus tax equivalent adjustment to net interest income	240	368	370
Plus noninterest income, net of securities transactions ¹	3,873	4,544	4,173
Total revenue	14,921	16,322	15,387
Efficiency Ratio (non-GAAP)	75.50%	73.40%	66.06%