

COVID-19 Response & 2020 Financial Updates



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, 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

On April 28, 2020 at 9:00 AM the Franklin Financial Services Corporation will hold its annual shareholders meeting. Unlike any previous year this meeting will be held virtually as the Company's response to the COVID-19 pandemic and in compliance with the laws and regulations of the Commonwealth of Pennsylvania.

Due to the change in how the Annual Meeting will be conducted many of the comments and presentations typical and customary of our annual meetings will be suspended. This year your Chairman's remarks will be shortened, there will not be a guest speaker and there will not be comments from our Chief Financial Officer. Your company's CEO / President will make some specific comments and together the CEO and CFO will answer questions but otherwise the actions of the annual meeting will be taken in a direct business only manner. We hope that in 2021 we can return to the format you are accustomed to, perhaps running in tandem with a virtual presentation.

To supplement the annual meeting, we are releasing the following investor presentation on Form 8(k). The information enclosed in the presentation will inform the reader of the Company's actions in the face of the pandemic to protect and help our employees, our customers and the communities we serve.

Unlike typical annual meetings when the results from the previous fiscal year and the most recent quarter are discussed we will not be spending much time to focus on the past. The 2019 annual results and the results of the first quarter of 2020 are thoroughly discussed in the Company's Form 10(k) and 2020 first quarter earnings release, respectively. Suffice it to say 2019 was a record year for your company and the results from the first quarter of 2020, before consideration of the extra provision for loan loss, would have placed it as one of the best quarters in the Company's history.

CEO Comments

We must all recognize that this is not a typical year. The real value of our performance in 2019 and at the beginning of this year was to further financially strengthen your Company so we can face the probable economic challenges the pandemic is bringing with an ability to support our customers and communities. Ultimately all of this brings value to you, our shareholders. While our credit quality today is excellent, we recognize that the Qualitative Factors underlying our loan portfolio are changing and that future economic pain as a result of the pandemic and the steps taken to control the pandemic are felt by all of us. Recognizing the potential challenges ahead we believe it is prudent to set aside additional funds in the loan loss provision now, when we can, so we can operate effectively over the next year in helping our customers and communities reestablish themselves. We believe this is an important role and responsibility of your company and we intend to prepare for and honor that role.

You will see that your Board decided, unanimously, to maintain the quarterly cash dividend at \$0.30 per share. We are able to do so because our capital and earnings are strong. Over the next 90 days we hope to have a clearer picture of the challenges that lie ahead, and we will continue to adapt so as to be effective in the new environment. We have made a lot of changes to the bank over the last several years and those changes have now positioned us to move confidently forward into the new challenges that wait for us. We appreciate the support of our shareholders and I am available to you at anytime to listen to your concerns and ideas and answer your questions to the best of my ability.

Be safe,



Response to COVID-19 Pandemic



Operational
Response



Customer
Assistance



Communication
and Marketing



Community
Support



Operational Response

- Closed lobby access to all F&M Trust Community Offices effective March 20, 2020 to ensure the safety of all employees and customers
- Community Office drive-up services and access to banking services that require an appointment remain available
- Modified operations at the bank's Camp Hill and Brookview Community Offices based on specific circumstances at those locations
- All F&M Trust employees started a work from home rotation schedule on March 20, 2020
- Bank personnel are now equipped with technology solutions that allow sustained performance through remote working arrangements

Operational Response

- Established COVID-19 Response Team consisting of the following senior leaders:
 - Timothy G. Henry – *President and Chief Executive Officer*
 - Lorie Heckman – *Senior Vice President, Chief Risk Officer*
 - Karen K. Carmack, DM – *Senior Vice President, Chief Human Resources Officer*
- The bank's COVID-19 Response Team and additional senior leaders listed below started and continue to conduct daily virtual briefings to coordinate operations and monitor issues related to the COVID-19 pandemic
 - Mark R. Hollar – *Senior Vice President, Chief Financial Officer & Treasurer*
 - Steven D. Butz – *Senior Vice President, Chief Commercial Services Officer*
 - Susan L. Rosenberg, JD – *Senior Vice President, Chief Investment & Trust Services Officer*
 - Patricia A. Hanks – *Senior Vice President, Chief Retail Services Officer*
 - Ronald L. Cekovich – *Senior Vice President, Chief Information & Operations Officer*
 - Matthew D. Weaver – *Senior Vice President, Chief Marketing Officer*

Customer Assistance

- Directed customers to the bank's convenience services including online banking, the F&M Trust mobile banking app, Freedom Access Center (telephone banking) and call center
- Introduced an Emergency Personal Line of Credit for existing and non-customers who are experiencing a financial hardship
- Responded to requests from commercial and retail customers to provide loan modifications including three to six month interest-only or full payment deferrals due to economic conditions
- Posted content on social media channels and the bank's blog, Money Moves, educating our customers and communities of fraud and scams related to COVID-19



NEED EXTRA FUNDS FAST?

