



**Franklin Financial  
Services Corporation**

2010 ANNUAL REPORT



Supporting  
the local economy  
and serving  
our communities

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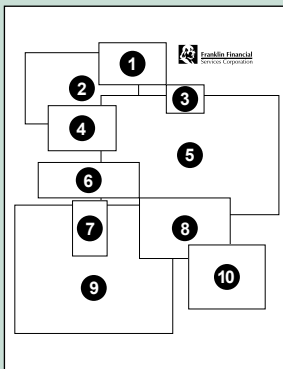
**Franklin Financial**  
Services Corporation

Franklin Financial Services Corporation (the Corporation) is a holding company with headquarters in Chambersburg, PA.

The Corporation's direct subsidiary is The Farmers and Merchants Trust Company of Chambersburg (the bank, F&M Trust).

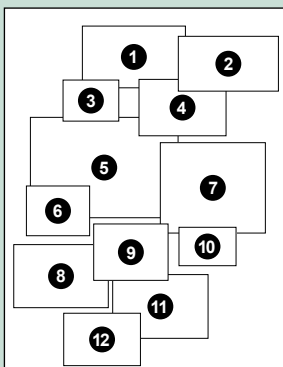


F&M Trust is a full-service bank offering investment, trust, commercial and retail services with twenty-five community offices in Franklin, Cumberland, Fulton and Huntingdon Counties.



### Images from Front Cover

1. Fulton Valley Ag Services
2. Army Heritage Museum
3. Mont Alto Fire Company – Fairgrounds/Event Center
4. Franklin County 4H Beef/Livestock Sale
5. Waynesboro YMCA
6. Vacon, Inc.
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### Images from Back Cover

1. ServiceMaster
2. James Buchanan Sports
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# Consolidated Financial Highlights

(dollars in thousands, except per share)	2010	2009	% increase (decrease)
<b>Performance Measurement</b>			
Net income	\$ 7,612	\$ 6,585	16
Return on average assets	0.78%	0.69%	
Return on average equity	9.34%	8.69%	
Return on average tangible assets <sup>1</sup>	0.82%	0.74%	
Return on average tangible equity <sup>1</sup>	11.27%	10.79%	
Efficiency ratio <sup>2</sup>	63.43%	65.35%	
Net interest margin	3.53%	3.44%	
Current dividend yield	5.92%	6.61%	
Dividend payout ratio	55.10%	62.95%	
<b>Balance Sheet Highlights</b>			
Total assets	\$951,889	\$979,373	(3)
Investment Securities (includes restricted stock)	123,775	149,770	(17)
Loans, net	739,841	730,626	1
Deposits and customer repurchase agreements	785,495	794,220	(1)
Shareholders' equity	82,639	78,766	5
<b>Shareholders' Value (per common share)</b>			
Diluted earnings per share	\$ 1.96	\$ 1.71	15
Basic earnings per share	1.96	1.71	15
Regular cash dividends paid	1.08	1.08	-
Book value	21.09	20.39	3
Market value	18.25	16.33	12
Market value/book value multiple	0.87	0.80	
Price/earnings multiple	9.31	9.55	
<b>Safety and Soundness</b>			
Leverage ratio (Tier 1)	8.16%	7.50%	
Risk-based capital ratio (Tier 1)	11.73%	10.89%	
Tangible common equity ratio <sup>3</sup>	8.21%	7.47%	
Nonperforming assets/gross loans	3.68%	2.47%	
Nonperforming assets/total assets	2.96%	1.93%	
Allowance for loan losses as a % of loans	1.18%	1.21%	
Net charge-offs/average loans	0.45%	0.26%	
Average equity to average asset ratio	8.36%	7.98%	
<b>Trust Assets</b>			
Trust assets under management (market value)	\$490,420	\$460,233	7

<sup>1</sup> Excludes core deposit intangibles, goodwill and intangible amortization

<sup>2</sup> Noninterest expense / tax equivalent net interest income plus noninterest income less net securities gains

<sup>3</sup> Total equity less AOCI, goodwill and intangibles / total assets less goodwill and intangibles

# Summary of Selected Financial Data

For the year ended, December 31

(dollars in thousands, except per share)

	2010	2009	2008	2007	2006
<b>Summary of Operations</b>					
Interest income	\$ 43,284	\$ 43,757	\$ 46,156	\$ 49,487	\$ 40,902
Interest expense	12,443	14,674	16,037	23,796	19,956
Net interest income	30,841	29,083	30,119	25,691	20,946
Provision for loan losses	3,235	3,438	1,193	990	240
Net interest income after provision for loan losses	27,606	25,645	28,926	24,701	20,706
Noninterest income	9,366	8,880	6,538	10,107	8,257
Noninterest expense	26,423	25,929	23,189	22,793	19,296
Income before income taxes	10,549	8,596	12,275	12,015	9,667
Income tax	2,937	2,011	3,680	2,759	2,097
Net income	\$ 7,612	\$ 6,585	\$ 8,595	\$ 9,256	\$ 7,570

## Performance measurements

Return on average assets	0.78%	0.69%	1.01%	1.14%	1.07%
Return on average equity	9.34%	8.69%	10.99%	12.62%	11.92%
Return on average tangible assets <sup>1</sup>	0.82%	0.74%	1.05%	1.18%	1.09%
Return on average tangible equity <sup>1</sup>	11.27%	10.79%	13.19%	15.41%	13.42%
Efficiency ratio <sup>2</sup>	63.43%	65.35%	61.25%	61.28%	63.06%
Net interest margin	3.53%	3.44%	4.03%	3.67%	3.45%
Current dividend yield	5.92%	6.61%	5.92%	4.17%	3.66%
Dividend payout ratio	55.10%	62.95%	47.66%	42.77%	47.03%

## Shareholders' Value (per common share)

Diluted earnings per share	\$ 1.96	\$ 1.71	\$ 2.24	\$ 2.40	\$ 2.10
Basic earnings per share	1.96	1.71	2.24	2.41	2.11
Regular cash dividends paid	1.08	1.08	1.07	1.03	0.99
Book value	21.09	20.39	19.10	20.18	19.01
Market value	18.25	16.33	18.25	24.95	27.30
Market value/book value multiple	0.87	0.80	0.96	1.24	1.44
Price/earnings multiple	9.31	9.55	8.15	10.40	13.00

