

CODE OF BUSINESS ETHICS AND CONDUCT – DIRECTORS AND EXECUTIVE OFFICERS

This Code of Business Ethics and Conduct is a statement of our expectations for organizational and individual conduct by our Directors and Executive Officers. It represents our commitment to the highest standards of ethical and business conduct, and compliance with the laws and regulations that apply to our business.

This Code is an important reference tool, but it does not address every situation, nor does it describe every law, regulation or policy that may apply to our business. The Company – defined to mean Franklin Financial Services Corporation, F&M Trust and their affiliated companies – has other policies and procedures that, although not part of this Code, are important and with which Directors and Executive Officers are expected to become familiar and to comply. A violation of any of the Company’s other policies and procedures maybe deemed to constitute a violation of this Code.

TO WHOM THE CODE APPLIES

This Code applies to all Directors and Executive Officers of the Company.

A violation of this Code may result in appropriate disciplinary action, including, in the case of Executive Officers, possible termination of employment with the Company.

This Code is not intended to and does not in any way constitute an employment agreement or any other contract or assurance of continued employment or service with the Company, and does not create any rights for any Director or Executive Officer.

POLICY STATEMENT

It is Company policy:

- To expect that all Directors and Executive Officers will comply with all laws and regulations applicable to its business.
- To expect that all Directors and Executive Officers shall at all times observe honest and ethical conduct in the performance of their Company-related responsibilities as well as in their off-duty conduct that may reflect on the Company.
- To encourage and support reporting of any violation of this Code for appropriate action.

INDIVIDUAL RESPONSIBILITIES

It is the responsibility of each Director and Executive Officer to integrate the standards of this Code into every aspect of his or her daily conduct on behalf of the Company.

- Always act in a professional, honest and ethical manner.
- Obey the law.
- Follow the policies and procedures of the Company.
- Be aware of the limits on your authority and do not take any action that exceeds those limits.
- Do not engage in or tolerate harassment of, discrimination against or bias toward another.
- Never ask another to do something that would be prohibited by this Code.
- Cooperate and provide honest and accurate information in connection with investigations, regulatory examinations, audits and similar inquiries.
- Promptly report concerns about possible violations of law, regulation, this Code or other Company policies and procedures.
- Take prompt corrective action to remedy conduct that is inconsistent with this Code or other Company policies and procedures.
- Complete required training in a timely manner.

Directors and Executive Officers should serve as role models and resources for others, and help to create a business environment where ethical conduct is recognized and valued.

COMPLIANCE WITH LAWS AND REGULATIONS

All Directors and Executive Officers are expected to comply with all laws and regulations applicable to the Company's business.

Violations of laws or regulations may result in legal proceedings and civil and criminal penalties that may affect a Director or Executive Officer personally in addition to having adverse consequences to the Company.

Directors and Executive Officers are expected to be alert to changes in the law or new requirements that may affect their activities on behalf of the Company, as well as the impact of the law and regulations on new products or services for which they may have responsibility.

All Directors and Executive Officers are expected to cooperate with the Company's regulators and to respond to their requests for information appropriately.

FAIR DEALING

All Directors and Executive Officers are expected to deal fairly with others and not to take advantage of another person through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, fraud, or any other unfair or deceptive practice.

CONFLICTS OF INTEREST

The Company shall not engage in any transaction with a Director, Executive Officer or a Related Interest of a Director or Executive Officer except upon full disclosure of the involvement of the Director, Executive Officer or Related Interests and the approval by a majority of the disinterested directors. Such approval shall not be required in connection with any transaction involving a product or service furnished by the Company, other than an extension of credit, on the same terms as those prevailing at the time with other persons. Extensions of Credit made by F&M Trust to a Director, Executive Officer or Related Interests may also be subject to F&M Trust's Insider Lending Policy ("Reg O").