Emergency Personal Line of Credit*

We're Here to Help.

- NO COLLATERAL NEEDED**
- LOW FIXED RATE**
- FAST LOCAL DECISIONS**

Contact us for details.

These are unprecedented times. Your local F&M Trust banking team is here with this special financing solution to help you get through an expected personal cash crunch. The F&M Trust **Emergency Personal Line of Credit** is designed to help you manage short-term challenges while the economy navigates its way back to normal conditions. You can be approved even if you're temporarily unemployed due to the COVID-19 emergency.

How to Apply:
Call 1.888.264.6116 or visit fmtrust.bank to reach us by email. When applying, be sure to have a copy of your **2019 W-2 form plus 1 month of recent pay stubs**. We'll work to provide a fast answer so you can focus on more important needs.

F&M TRUST
1.888.264.6116
fmtrust.bank

Member FDIC
EQUAL OPPORTUNITY LENDER

*Offer available on applications taken for Personal Lines of Credit during a government declared emergency or disaster. Minimum line \$500; maximum line \$5,000. All lines are subject to credit approval and are for consumer purposes only. Minimum credit score required. Additional restrictions, limitations or exclusions may apply. Terms and conditions of this offer are subject to change without notice.

Customer Assistance

- Participated in the Paycheck Protection Program (PPP), under the Coronavirus Aid, Relief and Economic Security (CARES) Act, to offer economic relief for local businesses
- Allocated bank-wide resources to support the program and processed 512 PPP applications resulting in \$50.2 million in approved loans for F&M Trust customers during the initial round of funding which was available on April 3, 2020
- 99.6% of the bank's applicants were successfully funded during the first round of the program and loan amounts ranged from \$1,855 to \$2,516,147
- F&M Trust continues to support PPP loan applications for customers and non-customers during the additional round of funding made available on April 24, 2020
- To date, the Paycheck Protection Program loans impacted 512 small businesses with nearly 6,500 employees within the F&M Trust marketplace
- Anticipate \$2.0 million in fee income will be generated from the Paycheck Protection Program which will likely be realized over the second and third quarters of 2020

Communication and Marketing

- Published content on the bank's website, fmtrust.bank, with updates and resources related to COVID-19, the Paycheck Protection Program and the CARES Act federal stimulus payments
- Provided timely and valuable information to customers through multiple channels including email, social media, online and mobile banking and office drive-up windows
- Launched "We Got This" campaign on television, radio, outdoor, digital and direct mail to promote a relevant message during the challenging times

COVID-19 Information and Updates

HOME / COVID-19



F&M Trust was founded for farmers and merchants in 1906. Since then, we've also helped first responders and electricians. Nurses, retail specialists and truck drivers. Customers. Neighbors. Friends. We got this Central PA. Together. And we're here for you.

Community Office Updates

As an essential business, F&M Trust remains open and stands ready to assist you with your financial needs. Rest assured, your money is safe. In fact, the safest place for your money is in the bank because it is FDIC-insured. F&M Trust will continue to maintain operations, protect your deposits and provide ongoing access to your funds.

- Community Office drive-up services are available. Please [Click Here](#) for information on locations and hours.
- Lobby access to all F&M Trust Community Offices is closed until further notice to ensure the safety of our customers and employees.
- Our offices will provide access to safe deposit boxes and banking services that require an in-person meeting by appointment only.
- Lobby access and drive-up services at our Camp Hill Office are closed at this time. Customers in this community can access drive-up services and banking services that require an in-person meeting at our Mechanicsburg Office, located at 6375 Carlisle Pike. Please call 717.697.0444 or 717.264.6116 for assistance or to schedule an appointment.



Community Support

- F&M Trust committed a \$100,000 public investment to be distributed across the bank's marketplace for COVID-19 relief efforts
- The funds for this effort were reallocated from budgeted business development activities, bank events and sponsorships that were cancelled due to COVID-19
- Organizations receiving the investment include the United Way of Franklin County, the United Way of the Capital Region, the United Way of Carlisle & Cumberland County, the United Way of the Shippensburg area, the Fulton County Family Partnership and numerous fire companies and emergency rescue services that support the bank's community office network

YTD Financial Updates

- Reduced deposit rates in February and March in response to market conditions
- Recorded a provision for loan loss expense of \$3 million for the first quarter of 2020 due to changing Qualitative Factors related to the COVID-19 pandemic
- Provided payment modifications on 206 loans totaling approximately \$165 million
- Capital position remained strong with a total risk-based capital ratio of 15.80% and a leverage ratio of 9.45%
- Maintained the dividend at \$0.30 per share for the second quarter of 2020
- Liquidity remained strong both on the balance sheet and with resources available if needed including Paycheck Protection Program Liquidity Facility (PPPLF) funding