## Balance Sheet Highlights

Total assets	\$951,889	\$979,373	\$902,460	\$820,371	\$799,333
Investment securities (includes restricted stock)	123,775	149,770	154,041	168,906	192,487
Loans, net	739,841	730,626	668,860	564,256	521,684
Deposits and customer repurchase agreements	785,495	794,220	691,653	674,434	673,705
Shareholders' equity	82,639	78,766	73,059	77,642	71,614

## Safety and Soundness

Leverage ratio (Tier 1)	8.16%	7.50%	7.84%	8.18%	7.60%
Risk-based capital ratio (Tier 1)	11.73%	10.89%	11.02%	12.28%	10.59%
Tangible common equity ratio <sup>3</sup>	8.21%	7.47%	7.72%	8.13%	7.52%
Nonperforming loans/gross loans	3.68%	2.47%	0.59%	1.01%	0.57%
Nonperforming assets/total assets	2.96%	1.93%	0.44%	0.73%	0.29%
Allowance for loan losses as a % of loans	1.18%	1.21%	1.09%	1.29%	1.30%
Net charge-offs/average loans	0.45%	0.26%	0.19%	0.09%	0.04%
Average equity to average asset ratio	8.36%	7.98%	9.18%	8.98%	8.96%

## Trust Assets

Trust assets under management (market value)	\$490,420	\$460,233	\$497,215	\$507,920	\$538,152
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<sup>1</sup> Excludes core deposit intangibles, goodwill and intangible amortization

<sup>2</sup> Noninterest expense / tax equivalent net interest income plus noninterest income less net securities gains

<sup>3</sup> Total equity less AOCI, goodwill and intangibles / total assets less goodwill and intangibles

# A Message to Our Shareholders

Dear Shareholder:

The economic recession as well as the crisis in the financial services industry that erupted in 2008 continued to have a global impact as we moved through 2010. In the United States, unemployment remained above 9%, 157 banks failed (compared to 140 in 2009 and the most since 1992), one million homes were repossessed, Dodd-Frank was passed, and the Fed announced \$600 billion in additional quantitative easing to prop up the economy.

Internationally, we saw a flight to gold bullion as well as a debt crisis in Europe that spilled into Greece, Ireland, Portugal, and Spain. The credit ratings of these countries have been downgraded to “junk”.

Franklin Financial reported earnings of \$7,612,000 in 2010, representing a 15.6% increase from our 2009 earnings of \$6,585,000. Diluted earnings per share increased to \$1.96 per share in 2010 from \$1.71 per share in 2009.

The key factor driving our financial performance in 2010 was a 5% increase in fully tax equivalized Net Interest Income from \$30,277,000 in 2009 to \$31,902,000. Our Net Interest Margin increased from 3.44% in 2009 to 3.53% in 2010 as we benefited from a repricing of deposit costs.

As a shareholder, you received regular cash dividends of \$1.08 per share matching the regular cash dividends per share paid in 2009.

Our current annual dividend payout represents a 5.92% return based upon the closing price of Franklin Financial stock at December 31, 2010. The market value of a share of Franklin Financial stock increased from a closing price of \$16.33 at year-end 2009 to \$18.25 at December 31, 2010.



**Bill Snell**  
President & CEO

In September we announced to our shareholders significant amendments to the Franklin Financial Services Corporation Dividend Reinvestment and Stock Purchase Plan (“the Plan”) including:

- authorizing the issuance of an additional 1,000,000 shares of common stock on the terms and conditions of the Plan
- modifying the minimum and maximum amounts that may be invested pursuant to the voluntary cash payment option under the Plan
- providing for the investment of voluntary cash payments on as frequently as a weekly basis
- providing for the investment of voluntary cash payments via ACH transfer
- modifying the formula for determining the purchase price with respect to shares purchased under the Plan directly from Franklin Financial rather than on the open market

The Plan provides shareholders with a convenient and economical way to purchase additional shares of Franklin Financial common stock by reinvesting cash dividends paid on their shares or through optional cash payments. We are delighted with the response received from shareholders since the September 30th effective date of these amendments, both in terms of shareholder participation and the increase in the level of voluntary cash contributions.

*(continued)*

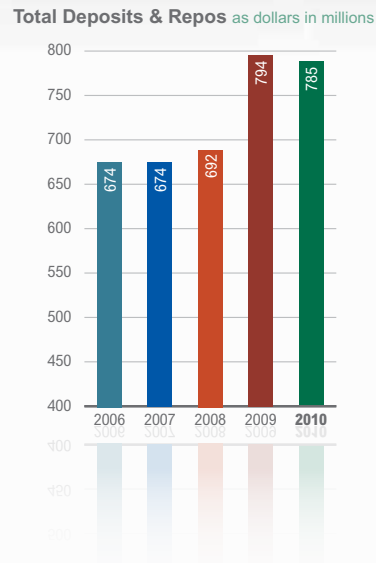
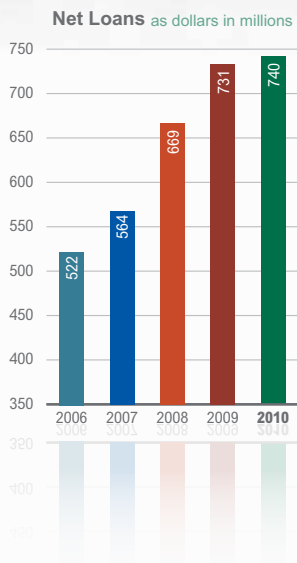
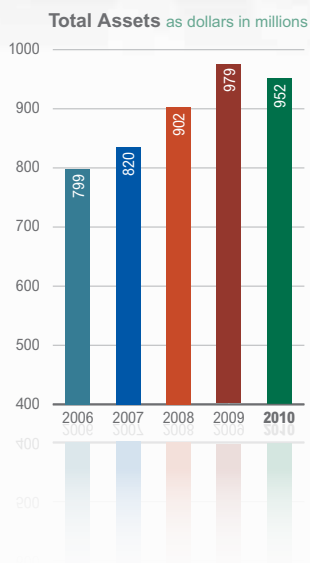
Ed Bidelspach (left) and Bill Snell (right) of F&M Trust, present a \$2,000 donation to Safe Harbour president Wendell Hollinger (center). Safe Harbour is a community organization dedicated to serving the needs of the homeless in Cumberland County. In addition, Bill's personally written appeal letter helped yield \$40,000 in total campaign donations. F&M Trust staff and customers also collected more than 2,500 disposable diapers to provide to the organization.