Definition of Related Interest

A Related Interest of a Director or Executive Officer includes any of the following relationships held by the Director or Executive Officer or, except as otherwise provided, by an immediate family member (defined to mean spouse, minor children and adult children residing in the home):

- Any Person, legal entity or unincorporated association from whom or which a Director or Executive Officer received during the current or prior fiscal year a monetary or in-kind gift equal to or greater in value than \$250.00, except when based upon a family or personal relationship that exists independently of any Company business.
- Any business of which a Director or Executive Officer or immediate family member is a proprietor.
- Any legal entity or unincorporated association of which a Director, Executive Officer or immediate family member is a director, executive officer, trustee, general partner, managing member or holder of a similar position.
- Any legal entity of which a Director, Executive Officer or immediate family member directly or in concert with one or more persons, owns, controls or has the power to vote more than 10 percent of any class of voting securities of such legal entity and no other person owns controls or has the power to vote a greater percentage.
- Any legal entity of which a Director, Executive Officer or immediate family member, directly or in concert with one or more persons, owns, controls, or has the power to vote 25 percent or more of any class of voting securities of such legal entity.
- Any legal entity or unincorporated association of which a Director, Executive Officer or immediate family member, directly or in concert with one or more persons, controls in any manner the election of a majority of directors, trustees or persons holding a similar position of such legal entity.
- Any legal entity or unincorporated association of which a Director, Executive Officer or

immediate family member directly or in concert with one or more persons has the power to exercise a controlling influence over the management or policies of the legal entity or unincorporated association.

- Any political or campaign committee that is controlled by a Director, Executive Officer or immediate family member or of which a Director, Executive Officer or immediate family member is the candidate to be benefitted.
- Any person, legal entity or unincorporated association to whom or which a Director, Executive Officer or immediate family member has made a loan of money that remains outstanding.
- Any person, legal entity or unincorporated association that is not a lending institution that is regulated or funded by an agency of the state or of the United States from whom or which a Director, Executive Officer or immediate family member has borrowed money that remains outstanding.

For purposes of this code, an unincorporated association is a voluntary group of persons formed by mutual consent for the purpose of promoting a common enterprise or pursuing a common objective, such as for religious, fraternal, recreational or other purposes.

Disclosure of Related Interests

Upon appointment, and annually thereafter, Directors and Executive Officers shall fully disclose to the Company all related interests of the Director or Executive Officer on such forms as shall be supplied by the Company.

Directors and Executive Officers also shall be obligated to fully disclose to the Company any interest the Director, Executive Officer or Related Interest may have in any transaction required by this code to be approved by a majority of disinterested Directors, promptly upon becoming aware of the transaction.

In addition to related interests identified above, Directors and Executive Officers should be mindful that certain business relationships held by Related Interests may be so material to Related Interest that the relationship could influence or interfere (or give the appearance of influencing or interfering) with the Director's or Executive Officer's judgement if the Company would do business with the object of such business relationship. Directors and Executive Officers should identify and disclose such relationships promptly upon becoming aware of a proposed transaction between the Company and the object of such a business relationship. Such a business relationship will be presumed to be material if it involves payment for property or services in the current or preceding fiscal year that exceed 5 percent of the recipient's gross revenues for that year or \$200,000, whichever is more.

All disclosures of related interests shall be made to the Corporate Secretary.

The Corporate Secretary shall be responsible for obtaining related interest disclosure forms from all Directors and Executive Officers upon appointment and annually thereafter and maintaining such forms among the records of the Company. The Corporate Secretary shall distribute the related interest forms and a summary thereof, as well as notice of any other related interest

disclosure received by the Corporate Secretary to the President and Chief Executive Officer, Risk Management Officer and the Board of Directors promptly upon receipt.

The Board of Directors shall review the related interest disclosure forms on an annual basis. Such review and action taken by the Board of Directors in connection therewith shall be recorded in the minutes of the applicable Board of Directors meeting.