YTD Financial Updates

- Profitability from 2019 and the first quarter of 2020 positioned the company to increase the allowance for loan losses and strengthen capital levels as the company heads into a time of economic uncertainty
- Loan-to-deposit ratio of 84% enhances liquidity position and allows for quality lending opportunities
- Significant reduction in participation loans has improved overall portfolio credit quality
- 54 new mortgage originations for \$11.1 million, an increase of 39.4% from the first quarter of 2019
- Fee income from new mortgages originated for sale in the secondary market increased \$67,000 over the same period in 2019

Loan Modifications by Industry*

<i>Dollars in Thousands (000's)</i>	Balance	Percent of Gross Loans	Real Estate	Non-Real Estate
Accommodation and Food Services	\$79,394	8%	\$79,266	\$128
Retail Trade	\$36,826	4%	\$36,115	\$711
Real Estate and Rental and Leasing	\$26,433	3%	\$26,382	\$51
Health Care and Social Assistance	\$6,133	1%	\$4,531	\$1,602
Construction	\$4,613	< 1%	\$2,514	\$2,099
Arts, Entertainment, and Recreation	\$3,408	< 1%	\$3,077	\$331
Other Services (except Public Administration)	\$3,260	< 1%	\$2,963	\$297
Agriculture, Forestry, Fishing and Hunting	\$1,798	< 1%	\$1,715	\$83
Transportation and Warehousing	\$1,280	< 1%	\$439	\$841
Administrative / Support & Waste Mgmt. / Remed. Services	\$496	< 1%	\$238	\$258
Public Administration	\$396	< 1%	\$396	\$ –
Manufacturing	\$321	< 1%	\$120	\$201
Professional, Scientific, and Technical Services	\$170	< 1%	\$ –	\$170
Total	\$164,528	18%	\$157,756	\$6,772

Pandemic Risk by Industry and Collateral

<i>Dollars in Thousands (000's)</i>			
Medium Risk		Real Estate Secured	Non-Real Estate Secured
Retail – Consumer Loans – Non-Real Estate	\$5,744	\$0	\$5,744
Construction	\$71,260	\$61,228	\$10,032
Real Estate and Rental and Leasing	\$282,358	\$265,772	\$16,586
Total	\$359,362	\$327,000	\$32,362
High Risk			
Arts, Entertainment and Recreation	\$15,393	\$14,903	\$490
Retail Trade – Non Operating Sectors	\$34,447	\$32,006	\$2,441
Accommodation and Food Services	\$78,239	\$76,697	\$1,542
Total	\$128,079	\$123,606	\$4,473

Liquidity Available at March 31, 2020

<i>Dollars in Thousands (000's)</i>			
Liquidity Source	Capacity	Outstanding	Available
Federal Home Loan Bank	\$377,600	\$ –	\$377,600
Federal Reserve Bank Discount Window	\$21,000	\$ –	\$21,000
Correspondent Banks	\$21,000	\$ –	\$21,000
Total	\$419,600	\$ –	\$419,600

Outlook for 2020

- Additional provision for loan losses expected for the second quarter of 2020
- Anticipating a challenging environment and slow economic recovery in the second half of 2020 and into 2021
- Lower interest rate environment will continue to put pressure on net interest margin
- Moderate loan demand through 2020 and strong competition to meet that demand
- Deposit growth likely as depositors look for safety for their funds
- Lower fee income in Investment & Trust Services business line primarily due to equity market performance
- Use of the Paycheck Protection Program Liquidity Facility (PPPLF) to fund PPP loans to protect current liquidity resources