# F&M Trust Management Team

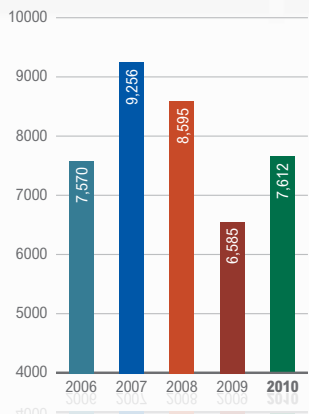


Left to right: Mike Kugler, Karen Carmack, Ron Cekovich, Mike Moore, Bill Snell, Mark Hollar, Trish Hanks, Tom Peterson, Ken Ditzler

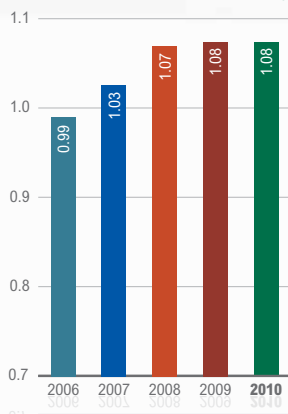




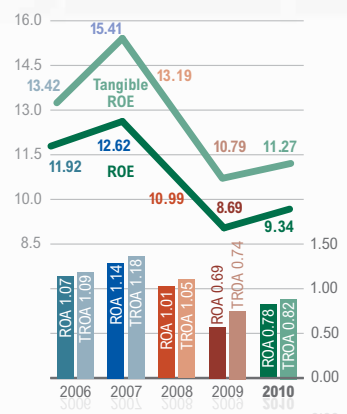
**Net Income** as dollars in thousands



**Regular Cash Dividends Paid** as dollars per share



**ROE/ROA** as percentage values





# Chambersburg Community Housing Projects

## Carlisle North East Street Revitalization Project

Franklin & Cumberland Counties



**Carlisle North East Street Revitalization Project**

**Chambersburg Senior Housing Project**



### **Carlisle North East Street Revitalization Project**

The National Association of Housing and Redevelopment Officials (NAHRO) presented a 2010 National Award of Merit in Program Innovation—Affordable Housing to F&M Trust for the bank’s participation in the Carlisle North East Street Revitalization Project. The initiative included the acquisition of the property, demolition of deteriorated structures, and new construction of five homes—including one that is fully accessible for owners with disabilities. Funding came through the Federal Home Loan Bank’s Affordable Housing Program. F&M Trust earned a similar award in 2008 for The Livery Project in Carlisle.

### **Chambersburg Community Housing Projects**

F&M Trust has participated in two residential revitalization initiatives near Southgate Shopping Center: The Chambersburg Senior Housing Project (Washington Square, above left) consists of 32 residential apartment units built at the former Sherwin-Williams site. F&M Trust sponsored \$275,000 in funding for the nonprofit group Interfaith Housing Alliance of Frederick, MD. F&M Trust also sponsored \$650,000 in funding for the Chambersburg Family Townhomes Project (Redwood Park, not pictured)—a 40-unit affordable townhouse development on 11 acres on nearby Buchanan Street.

Franklin Financial's total assets at December 31, 2010 were \$951,889,000 as compared to \$979,373,000 one year earlier.

Net loans grew by 1.3% on a year-over-year basis while average loan outstandings increased by \$43,455,000 or 6.1%. Commercial loan demand remained relatively strong resulting in \$180,000,000 of closed transactions which increased the average loan outstandings in this portfolio by \$64,473,000 or 12.6%. Average consumer loan outstandings decreased 11.1% to \$111,161,000 as consumers continued to focus on reducing debt and increasing savings. Residential mortgage closings declined from \$49,500,000 in 2009 to \$33,500,000 in 2010. Average residential mortgage outstandings declined by \$7,088,000 or 9.7% as we continue to hold fewer mortgage originations in our portfolio.

Total deposits and repurchase agreements as measured at year-end decreased by 1.1% to \$785,495,000 while average deposits and repurchase agreements increased 4.4% to \$787,230,000. Average core deposits (i.e. checking, savings, and interest bearing checking) increased by \$8,608,000 or 3.8%. Average balances in our Money Management Account increased by \$56,358,000 or 26.1% as the competitive yield and liquidity offered by this product continued to be attractive to customers.

Our financial condition remains strong as evidenced by a Total Risk-Based Capital Ratio of 11.73% and a Leverage Capital Ratio of 8.16%. These ratios remain above the levels that federal regulators require for an institution to be considered "well capitalized".

*(continued)*

Vacon, Inc., a global technology company, selected the Chambers-5 Business Park in Chambersburg as the best place to build its LEED® Gold Certified facility to improve service to customers in North America. Working with F&M Trust, Chambersburg Area Development Corporation, Franklin County Area Development Corporation, and Governor Rendell's Action Team, Vacon was able to create the ideal, scalable facility it needed to ensure reliable growth.



Our Tangible Capital Ratio, which measures Total Equity net of Accumulated Other Comprehensive Income, Goodwill, and Intangible Assets as a percentage of Total Assets excluding Goodwill and Intangible Assets stands at 8.21% at year-end, up from 7.47% at December 31, 2009. This ratio has increasingly been the focus of both regulators and investors seeking to measure true capital adequacy.

As a result of continued loan growth in our commercial portfolio as well as an increase in net charge-offs and Non Performing Assets, our Provision for Loan Losses was \$3,235,000 in 2010. Our Allowance for Loan Losses as a percentage of Total Loans was 1.18% at December 31, 2010, down slightly from 1.21% at year-end 2009.