When there is reason to believe that a Director or Executive Officer has failed to disclose a related interest, or any provision of this Code may not have been complied with, the matter shall be reported to the Chair of Audit Committee. The Audit Committee, in accordance with its Charter, shall be responsible to investigate the matter and to submit a report to the Board of Directors with a recommendation for disposition. A Director's or Executive Officer's intentional failure to disclose a related interest or intentional breach of any other provision of this code shall result in such disciplinary action as the Board of Directors shall determine to be appropriate under the circumstances.

Management Responsibilities

Management shall ensure any loan involving a Director, Executive Officer or Related Interest is made in accordance with the Company's Insider Lending Policy.

Management shall obtain competitive bids (to the extent practicable) when purchasing goods or services from a Director, Executive Officer or Related Interest.

Management shall submit to the Board of Directors for approval all transactions with Directors, Executive Officers and related interests for which approval is required pursuant to this code.

Resolution of Conflicts of Interest

If a Director, Executive Officer or Related Interest is a borrower or guarantor with respect to an extension of credit that is subject to adverse classification, the Director, Executive Officer or Related Interest shall be required to strengthen the credit sufficiently to remove the adverse classification within a reasonable time frame or the Director or Executive Officer shall resign from his or her position within the Company.

The Board of Directors shall establish a committee of independent directors to assume oversight responsibility of the credit in order to limit further risk and to aggressively pursue securing or collecting exposed balances as circumstances reasonably may permit.

If, in the Board of Directors discretion a Director or Executive Officer cannot effectively carry out his or her duties to the Company as a result of his or her ownership interest in or position with any business, legal entity or unincorporated association, the Director or Executive Officer shall either divest of his or her ownership interest or resign his or her position with the business, legal entity or unincorporated association or with the Company.

Additional Responsibilities of Directors and Executive Officers

No Director or Executive Officer shall act in any such capacity in connection with any transaction involving the Company and the Director, Executive Officer or Related Interest. A Director must refrain from voting or acting upon any such transaction and shall excuse himself or herself from any discussion of the Board of Directors relating to such transaction. Any such absence from a meeting of the Board of Directors shall be noted in the minutes of the applicable meeting.

OUTSIDE EMPLOYMENT

Executive Officers must submit a written request to the Human Resources Manager before accepting or performing outside employment. The request should state pertinent information about the outside employer, the nature of the job, and the hours of employment. The Board of Directors shall determine approval or disapproval. The Human Resources Manager will document the determination and provide written notice to the employee. All such determinations shall be reported to the Chief Executive Officer and Risk Management Officer.

PERMISSIBLE GIFTS AND ENTERTAINMENT

Cash gifts are not permitted, whether to be given or received.

No Director or Executive Officer may ask for or accept a gift – defined broadly to mean “anything of value” – from anyone doing or seeking to do business with the Company if the gift is for the purpose of influencing or rewarding the Director or Executive Officer in connection with any business decision or transaction involving the Company or, to a reasonable person, the gift would present the appearance of an attempt to influence or reward the Director or Executive Officer in connection with any business decision or transaction with the Company. No Director or Executive Officer may accept a gift that is or, to a reasonable person, appears to be an attempt to reward the Director or Executive Officer for any action taken by the Director or Executive Officer, even if the Director or Executive Officer would have taken the same action without regard to the gift.

Directors and Executive Officers may accept a gift from or give a gift to a person doing or seeking to do business with the Company when the gift is based on a family or personal relationship that exists independently of any Company business.

Gifts to customers should be of reasonable and customary value – defined to mean that they would be customarily reimbursed by the Company as a reasonable business expense.

Directors and Executive Officers may accept or provide business entertainment, including meals and refreshments, only if such entertainment is common and the cost is of reasonable value. Entertainment provided by others must be commensurate with a Director’s or Executive Officer’s responsibilities to the Company and should not be lavish or extravagant in the circumstances or exceed what the Company customarily would reimburse as a reasonable business expense.

Additional restrictions or prohibitions may apply to gifts to and business entertainment of governmental officials and employees, or to persons who are associated persons of a broker-dealer.