Financial Updates

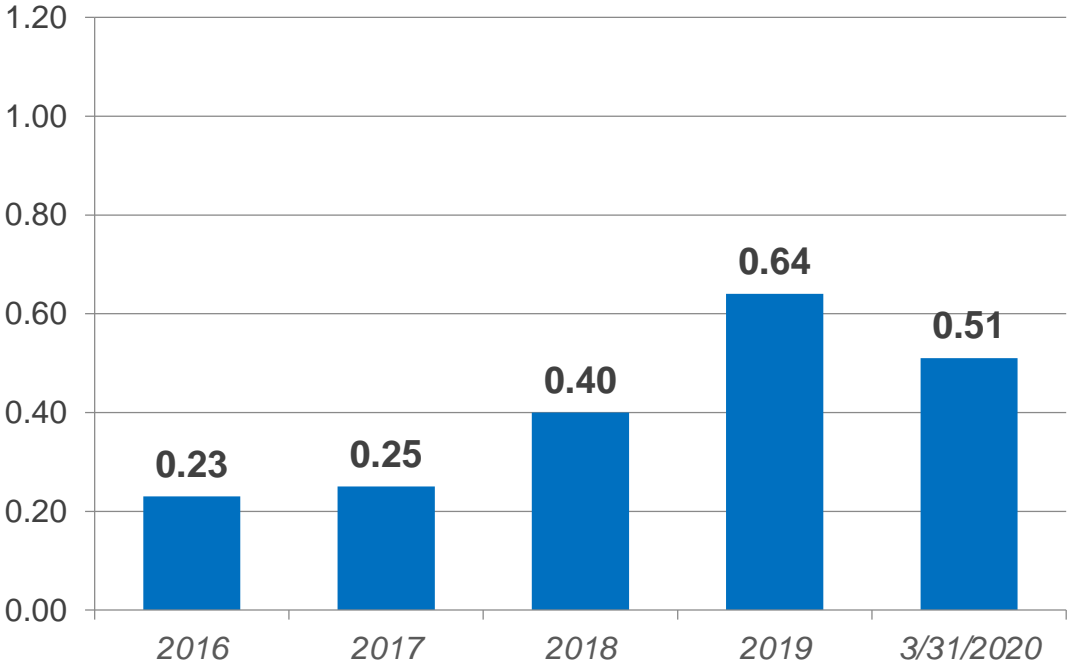
First Quarter Ended March 31, 2020

A Balanced Revenue Model

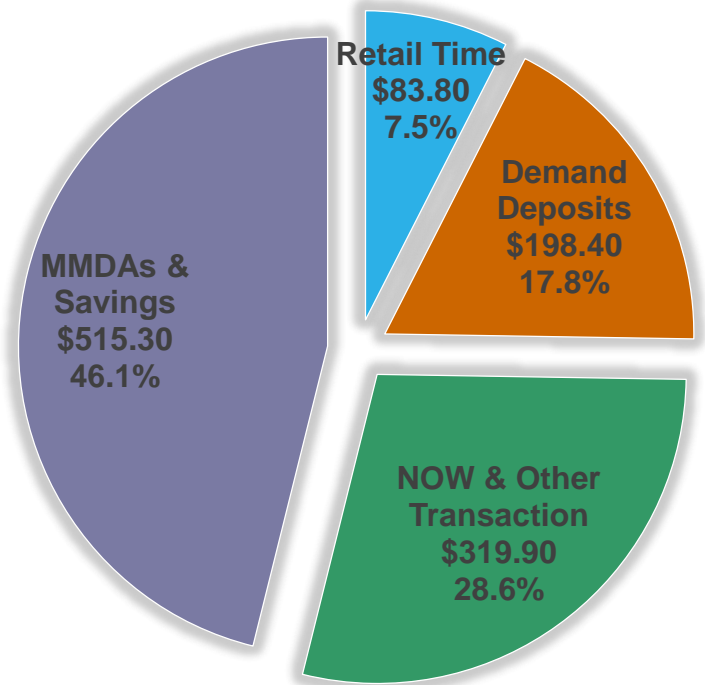
<i>Noninterest Income Source as a percentage of Average Assets for the quarter ended March 31, 2020</i>	2020 Franklin Financial	Median PA Banks Peer¹
Trust	0.43%	0.06%
BOLI	0.04%	0.05%
Insurance / Investment Banking / Brokerage	0.02%	0.05%
Loan Fees & Charges	0.09%	0.02%
Service Charges on Deposits	0.18%	0.17%
Other ²	0.33%	0.24%
Total Noninterest Income ²	1.09%	0.59%

Stable, Low Cost Funding

Cost of Funds (%)