The market value of assets under management by our Investment and Trust Services Department increased by 6.6% to \$490,420,000, reflecting improved market valuations as well as business development efforts. Assets under management as reported does not include approximately \$113,700,000 in assets held at third party brokers at December 31, 2010 compared to \$97,700,000 at year-end 2009. Investment and Trust Services fee income, including revenue generated through the Personal Investment Centers, increased 9.2% from \$3,519,000 in 2009 to \$3,844,000 in 2010. We made two additions to our staff during the year to significantly increase our Cumberland County presence ... John McGowan, who is based at our Camp Hill Office, and Dave Gority, who is based at our Ritner Highway Office in Carlisle. I am delighted with the impact that both John and Dave have had on our business development results.

*(continued)*



Shade Gap Area Fire Co. realized its first major expansion in 30 years thanks to \$200,000 in construction financing from F&M Trust. Now the volunteer organization can better serve the residents of Shade Gap Borough, Dublin Township, and Tell Township in southern Huntingdon County.



Over the past 20 years, the Mont Alto Fire Co. worked to secure 15 acres of land with the idea of building an entertainment complex that was closer to the Mont Alto community. Thanks to the hard work of Richard K. Sleicher, skilled volunteers, community donations, and a financial commitment from F&M Trust, the fire company established the Richard K. Sleicher Event Complex, complete with several new buildings ready to serve the community for decades to come.

# Big Spring Event and Activity Center

Cumberland County



Left to right:

**Laura Witter**

Co-Owner  
Big Spring Event  
and Activity Center

**Lindsay Reisinger**

Small Business  
Relationship Manager  
F&M Trust

When the Newville Community Center became available to purchase recently, **Donald** (not pictured) and **Laura Witter** knew it was an opportunity to do something good for the community. The Center was a positive influence on their lives when growing up, so they wanted to preserve and share that quality with others today. The Witters, who also own CRF Mechanical and Cedar Ridge Farm, turned to the Cumberland County Redevelopment Authority as well as **Lindsay Reisinger** and F&M Trust to help design a \$110,000 total financial package, including \$40,000 from F&M Trust, that would help them purchase the property and make nearly \$25,000 in renovations. The team effort worked as planned. The Big Spring Event and Activity Center is now open for business and serving the needs of the Big Spring community. Martial arts and Zumba classes are already taking advantage of the facility's resources. The Witters are considering other events of interest to the community—craft shows, a weekend farmer's market, and more.

# ServiceMaster

Franklin & Cumberland Counties



Left to right:

**Kevin Mellott**  
Owner  
ServiceMaster

**Lillian Mellott**  
Owner  
ServiceMaster

**Phil Pantano**  
Commercial Services  
Relationship Manager  
F&M Trust

When businesses and homeowners throughout Southcentral PA need a full service team to help them recover from any size disaster quickly, they turn to the restoration pros at ServiceMaster. Owners **Kevin and Lillian Mellott** operate two franchises—in Chambersburg and near Harrisburg—and are celebrating 25 years in the restoration and office-cleaning business. With 65 employees and 27 vehicles, the Mellotts have a real commitment to delivering reliable, responsive service. Maybe that’s why they like **Phil Pantano** and F&M Trust. After choosing F&M Trust for the easy “backyard” convenience, they’ve stayed with F&M Trust for what really matters—service, value, and a strong commitment to small business owners. The Mellotts note, “Really, we have no reason to look elsewhere.”

Our investment in Bankers Settlement Services Capital Region, LLC, a bank-owned title insurance agency based in Harrisburg and affiliated with Investors Title Insurance Company, generated dividends in the amount of \$60,800. The agency's revenues and profitability decreased by .6% and 15.5% respectively. Mortgage originations by F&M Trust and insured by Bankers Settlement Services accounted for approximately 10% of the agency's total net premium revenue in 2010. The lending officers of F&M Trust achieved an overall penetration rate of 48% in residential mortgages closed.

During 2010, our operational efficiency was again enhanced with new technology. We implemented the final phase of our Check Imaging processing system by receiving returned checks electronically from the Federal Reserve. Virtually all checks are now processed electronically by our bank. Additionally, we began scanning all new commercial and consumer loans into a state-of-the-art document management system. Instead of requesting a paper file, employees can now review the loan file online. This system has also significantly reduced the amount of required storage space.

We also completed an extensive evaluation in order to select a new core processing system. Over 30 employees from all functional areas participated in the selection process which involved demonstrations, site visits, reference calls as well as a detailed financial analysis. We will be switching to the new platform in early July of this year. Along with increased efficiency and usability, additional services such as online account statements and online account openings will be offered.

*(continued)*

The Army Heritage Center Foundation in Carlisle wanted to showcase the rich history and stories of bravery of the men and women of our armed forces. F&M Trust answered the call with a financing solution that helped add several new buildings to the Center's campus.



An “onboarding” program was introduced incorporating a series of structured contacts directed at new customers which, historically, are among the most vulnerable of a bank’s customer base. Onboarding is executed to first ensure that the customer is satisfied and using our services via personal follow-up contact. Additionally, we send custom letters introducing other F&M Trust services that might be of value. As a result of the rollout of this program, new customer retention has increased, service perception has improved, and cross-sell ratios among new customers have also risen.

In order to evolve and continually connect with customers, F&M Trust established a social media presence in 2010. We now have new channels of communication with customers through the free online social media applications Facebook and Twitter. These social media sites provide F&M Trust with an additional opportunity to communicate by sharing photos, community philosophy, and other information with customers while receiving important feedback.

We made an additional investment in upgrading our community office network during 2010. In May, we opened new drive-up ATM units at Ayr Town Center in McConnellsburg and in the Riverview Business Center in Mount Union.

#### Camp Hill Office



In September, we opened our 25th community banking office at 3907 Market Street in Camp Hill. This facility formerly housed Community Financial, Inc. and its subsidiary, Community Trust Company, which we acquired in November 2008. The existing building was extensively renovated to add 1,450 square feet for traditional retail banking, small business, commercial, and mortgage services. The new facility includes a bank lobby, customer service offices, conference room, as well as a drive-up teller, and drive through ATM service. In addition, improvements were made to the Investment & Trust Services offices and support areas.

*(continued)*



F&M Trust doubled its financial pledge to Fulton County Medical Center from the initial \$25,000 five-year commitment to a \$50,000 ten-year commitment. This enhanced contribution supports the center’s recent campaign to finance the new 16,000 sq. ft. expansion to the existing facility.