CONFIDENTIAL INFORMATION

Directors and Executive Officers are expected to preserve the confidentiality of the information they acquire as a result of their position with the Company. Each Director and Executive Officer should assume that all information about the Company's business or its customers – including applicants, former customers and current and former employees of customers – or parties with which the Company otherwise does business is confidential unless instructed otherwise by an authorized Company representative. Each Director and Executive Officer should treat all such information as privileged and hold it in the strictest confidence. Confidential and proprietary information is to be used for the Company's business purposes only. Confidential and proprietary information may not be used for personal gain or passed on to any person outside of the Company, including family or friends, or to other employees who do not need such information to perform their jobs. These obligations extend and continue after a Executive Officer's employment or a Director's service with the Company has ended.

Company Financial Information

Financial information about the Company is confidential unless it has been published in public reports to shareholders or has otherwise been made available to the public through a press release and filing with the Securities and Exchange Commission. Unless otherwise required by law or approved in advance by the Company's Chief Financial Officer, financial information about the Company is not to be released to any person or entity.

Company Examination Information

Reports of Examination prepared by the Company's regulators are strictly confidential. Releasing information regarding such reports is improper and may be a criminal offense.

Company Proprietary Information

Other information developed by the Company in the course of its business is proprietary and confidential. Examples include business plans, customer lists, methods of doing business, marketing plans, pricing materials, computer software, source codes, databases and related information. All of this information is to be treated as trade secrets to the extent permitted by applicable law and may not be used other than for the benefit of the Company. All Directors and Executive Officers are expected to keep such information confidential and not to disclose such information to anyone outside the Company or to anyone within the Company who does not have a need to know such information to perform his or her job without approval. The Company has the proprietary right to all materials, information and products that a Director or Executive

Officer creates using Company resources or while engaged in conducting business for the Company.

Information Relating to Customers and Third Parties

Directors and Executive Officers may receive confidential or proprietary information about others – Third Party Information -- with whom the Company has business relationships. Disclosing Third Party Information, or using it for an improper purpose, could have a negative impact on the third party and subject the Company and the disclosing person to legal liability. Third Party Information may not be used for purposes unrelated to the Company's business relationship with the third party. Third Party Information may not be disclosed to the public or to anyone outside of the Company without approval by the Company and the approval of the affected third party. Personal use of Third Party Information for improper personal gain is prohibited.

PROTECTION AND PROPER USE OF THE COMPANY'S ASSETS

The Company's assets are to be used only for the legitimate business purposes of the Company. All Directors and Executive Officers are expected to use good judgment to ensure that the Company's assets are not lost, stolen, or wasted. Personal use of Company assets for improper personal gain is prohibited.

The Company reserves the right to search all Company property, as well as anything brought onto or taken from Company premises. The Company's properties include facilities, networks, hardware and other devices, technologies, and processes, software, files and documents, data, email, office supplies and furnishings, products and services, as well as confidential and proprietary information, mail delivered to a Company address, inventions by Directors or Executive Officers related to the Company's business or created using the Company's facilities or time, and electronic communications in connection with any of the foregoing.

PROTECTING BUSINESS RECORDS

All business records should be prepared and maintained timely, honestly and accurately.

The Company has established internal accounting controls and record keeping policies to meet legal and business requirements, including the following:

- All business transactions and payments will be recorded timely and accurately;
- No unrecorded fund or asset of the Company will be established or maintained for any reason;
- The use or transfer of any Company or customer funds for any purpose that would be in violation of any law or regulation or that would be improper is prohibited; and,

- All business records of the Company including but not limited to, financial, transactional, fiduciary, accounting, etc., must be complete, accurate and in reasonable detail.

No false, artificial or misleading entries may be made for any reason.

Falsification of records is prohibited.

Executive Officers may not delegate record keeping responsibilities. While supervisors may delegate duties and tasks to employees, the ultimate responsibility for proper record keeping remains with the supervisor.

ACCOUNTING PRACTICES

It is Company policy to fully and fairly report and disclose the financial condition and results of operation of the Company in compliance with applicable accounting principles, laws and regulations.