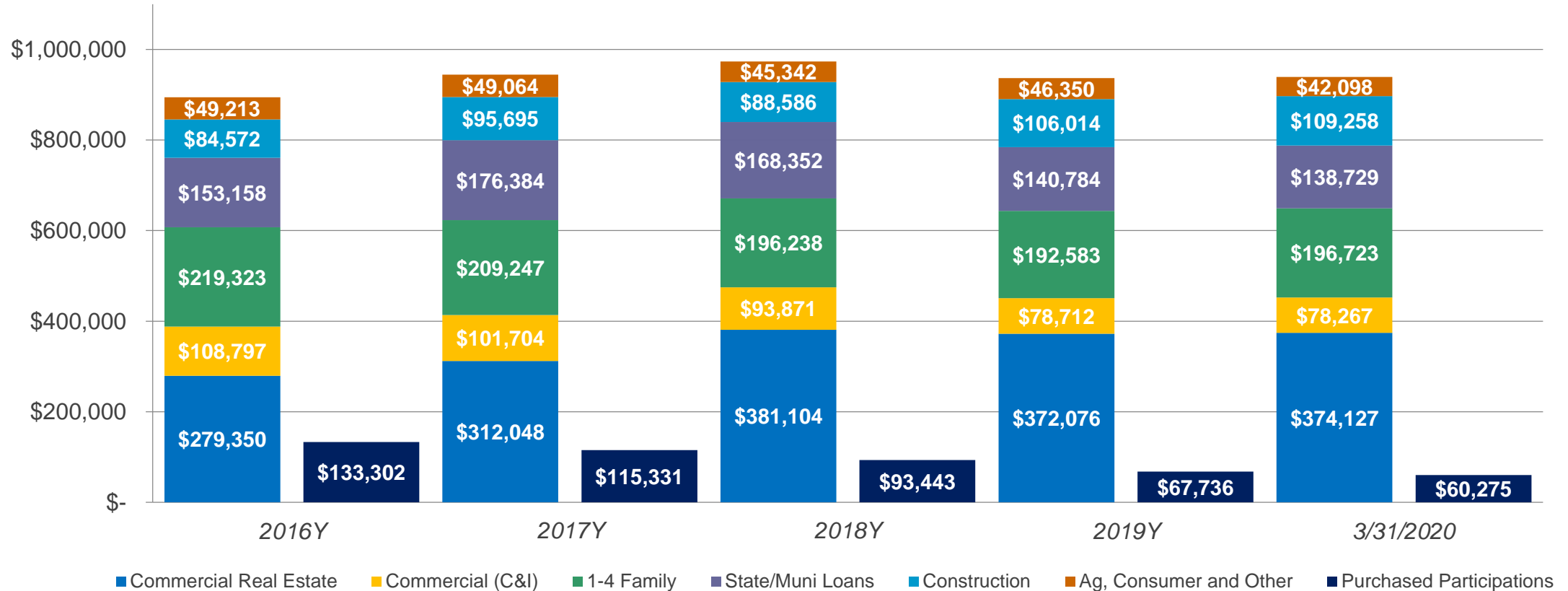


Franklin Financial Deposit Mix (\$000's)



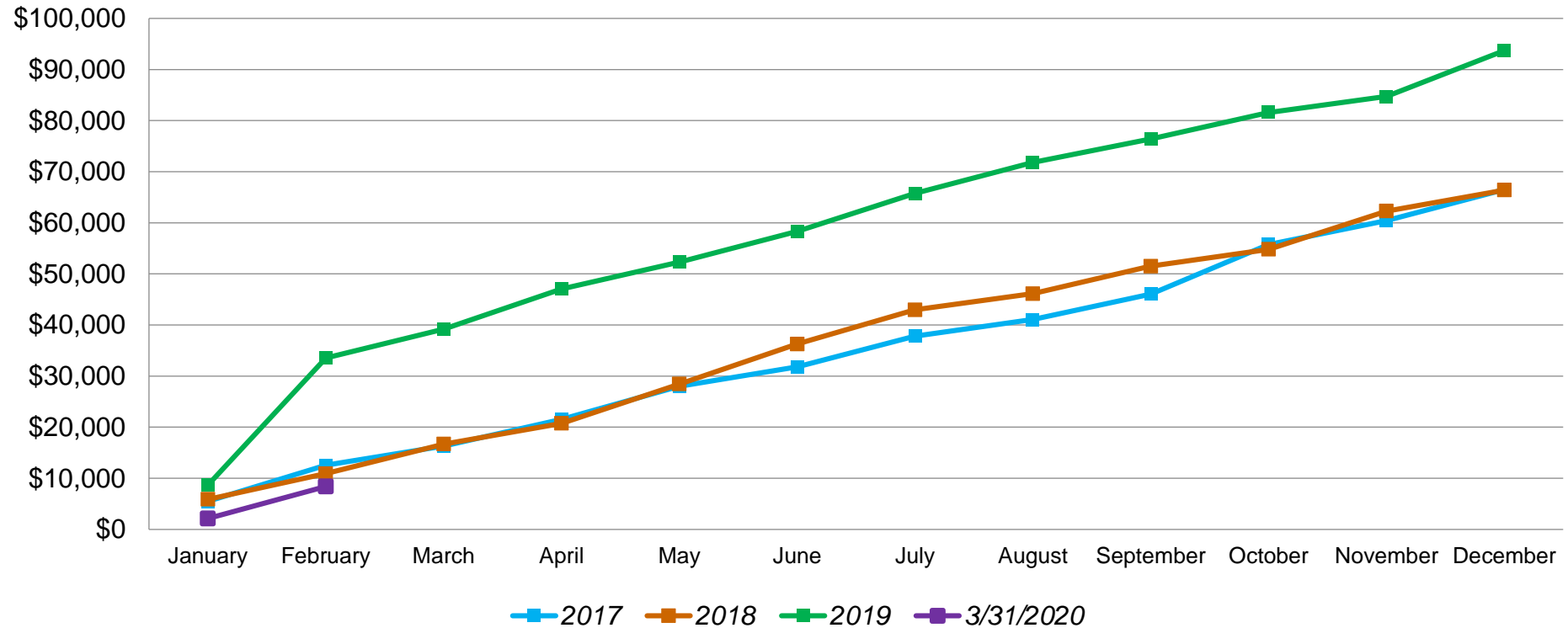
A Growing and Diversified Loan Portfolio