# Fulton Valley Ag Services

Fulton County



Left to right:

**Harry Johnston**  
Owner  
Fulton Valley  
Ag Services, LLC

**Dee Dee Johnston**  
Owner  
Fulton Valley  
Ag Services, LLC

**Paul Johnston**  
Fulton County Market  
Manager  
F&M Trust

**Don Trego**  
Small Business  
Relationship Manager  
F&M Trust

Since **Harry and Dee Dee Johnston** started their spray chemical and fertilizer business several years ago, they focused on steering it in a smart business direction. As owners, they understand the value of great customer service and access to the best possible loan rates, so two years ago they connected with F&M Trust. Thanks to financial solutions from **Paul Johnston** and **Don Trego** at F&M Trust, the Johnstons have been able to serve more agricultural clients throughout Fulton, Franklin and Huntingdon Counties—helping those clients grow reliably, which in turn helps their business grow stronger, too.



# The Beistle Company

Cumberland County



Left to right:

**Tom Peterson**

VP-Investment & Trust  
Services Market Manager  
F&M Trust

**Chris Keegan**

VP-Finance, Secretary, Treasurer  
The Beistle Company

**Mark Bernier**

Investment Portfolio Manager  
F&M Trust

**Ron Froeschle**

VP-Employee Benefits Officer  
F&M Trust

**Ron Showaker**

Asst. Secretary, Asst. Treasurer

After starting the business in 1900, **The Beistle Company** of Shippensburg has grown to become the world's largest manufacturer of party goods and decorations. Unlike import-based resellers, everything is designed and produced locally by The Beistle Company's team of 250 dedicated employees. In fact, they've recently expanded with a complete large-format digital printing department where customers can order unique life-size cutouts. While their success is worldwide, Beistle executives prefer the local touch when it comes to managing employee benefits and business finances. That's why they choose to rely on the experience of F&M Trust's Investment & Trust Services Department.

The office, lobby and conference room walls are adorned with prints and original art depicting local landscapes and scenery from local artists. The Greater Harrisburg Arts Council assisted in the selection and procurement of the artwork. We are delighted that average deposits at our Camp Hill Office exceeded \$23,800,000 within six months of our grand opening.

Our ATM network will expand again in 2011. In January, we opened an ATM on the campus of Quincy Village and a drive-up ATM unit, estimated to be operational in the early third quarter, will be opened on West King Street in Shippensburg at the site of a former Hardee's restaurant. Additionally, we anticipate beginning construction prior to year-end on new community offices in Newville and Mechanicsburg.

Before concluding, I would like to take this opportunity to recognize and thank Jerry Miller, who retired from the Franklin Financial and F&M Trust Boards of Directors at the end of 2010, for his 27 years of dedicated service. Jerry was elected to the Boards of Franklin Financial and F&M Trust in 1983. During his tenure, Jerry served on a variety of Board committees, most recently the Audit, Executive, Personnel, and Trust Committees, having served as Chair of the Audit Committee since 1997. His insight, wisdom, and support will be missed.



**Jeryl C. Miller**  
Board of Directors  
1983-2010

Our perspective is that 2011 will be another challenging year for financial institutions with high unemployment, increased loan delinquencies and defaults, and low interest rates. Although some “green sprouts” have been spotted, particularly recent hiring trends, we have a long road back to the levels of unemployment reported six or seven years ago. Businesses continue to struggle due to weak consumer spending and many experts are predicting that some foreclosures will increase 20% to 1.2 million in 2011.

Your interest and support as Franklin Financial shareholders is sincerely appreciated.

Sincerely,

A handwritten signature in blue ink that reads "William E. Snell, Jr." The signature is fluid and cursive.

William E. Snell, Jr.  
President & CEO

# FFSC Board of Directors



**Charles S. Bender II**  
Retired –  
F&M Trust Executive  
Vice President



**Martin R. Brown**  
President –  
M.R. Brown Funeral  
Home, Inc.



**G. Warren Elliott**  
President – Cardinal  
Crossing, Inc.  
Former Franklin County  
Commissioner



**Daniel J. Fisher**  
President and Chief  
Executive Officer –  
D.L. Martin Company



**Donald A. Fry**  
President –  
Cumberland Valley Rental  
and Towne Cleaners –  
ANDOCO, Inc.



**Allan E. Jennings, Jr.**  
President and COO –  
Jennings Chevrolet,  
Buick, GMC, Inc.



**Stanley J. Kerlin, Esq.**  
Attorney –  
Law Offices of  
Stanley J. Kerlin



**Donald H. Mowery**  
President –  
R. S. Mowery & Sons, Inc



**Stephen E. Patterson, Esq.**  
Principal –  
Salzmann Hughes P.C.



**Charles M. Sioberg**  
Chairman of the Board  
Vice President –  
Martin & Martin, Inc.



**William E. Snell, Jr.**  
President and  
Chief Executive Officer



**Martha B. Walker, Esq.**  
Partner –  
Walker, Connor &  
Spang, LLC

# FFSC Officers

**Charles M. Sioberg**  
Chairman of the Board

**Mark R. Hollar**  
Treasurer and Chief Financial Officer

**Joyce A. Riley**  
Assistant Corporate Secretary

**William E. Snell, Jr.**  
President and Chief Executive Officer

**Catherine C. Angle**  
Corporate Secretary



## Management

**William E. Snell, Jr.**  
President and Chief Executive Officer

**Mark R. Hollar**  
Senior Vice President  
Chief Financial Officer  
and Treasurer

**Karen K. Carmack, SPHR**  
Senior Vice President  
Human Resources Manager,  
Affirmative Action and HIPAA  
Privacy Officer