Concerns regarding accounting or auditing matters should be reported to the Chair of the Audit Committee.

COMMUNICATIONS WITH THE PUBLIC

SEC Reporting

As a public company, the Company must ensure that its filings and submissions with the SEC provide full, fair, timely, accurate and understandable disclosure. Depending on his or her position, a Director or Executive Officer may be called upon to provide information to ensure that the Company's public reports are complete, fair and understandable, or to support certain certifications of financial matters which the Company is required by law to provide. If requested, a Director or Executive Officer is expected to provide prompt, accurate, understandable and complete information on a timely basis.

Company News

News and other information about the Company, including information on products, services, and responses to news media and securities market professionals, may only be released or disclosed to the public by the Chief Executive Officer or his or her designee, or as specifically approved by the Board of Directors. Otherwise, no Director or Executive Officer should discuss internal Company matters or developments with anyone outside of the Company.

INSIDER TRADING

No Director or Executive Officer may buy or sell Company securities at a time when he or she is in possession of material non-public information. Additionally, passing such information on – called tipping – to someone outside the Company – spouses, relatives, friends and acquaintances – also is prohibited.

In addition, no Director or Executive Officer may purchase and sell securities of other companies when he or she is in possession of material non-public information about those companies that he or she learned in connection with his or her position with the Company, nor may he or she pass that information on to someone outside the Company or to anyone inside the Company who does not need to know for purposes of his or her job.

Insider trading is both unethical and illegal. For further information, please refer to the Company's Insider Trading Policy.

PROPER USE OF ELECTRONIC MEDIA

Electronic Media, such as telephones, fax machines, personal computers, data storage units or thumb drives, email and voicemail provided to Executive Officers and Directors by the Company to assist Executive Officers and Directors do their jobs for the Company should not be used to:

- Initiate, save or send items that may be perceived as hostile, harassing, offensive, threatening or otherwise inappropriate.
- Initiate, save or send chain letters or other widespread non-business distributions.
- Initiate or participate in any malicious, unauthorized or fraudulent use of Company resources.
- Make any unauthorized transmission of Company data, access inappropriate internet sites or transmit inappropriate emails.

While use of the Company's Electronic Media for limited personal purposes is permitted, such use is not private. Anything sent or received using the Company's Electronic Media is subject to review by the Company at its discretion.

CUSTOMER RELATIONSHIPS WITH ATTORNEYS AND OTHER PROFESSIONALS

It is Company policy to respect relationships that already exist between a professional and his or her client. It is improper for any Director or Executive Officer to induce a customer or any other person to leave a qualified professional in favor of another.

UNAUTHORIZED PRACTICE OF LAW

No Director or Executive Officer is permitted to engage in the unauthorized practice of law. Only licensed attorneys are permitted to engage in the practice of law and only licensed attorneys who have been engaged by the Company for that purpose may engage in the practice law in connection with rendering legal services on behalf of the Company.

When a customer consults a Director or Executive Officer on a matter that may involve the practice of law, the Director or Executive Officer must refer the customer to an attorney of the customer's choosing.

Directors and Executive Officers should exercise caution and discretion before engaging in discussions involving an attorney representing a customer or other party doing business with the Company without the assistance of an attorney engaged by and on behalf of the Company, and should consult with the appropriate Management Group member whether or not to engage legal counsel on behalf of the Company under such circumstances.

CITIZENSHIP

The Company encourages participation in the political process by voting, speaking out on public issues and becoming active in civic and political activities. It is important, however, that Directors and Executive Officers clearly distinguish their personal views from those of the Company.

Political Contributions

Federal and state laws prohibit the Company from contributing, directly or indirectly, to any candidate for public office or political party. Company funds and assets, including office space, computers and personnel, may not be contributed to, loaned to or used by or in connection with any political activity, any political party or any candidate for elected public office. Displaying political posters and signs and campaigning on Company property is not permitted.