Loans Outstanding¹ (\$'000's)



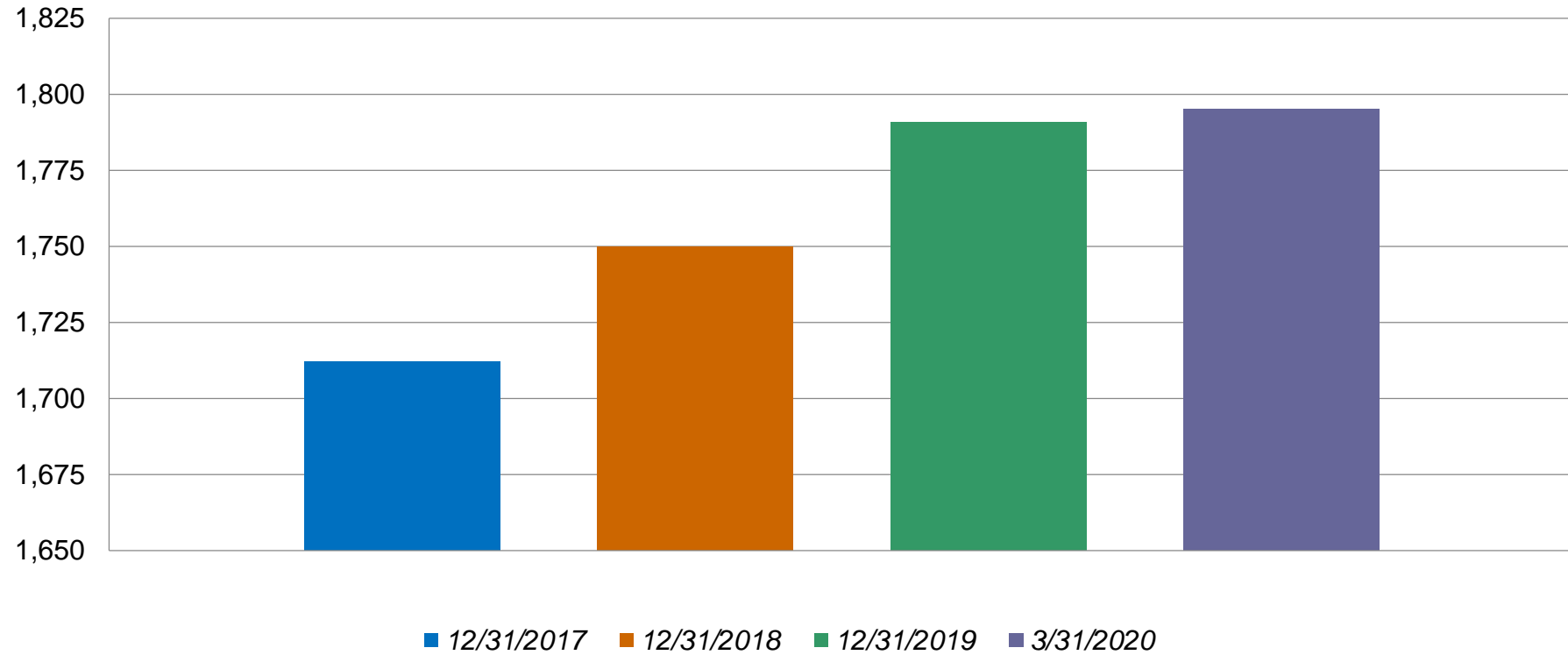
Investment and Trust Services

YTD New Assets Under Management (\$000's)