**Ronald L. Cekovich**  
Senior Vice President  
Technology Services Manager

**Kenneth C. Ditzler**  
Senior Vice President  
Marketing and Corporate  
Communications Manager

**Michael E. Kugler**  
Senior Vice President  
Commercial Services Market Manager

**Patricia A. Hanks**  
Vice President  
Retail Services Market Manager

**Michael A. Moore**  
Vice President  
Risk Management Officer

**Thomas L. Peterson, RFC,**  
ChFC, CFP® LUTCF  
Vice President  
Investment & Trust Services  
Market Manager

## Relationship Management Division

### Commercial Services

**Dianne L. Cornman, CTP**  
Vice President  
Cash Management Specialist

**Brian E. Weikert**  
Vice President

**David P. Zimmerman**  
Vice President

**Kathleen M. Bloss**  
Assistant Vice President  
Credit Department Manager

**Kenneth W. Brookens**  
Assistant Vice President

**Philip A. Pantano**  
Assistant Vice President

**Mary S. Cordell**  
Commercial Services Relationship  
Manager

**Jeremy D. Culler**  
Credit Analyst

**Eric J. Fleming**  
Small Business Credit Analyst

**Maria S. Seabra**  
Credit Analyst

**Jennifer D. Kaiser**  
Commercial Services Support  
Specialist

### Retail Services

**L. Kay Estep**  
Assistant Vice President  
GO Club Coordinator

## CHAMBERSBURG MARKET OFFICES

Lincoln Way East Office

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**Kim S. McKenrick**  
Assistant Vice President and Manager

**Lisa A. Hogue**  
Assistant Financial Services Officer  
and Assistant Manager

Memorial Square Office

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**Summer Franzoni**  
Assistant Vice President and Manager

**Dana L. Kaiser**  
Financial Services Officer  
and Assistant Manager

**Pamela J. Kolsun**  
Assistant Financial Services Officer

Orchard Park Office

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**Antonia L. Diffenderfer**  
Assistant Vice President and Manager

**Christina L. Yoder**  
Assistant Financial Services Officer and  
Assistant Manager

Penn Hall and Menno Village Offices

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**Barbara A. Seylar**  
Financial Services Officer and Manager

Philadelphia Avenue Office

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**Phyllis J. Amsley-Drawbaugh**  
Assistant Vice President, Financial  
Services Officer and Manager

St. Thomas Office

---

**Melanie D. Gordon**  
Financial Services Officer and Manager

West Side Office

---

**N. Joy Weller**  
Vice President and Manager

# Officers *(continued)*

## SOUTHERN FRANKLIN COUNTY MARKET OFFICES

### **Renee L. Preso**

Assistant Vice President  
Southern Franklin County  
Market Manager

### **Lynn A. Waite**

Small Business Relationship Manager

### Greencastle and Marion Offices

### **Teresa Gracie**

Financial Services Officer and Manager

### **Tracy D. Burger**

Assistant Financial Services Officer  
and Assistant Manager

### Marion Office

### **Vicky L. Carson**

Assistant Financial Services Officer  
and Assistant Manager

### Mont Alto Office

### **Linda K. Stottlemeyer**

Assistant Financial Services Officer  
and Assistant Manager

### Waynesboro Office

### **Natasha J. Koons**

Financial Services Officer  
and Manager

### **Chastity L. Wantz**

Assistant Financial Services Officer  
and Assistant Manager

## CUMBERLAND COUNTY MARKET OFFICES

### **Anthony L. Damore**

Assistant Vice President  
Cumberland County Market Manager

### **Lindsay J. Reisinger**

Small Business Relationship Manager

### Boiling Springs Office

### **Kevin M. Stoner**

Financial Services Officer  
and Manager

### Camp Hill Office

### **Katrina E. Buck**

Financial Services Officer and Manager

### Carlisle Crossing Office

### **David R. Winters**

Assistant Vice President and Manager

### Newville Office

### **Ellen L. Ile**

Financial Services Officer  
and Manager

### Ritner Highway and Hanover Street Offices

### **I. Edward Bidelspach**

Assistant Vice President and Manager

### Shippensburg Office

### **Barbara A. Hoover**

Financial Services Officer  
and Manager

## FULTON & HUNTINGDON COUNTIES MARKET OFFICES

### **Paul M. Johnston**

Assistant Vice President  
Fulton County Market Manager

### **Donald L. Trego**

Assistant Vice President  
Small Business Relationship Manager

### Hustontown Office

### **Denise M. Doyle**

Financial Services Officer and Manager

### McConnellsburg Office

### **Mary E. Wright**

Financial Services Officer  
and Manager

### Orbisonia Office

### **Shawna C. Dunmire**

Financial Services Officer  
and Manager

### Penns Village Office

### **Brenda J. Gordon**

Financial Services Officer  
and Manager

### Warfordsburg Office

### **Geraldine A. Fischer**

Financial Services Officer  
and Manager

## Consumer Lending Services

### **Susan E. Michael**

Vice President

## Investment & Trust Services

### **Carole L. Crist**

Vice President  
Investment & Trust Services  
Relationship Manager

### **Ronald R. Froeschle, QPA, QKA**

Vice President  
Employee Benefits Officer

### **David C. Gority**

Vice President  
Investment & Trust Services  
Relationship Manager

### **Warren M. Hurt**

Vice President  
Senior Investment Portfolio Manager

### **John C. McGowan**

Vice President  
Investment & Trust Services  
Relationship Manager

### **Charles R. Porter**

Vice President  
Business Development

### **James P. Probst**

Vice President  
Investment & Trust Services  
Relationship Manager

### **Susan A. Russell**

Vice President  
Investment & Trust Services  
Relationship Manager

## Officers *(continued)*

### **Diana L. Sponseller**

Vice President  
Investment & Trust Services  
Relationship Manager

### **Dennis L. Wilson, CTFA**

Vice President  
Investment & Trust Services  
Relationship Manager

### **Mark P. Bernier, CFA**

Investment Portfolio Manager

### **Heather C. Hershey**

Estate Administration Officer

### **Robin L. Murray**

Trust Operations Manager

### **Avis M. Graham, CFP®, RFC, CASL**

Assistant Investment and  
Trust Services Officer  
Personal Investment Counselor

### **Roderick C. Salter, FSS**

Assistant Investment and  
Trust Services Officer  
Personal Investment Counselor