Directors and Executive Officers, however, may contribute to candidates of their choosing or otherwise participate in the political process in their individual capacity. The Company will not reimburse any Director or Executive Officer for his or her political contributions. Executive Officers may not be given time off with pay for any political activity.

Holding or Campaigning for Political or Public Office

Campaigning for or holding public office – including appointed positions – requires prior approval by the Company because occupying certain political or public positions may trigger conflict of interest laws that may adversely affect a Director's or Executive Officer's ability to maintain his or her position with the Company or may prohibit the Company from doing business with the jurisdiction or governmental body in which the Director or Executive Officer would hold office.

Lobbying

The Company supports and encourages each Director's and Executive Officer's exercise of his or her right as a citizen to communicate with his or her public officials. No Director or Executive Officer, however, may engage in any communications with public officials on behalf of the Company without prior authorization by the Company. Each Director or Executive Officer engaged in lobbying activities is responsible to fully comply with all laws applicable to his or her lobbying activities, including reporting requirements.

Political Action Committees

The Company is a member of the Pennsylvania Bankers Association, a trade association, through which the Company encourages the advancement of sound public policy affecting the banking industry. The Pennsylvania Bankers Association has established political action committees through which voluntary contributions are raised to support candidates for state and federal office who support such policies. The Company encourages contributions by Directors and Executive Officers to the Pennsylvania Bankers PACs. Directors and Executive Officers, however, will not be pressured or coerced to make personal contributions, nor will the Company take retaliatory action against Directors and Executive Officers who do not. Directors and Executive Officers will not be reimbursed directly or through compensation increases for personal political contributions.

Contact with Courts, State and Federal Agencies

No Director or Executive Officer may discuss any matters involving the Company that may be pending before a court or administrative agency with court or agency officials or representatives, or with any other person, except with authorization by the Company. It is, however, Company policy to comply with all laws and regulations applicable to its business and activities and to cooperate with the duly constituted legal authorities having jurisdiction of such matters.

Charitable Activities

Directors and Executive Officers are encouraged to serve on nonprofit boards and in other volunteer capacities on behalf of cultural or social services organizations.

OFF DUTY CONDUCT

The off duty conduct of Directors and Executive Officers may reflect upon the Company and its reputation. Consequently, Directors and Executive Officers should strive to conform their off duty conduct to the Company's policies. The Company reserves the right to discipline Directors and Executive Officers who engage in off duty conduct that the Company determines to be adverse to the Company's best interest, including the right to terminate a Executive Officer's employment with the Company.

REPORTING VIOLATIONS OF THE CODE

Directors and Executive Officers who observe, learn of or, in good faith, suspect a violation of any provision of this Code are encouraged to report their concerns to the Risk Management Officer or the Chair of the Audit Committee.

Whenever practical, concerns should be reported in writing. Reports may be made anonymously. Except as may be required by law or the requirements of the resulting investigation, the identity of the person making a report will be kept confidential.

Reports of suspected violations of the Code will be investigated by the Audit Committee unless the Audit Committee directs the Risk Management Officer to initiate the investigation.

The Company may be required to make reports to law enforcement agencies under circumstances when violations of law have occurred or are suspected.

NO RETALIATION

Retaliation is a serious violation of this Code. The Company will not tolerate any employment discrimination or retaliation of any kind against any person because of any good faith report of a suspected violation of this Code, whether the report is made internally or to regulatory or law enforcement authorities. Allegations of retaliation will be investigated and appropriate action will be taken. This may include disciplinary action up to and including termination of employment with the Company for any person responsible for the retaliation. If a Director or Executive Officer believes that he or she or someone he or she knows has been retaliated against for reporting a suspected violation of this Code or other ethical concern, please contact the Chair of the Audit Committee.

WAIVERS AND EXCEPTIONS

From time to time the Company may amend or waive certain provisions of this Code. If a Director or Executive Officer believes that an amendment or waiver may be appropriate, please communicate the concern to the Chair of the Audit Committee.

The Audit Committee has responsibility for interpreting the provisions of this Code and its application.