FRANKLIN FINANCIAL SERVICES CORPORATION

CORPORATE GOVERNANCE GUIDELINES

Adopted March 11, 2004

1. Director Qualifications

The Board of Directors (the "Board") of Franklin Financial Services Corporation (the "Company") will have at least a majority of directors who, in the judgment of the Board, meet the criteria for independence required under the Marketplace Rules of the NASD and all other applicable legal requirements. The Nominating Committee is responsible for reviewing with the Board, on a regular basis, the requisite skills and characteristics new Board members should possess, as well as the composition of the Board as a whole. This review will include assessment of any material relationships with the Company or others which might impact independence and objectivity, as well as consideration of diversity, age, skills, experience, time availability and the number of other boards the member sits on in the context of the needs of the Board and the Company, and such other criteria as the Nominating Committee shall determine to be relevant at the time.

Nominees for election as directors are recommended by the Nominating Committee to the Board in accordance with the policies and principles in its charter and the criteria for electing directors approved by the Board.

The Board presently has 12 members. It is the sense of the Board that the appropriate size of the Board is ten to fifteen members.

No director may be nominated to a new term if he or she would be age 70 or older at the time of election. The Board does not believe it should establish term limits. Although term limits help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations.

It is the sense of the Board that individual directors who materially change the non-Company responsibilities they held when they were elected to the Board should volunteer to resign from the Board. It is not the sense of the Board that in every instance the directors who retire or change from the position they held when they joined the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, through the Nominating Committee, to review the continued appropriateness of Board membership under the circumstances.

2. Director Responsibilities

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and all of its shareholders, with due regard to the regulatory relationship between a holding company and its subsidiary depository institution. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The Board shall authorize and approve the purchase of directors' and officers' liability insurance in such amounts and upon such terms as the Board deems appropriate.

Directors are expected to attend Board meetings, meetings of committees on which they serve, and the Company's annual meeting of shareholders. Directors are expected to spend the time needed and to meet as frequently as necessary in order to properly discharge their responsibilities. The Board expects that information and data distributed in writing to members before meetings should be reviewed in advance of the meeting.

It is the policy of the Board that the offices of Chairman and the Chief Executive Officer (the "CEO") be held by separate individuals.

The Chairman and the CEO will jointly establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans during at least one Board meeting each year.

The independent directors will meet in executive session at least quarterly. The Chairman of the Board will preside at these meetings.

The Board believes that the management speaks and acts for the Company. Individual Board members do not, absent the written approval of the Board or of the CEO.

3. Board Committees

The Board will have at all times an Audit Committee, a Personnel Committee (which will perform, among other things, the functions typically performed by a Compensation Committee), and a Nominating Committee. Each member of these committees will be an "independent director" as such term is defined in the Marketplace Rules of the NASD and will meet all other applicable legal requirements. Committee members will be appointed by the Board. The Board does not believe that rotation of members among committees should be mandated as a policy.

The Audit Committee, the Personnel Committee, and the Nominating Committee will each have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees, as well as procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

4. Director Access to Officers and Employees

Directors shall have full and free access to officers and employees of the Company and its subsidiaries. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent not inappropriate, copy the CEO on any written communications between a director and an officer or employee of the Company.

5. Director Compensation

The form, amount and terms of director and committee member compensation will be determined by the Personnel Committee (and approved by the Board) in accordance with the policies and principles set forth in these Guidelines and all other applicable legal requirements. The Personnel Committee will conduct an annual review of director compensation. In making its determination, the Personnel Committee shall consider: (i) the impact on directors' independence of the amount, form and terms of director compensation, and (ii) whether there is any indirect compensation payable to or benefit conferred or payable to the director by reason of any charitable contributions by the Company to any charitable organization or private foundation with which the director is affiliated, which contribution is either: (x) qualitatively or quantitatively material, or (y) made outside the usual and ordinary course of business.

6. Conflicts of Interest

Any transaction involving the Company or any direct or indirect subsidiary of the Company and an executive officer, a director, a nominee for election to the Board of Directors, or a five percent or greater shareholder (or a member of his or her immediate family or a company or other entity in which he or she has, directly or indirectly, a financial interest) must be submitted for review by the Audit Committee.

7. CEO Evaluation and Management Succession

The Personnel Committee will conduct an annual review of the CEO's performance, as set forth in its charter. The Board of Directors will review the Personnel Committee's report in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Nominating Committee should make a periodic report to the Board on succession planning. The entire Board will work with the Nominating Committee to nominate and evaluate potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

8. Periodic Performance Evaluation

The Board of Directors will periodically conduct a self-evaluation to determine whether the Board and its committees are functioning effectively. Any director may submit comments to the Nominating Committee relative to the effectiveness of the Board and its committees.

9. Stock Ownership Requirement

The Company's non-employee directors, the Company's CEO and the Company's executive management are expected to own shares of the Company's common stock in such minimum amounts as may be determined by the Board from time to time.

10. Disclosure of these Guidelines

It shall be the responsibility of the Corporate Secretary of the Company to assure that the current version of these Guidelines be posted on the Company's website. Effective for annual reports filed on or after December 31, 2003, the Company's shareholders shall be apprised of the availability of these Guidelines on the Company's website. Any shareholder of the Company may obtain a copy of the Guidelines by request to the Company's Corporate Secretary.

11. Codes of Ethics

The Company will at all times maintain a Code of Business Conduct and Ethics applicable to the CEO and to its senior financial officers, as well as a broader Code of Ethics that is applicable to its directors, officers and employees.

12. Secretary

Minutes of each Board meeting and Committee meeting will be compiled by the Company's Corporate Secretary who shall act as Secretary to the Board and each Committee, or in the absence of the Corporate Secretary, by an Assistant Corporate Secretary of the Company or any other person designated by the Board or the Committee, as the case may be.