## Marketing

### **Samantha J. Burke**

Marketing Officer

### **Melissa D. Miller**

Marketing Officer

## Facilities

### **Barry L. Shetter**

Assistant Vice President  
Facilities Manager

## Finance & Control

### **Kim A. Diehl**

Financial Analyst

### **Amy B. Herrold**

Controller

## Corporate

### **Catherine C. Angle**

Corporate Secretary

### **Joyce A. Riley**

Assistant Corporate Secretary

## Risk Management Division

### **Olaf R. Hasse**

Vice President  
Loan Portfolio Risk Management Officer

### **Mary L. Asbury**

Assistant Vice President  
Documentation Review Officer

### **Eric M. Follin**

Assistant Documentation  
Review Officer

### **Janet E. Stamper**

Assistant Documentation  
Review Officer

## Compliance

### **Lorie M. Heckman, CRCM**

Vice President  
Bank Secrecy Act, Compliance  
and Security Officer

### **Mary F. Cramer**

Bank Secrecy Act and OFAC Analyst

## Credit Administration

### **William A. Pryor**

Vice President  
Credit Recovery Manager

### **Steven R. Gormont**

Credit Recovery Officer

## Technology Services Division

### **Barry R. Walter**

Vice President

### **Patricia R. Ganoe**

Assistant Vice President  
Deposit Operations Manager

### **Pamela A. Johns**

Assistant Vice President  
Loan Servicing Manager

### **Matthew C. Clark**

Assistant Vice President  
Assistant Technology  
Services Officer

### **Stacey A. Stenger**

Data Operations Manager

## General Contact Information

### **FFSC / F&M Trust Headquarters**

Local: 717-264-6116  
Toll Free: 888-264-6116

### **Freedom Access Center**

(telephone banking service)  
Local: 717-261-3662  
Toll Free: 888-261-3662

### **24-Hour Online Access**

[www.fmtrustonline.com](http://www.fmtrustonline.com)