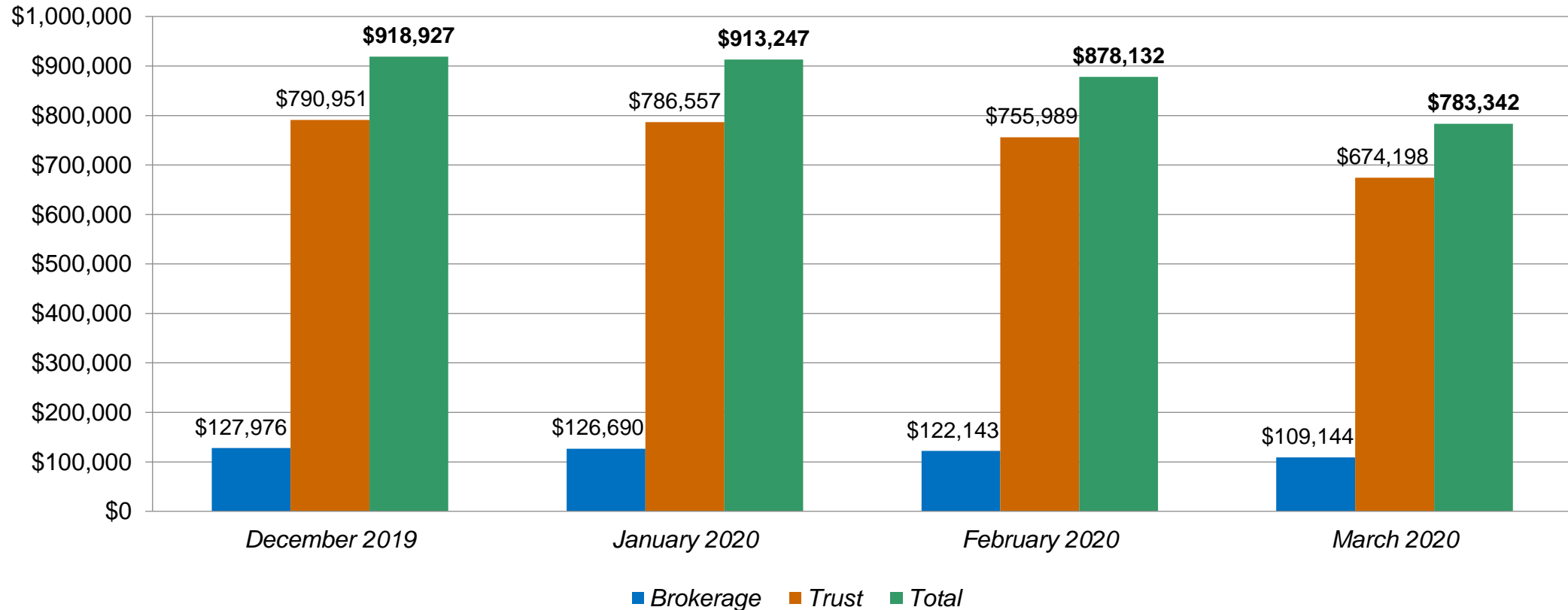
Investment and Trust Services

Total Number of Accounts



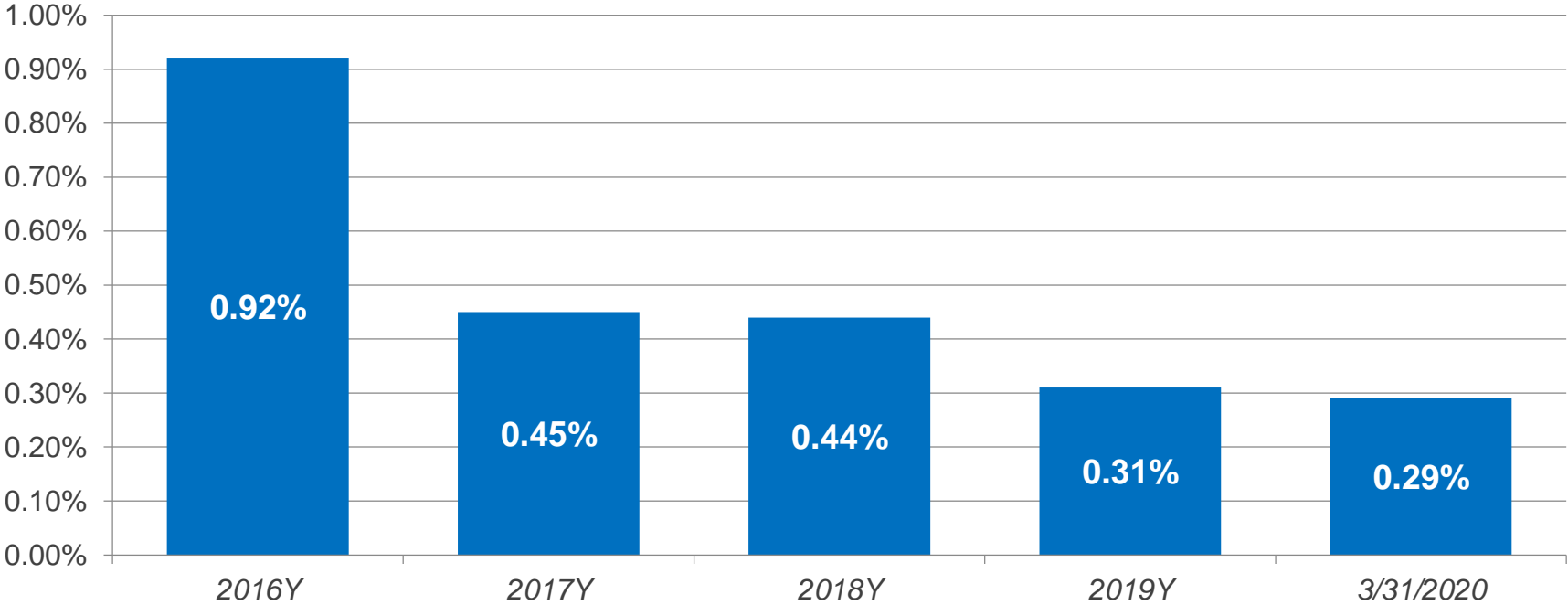
Investment and Trust Services

Total Assets Under Management (\$000's)