# Community Office Locations



## Chambersburg Area

**Lincoln Way East**  
1712 Lincoln Way East,  
Chambersburg  
717-264-9414

**Memorial Square**  
20 South Main Street,  
Chambersburg  
717-264-6116

**Menno Village**  
2075 Scotland Avenue,  
Chambersburg  
717-261-3697

**Norland Avenue**  
870 Norland Avenue,  
Chambersburg  
717-262-2085

**Orchard Park**  
841 Wayne Avenue,  
Chambersburg  
717-263-1801

**Penn Hall**  
1425 Philadelphia Avenue,  
Chambersburg  
717-261-3660

**Philadelphia Avenue**  
2405 Philadelphia Avenue,  
Chambersburg  
717-264-5122

**St. Thomas**  
6962 Lincoln Way West,  
St. Thomas  
717-369-3240

**West Side**  
1100 Lincoln Way West,  
Chambersburg  
717-263-9168

## Southern Franklin County

**Greencastle**  
518 N. Antrim Way,  
Greencastle  
717-597-2384

**Marion**  
5293 Main Street,  
Marion  
717-375-2200

**Mont Alto**  
8 Park Street,  
Mont Alto  
717-749-3161

**Waynesboro**  
200 East Main Street,  
Waynesboro  
717-762-2188

## Cumberland County

**Boiling Springs**  
3 East First Street,  
Boiling Springs  
717-241-4131

**Camp Hill**  
3907 Market Street,  
Camp Hill  
717-731-9604

**Carlisle Crossing**  
214A Westminster Drive,  
Carlisle  
717-243-2215

**Hanover Street**  
14 North Hanover Street,  
Carlisle  
717-249-1331

**Newville**  
9 West Big Spring Avenue,  
Newville  
717-776-2240

**Ritner Highway**  
1901 Ritner Highway,  
Carlisle  
717-960-1400

**Shippensburg**  
13 Shippensburg  
Shopping Center  
717-530-2100

## Fulton and Huntingdon Counties

**Hustontown**  
7781 Waterfall Road,  
Hustontown  
717-987-3193

**McConnellsburg**  
100 Lincoln Way East,  
McConnellsburg  
717-485-3144

**Orbisonia**  
18810 Sandy Ridge Station,  
Orbisonia  
814-447-3104

**Penns Village**  
182 Buchanan Trail,  
McConnellsburg  
717-485-3167

**Warfordsburg**  
560 Great Cove Road,  
Warfordsburg  
717-294-3288

# STAR®/Cirrus® ATM Locations

## Chambersburg Area

**Downtown Drive-Up**  
150 Lincoln Way East,  
Chambersburg

**Fayetteville**  
4025 Lincoln Way East,  
Fayetteville

**Lincoln Way East**  
1712 Lincoln Way East,  
Chambersburg

**Menno Village**  
2075 Scotland Avenue,  
Chambersburg

**West Side**  
1100 Lincoln Way West,  
Chambersburg

**Fayetteville**  
4025 Lincoln Way East,  
Fayetteville

**Norland Avenue**  
870 Norland Avenue,  
Chambersburg

**Northgate Commons**  
1500 Northfield Drive,  
Chambersburg

**Orchard Park**  
841 Wayne Avenue,  
Chambersburg

**Penn Hall**  
1425 Philadelphia Avenue,  
Chambersburg

**Philadelphia Avenue**  
2405 Philadelphia Avenue,  
Chambersburg

**St. Thomas**  
6962 Lincoln Way West,  
St. Thomas

## Southern Franklin County

**Greencastle**  
518 North Antrim Way,  
Greencastle

**Marion**  
5293 Main Street,  
Marion

**Mont Alto**  
8 Park Street,  
Mont Alto

**Penn National Clubhouse**  
3720 Clubhouse Drive,  
Fayetteville

**Quincy Village**  
6596 Orphanage Road,  
Quincy

**Waynesboro**  
200 East Main Street,  
Waynesboro

**Waynesboro Market Place**  
11123 Buchanan Trail East,  
Waynesboro

**Zullinger**  
4884 Buchanan Trail East,  
Zullinger

## Cumberland County

**Boiling Springs**  
3 East First Street,  
Boiling Springs

**Camp Hill**  
3907 Market Street,  
Camp Hill

**Carlisle Crossing**  
214A Westminster Drive,  
Carlisle

**Carlisle Plaza Drive-Up**  
700 East High Street,  
Carlisle

**Hanover Street**  
14 North Hanover Street,  
Carlisle

**Newville**  
9 West Big Spring Avenue,  
Newville

**Ritner Highway**  
1901 Ritner Highway,  
Carlisle

**Shippensburg**  
13 Shippensburg  
Shopping Center

## Fulton and Huntingdon Counties

**Ayr Town Center**  
368 South 2nd Street,  
McConnellsburg

**Hustontown**  
7781 Waterfall Road,  
Hustontown

**McConnellsburg**  
100 Lincoln Way East,  
McConnellsburg

**Orbisonia**  
18810 Sandy Ridge Station,  
Orbisonia

**Penns Village**  
182 Buchanan Trail,  
McConnellsburg

**Riverview Business Center**  
11734 Lenape Drive,  
Mount Union

**Warfordsburg**  
560 Great Cove Road,  
Warfordsburg

# FFSC Shareholders' Information

## Dividend Reinvestment Plan

Franklin Financial Services Corporation offers a dividend reinvestment program whereby shareholders with stock registered in their own names may reinvest their dividends in additional shares of the Corporation. Information concerning this optional program is available by contacting the Corporate Secretary at 20 South Main Street, PO Box 6010, Chambersburg, PA 17201-6010, telephone 717-264-6116.

## Dividend Direct Deposit Program

Franklin Financial Services Corporation offers a dividend direct deposit program whereby shareholders with stock registered in their own names may choose to have their dividends deposited directly into the bank account of their choice on the dividend payment date. Information concerning this optional program is available by contacting the Corporate Secretary at 20 South Main Street, PO Box 6010, Chambersburg, PA 17201-6010, telephone 717-264-6116.

## Annual Meeting

The Annual Shareholders' Meeting will be held Tuesday, April 26, 2011 at the Orchards Restaurant in Chambersburg. The Business Meeting will begin at 10:30 a.m. and will be followed by a luncheon. If interested in attending, please complete and return the reservation form reply card by April 11th.

## Stock Information

The following brokers are registered as market makers of Franklin Financial Services Corporation's common stock:

### Boenning & Scattergood, Inc.

4 Tower Bridge  
200 Bar Harbor Drive, Suite 300  
West Conshohocken, PA 19428  
800-883-1212

### Morgan Keegan & Co., Inc.

3050 Peachtree Road, NW, Suite 704  
Atlanta, GA 30305  
866-353-7522

### RBC Wealth Management

2101 Oregon Pike  
Lancaster, PA 17601  
800-604-1471

### Stifel, Nicolaus & Co.

20 Ash Street, Suite 400  
Conshohocken, PA 19428  
800-223-6807

## Registrar and Transfer Agent:

The registrar and transfer agent for Franklin Financial Services Corporation is Fulton Financial Advisors, N.A., One Penn Square, PO Box 4887, Lancaster, PA 17602, telephone 717-291-2546.

## Web site:

[www.franklinfin.com](http://www.franklinfin.com)



## Market & Dividends

The Corporation's common stock is not actively traded in the over-the-counter market. The Corporation's stock is listed under the symbol "FRAF" on the O.T.C. Electronic Bulletin Board, an automated quotation service. Current price information is available from account executives at most brokerage firms as well as the registered market makers of Franklin Financial Services Corporation common stock as listed above under Shareholders' Information.

There were 2,095 shareholders of record as of December 31, 2010. The range of high and low bid prices, as reported by local sources is shown below for the years 2010 and 2009. Also shown are the regular quarterly cash dividends paid for the same years.

### 2010 Per Share

	High	Low	Dividends Paid
First quarter	\$17.00	\$15.19	\$0.27
Second quarter	18.75	16.75	0.27
Third quarter	17.50	16.50	0.27
Fourth quarter	18.40	16.50	0.27

\$1.08

### 2009 Per Share

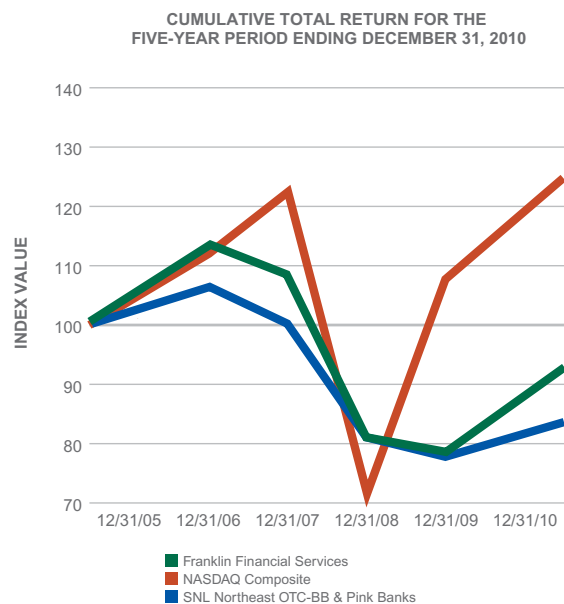
	High	Low	Dividends Paid
First quarter	\$19.00	\$14.00	\$0.27
Second quarter	17.50	14.50	0.27
Third quarter	17.00	15.75	0.27
Fourth quarter	20.50	15.46	0.27

\$1.08

## Total Return Performance

The Securities and Exchange Commission requires that a publicly held company include in its Annual Report a stock performance graph comparing its five-year cumulative total return to shareholders with the returns generated by an industry-specific index (or peer group index) and with the return generated by a broad market index.

The following graph compares the cumulative total return to shareholders of Franklin Financial with the NASDAQ – Total U.S. Index (a broad market index prepared by the Center for Research in Security Prices at the University of Chicago Graduate School of Business) and with the Northeast OTC-BB and Pink Banks Index (an industry-specific index prepared by SNL Financial LC) for the five year period ended December 31, 2010, in each case assuming an initial investment of \$100 on December 31, 2005 and the reinvestment of all dividends.



Index	Period Ended					
	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
Franklin Financial Services Corporation	100.00	112.32	106.75	81.84	78.04	92.90
NASDAQ Composite	100.00	110.39	122.15	73.32	106.57	125.91
SNL Northeast OTC-BB & Pink Banks	100.00	103.34	100.64	81.97	77.02	83.86



**Franklin Financial  
Services Corporation**  
P.O. Box 6010  
Chambersburg, PA 17201  
888.264.6116  
www.franklinfin.com