Strong Core Credit Quality

Nonperforming Assets¹ / Assets (%)



¹Nonperforming assets = nonaccrual loans, loans 90 days past due and other real estate owned

Balance Sheet Highlights

<i>Dollars in Thousands (000's)</i>	2016Y	2017Y	2018Y	2019Y	3/31/2020
Total Assets	\$1,127,443	\$1,179,813	\$1,209,587	\$1,270,923	\$1,262,126
Cash and Cash Equiv.	\$36,665	\$58,603	\$52,957	\$83,828	\$53,350
Investments	\$145,925	\$127,336	\$131,846	\$197,084	\$218,818
Net Loans	\$883,338	\$932,350	\$960,960	\$922,609	\$921,656
Deposits	\$982,120	\$1,047,181	\$1,082,629	\$1,125,392	\$1,117,433
Shareholders' Equity	\$116,493	\$115,144	\$118,396	\$127,528	\$129,005

Income Statement Highlights

<i>Dollars in Thousands (000's)</i>	Quarter Ended 3/31/2019	Quarter Ended 12/31/2019	Quarter Ended 3/31/2020
Interest Income	\$11,989	\$12,130	\$11,665
Interest Expense	\$1,660	\$1,734	\$1,413
Provision for Losses	\$399	\$0	\$3,000
Noninterest Income ¹	\$3,162	\$5,027	\$3,337
Noninterest Expense	\$9,412	\$10,304	\$9,778
Net Income	\$3,237	\$4,395	\$1,719

Key Performance Measures

<i>Percent (%)</i>	Quarter Ended 3/31/2019	Quarter Ended 12/31/2019	Quarter Ended 3/31/2020
Return on Avg. Assets	1.08	1.37	0.54
Return on Avg. Equity	10.90	13.96	5.31
Efficiency Ratio	67.93	65.36	65.94
Net Interest Margin	3.86	3.50	3.53
Noninterest Inc / Operating Revenue	20.87	29.30	22.24

Well-Positioned to Manage Uncertain Times

<i>Percent (%)</i>	Quarter Ended 3/31/2019	Quarter Ended 12/31/2019	Quarter Ended 3/31/2020
Risk-Based Capital Ratio (Total)	15.04	16.08	15.80
Leverage Ratio (Tier 1)	9.88	9.72	9.45
Common Equity Ratio (Tier 1)	13.78	14.82	14.53
Tangible Common Equity Ratio	8.98	9.40	9.97
Nonperforming Assets ¹ / Total Assets	0.70	0.31	0.29
Allowance for Loan Loss as a % of Loans	1.29	1.28	1.57
Allowance to Nonperforming Loans	217.25	306.43	395.57

Strong Dividend Yield

<i>Per Share Measure / Market Valuation</i>	Quarter Ended 3/31/2019	Quarter Ended 12/31/2019	Quarter Ended 3/31/2020
Diluted Earnings Per Share	\$0.73	\$1.01	\$0.39
Cash Dividend Yield	3.00%	3.10%	4.37%
Regular Cash Dividends Paid	\$0.27	\$0.30	\$0.30
Market Value (Per Share)	\$36.00	\$38.69	\$27.45
Book Value	\$27.54	\$29.30	\$29.74
Tangible Book Value ¹	\$25.50	\$27.23	\$27.66
Market Cap (\$M)	\$158.8	\$168.40	\$119.1
Price / Book (%)	130.72%	132.1%	92.3%
Price / Tangible Book (%)	141.2%	142.1%	99.2%
Price / LTM EPS (X)	27.27	10.54	8.24

GAAP / Non-GAAP Reconciliation

Tangible Book Value (per share) (non-GAAP)	3/31/2019	12/31/2019	3/31/2020
Shareholders' equity	121,491	127,528	\$ 129,005
Less intangible assets	(9,016)	(9,016)	(9,016)
Shareholders' equity (non-GAAP)	112,475	118,512	119,989
Shares outstanding (in thousands)	4,411	4,353	4,338
Tangible book value (non-GAAP)	25.50	27.23	27.66
Efficiency Ratio			
Noninterest expense	9,412	10,304	\$ 9,778
Net interest income	10,329	10,396	10,252
Plus tax equivalent adjustment to net interest income	388	348	300
Plus noninterest income, net of securities transactions	3,138	5,027	4,276
Total revenue	13,855	15,771	14,828
Efficiency Ratio (non-GAAP)	67.93%	65.34%	65.94%

Summary

- The Company is well capitalized which provides the ability to assist customers and communities through a challenging time
- Asset quality is good due to significantly lower dependence on participation loans
- Seasoned and experienced senior management team has previously worked through difficult economic conditions
- Earnings performance leading into uncertain times allows for additional provision for loan losses
- Liquidity remains strong with resources available if needed

Thank You

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

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