

Franklin Financial
Services Corporation

FOM
TRUST



Franklin Financial
Services Corporation



W OF CONTENTS

A MESSAGE TO OUR SHAREHOLDERS	1	SUMMARY OF SELECTED FINANCIAL DATA	21
F&M TRUST SENIOR MANAGEMENT TEAM	16	FFSC DIRECTORS AND OFFICERS	22
F&M TRUST OFFICERS	17	FFSC SHAREHOLDERS' INFORMATION	23
CONSOLIDATED FINANCIAL HIGHLIGHTS	20	F&M TRUST COMMUNITY OFFICE LOCATIONS	24

A Message to Our Shareholders

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

Dear Shareholders,

Franklin Financial reported earnings of \$6,232,000 in 2013, representing a 16.2% increase over our 2012 earnings of \$5,365,000. Diluted earnings per share increased from \$1.32 per share in 2012 to \$1.51 per share in 2013.

As a shareholder, you received cash dividends of \$0.68 per share in 2013, compared with \$0.78 per share in 2012. This decrease resulted from our decision to reduce the dividend from \$0.27 per share to \$0.17 per share in the second quarter of 2012 in order to avoid the need to raise substantial additional capital, thereby significantly diluting our shareholders. This action, coupled with investments from existing and new shareholders, through our enhanced Dividend Reinvestment and Stock Purchase Plan, has been successful in boosting our capital ratios. Our current dividend payout represents a 4% return based upon the closing price of Franklin Financial Stock at December 31, 2013. Our dividend payout remains in the upper end of our peer banking group range.

Franklin Financial reported earnings of \$6,232,000 in 2013, representing a 16.2% increase.

The market value of a share of Franklin Financial stock rebounded from a closing price of \$14.00 at December 31, 2012 to \$17.10 at December 31, 2013.

Our Tax Equivalent Net Interest Income in 2013 declined by \$675,000 or 2%, reflecting weak loan demand, intense competition for quality loans, as well as the Federal Reserve's continuing initiative to keep interest rates low in order to stimulate the economy. Non-Interest Income increased by \$426,000 or 4.5%, reflecting a solid 8.4% increase in Investment and Trust Services Fee Income as well as a 56% reduction in write-downs on Other Real Estate Owned (OREO).

Our Dividend Yield remains in the upper end of our peer banking group range.

Non-Interest Expense increased by \$493,000 or 1.6% in 2013 as we held salary and benefit expenses flat while FDIC Insurance Premiums declined by \$114,000.

In the fourth quarter of 2013, we recorded a nonrecurring expense of \$667,000 for a deferred compensation plan assumed in our acquisition of Fulton Bancshares Corporation in 2006. At the time of the acquisition, information provided by the FDIC indicated that this payout was considered a non-permissible "golden parachute" payment and; therefore, not accrued in prior years. The FDIC's ruling was challenged by the beneficiary of the deferred compensation plan and, more than seven years later, the FDIC reversed its decision, thereby permitting the payment...which resulted in our decision to fully accrue this liability in the fourth quarter. Obviously, our Net Income increase in 2013 would have been significantly higher without this reversal in the FDIC's position.

Our Provision for Loan Losses decreased 44% from \$5,225,000 in 2012 to \$2,920,000 as Net Charge-Offs decreased from \$4.6 million to \$3.6 million. This marked the second consecutive

year of a decline in Net Charge-Offs. Our Net Charge-Off ratio improved to .49% in 2013 as compared to .60% in 2012. At year end, our Allowance for Loan Losses as a percentage of Total Loans stood at 1.34%.

Non-Accruing Loans totaled \$24,643,000 at year-end 2013, representing a 32% decline from the \$36,394,000 total at year-end 2012. We continue to work diligently to exit our problem credits and are optimistic that we will continue to make significant progress in 2014.

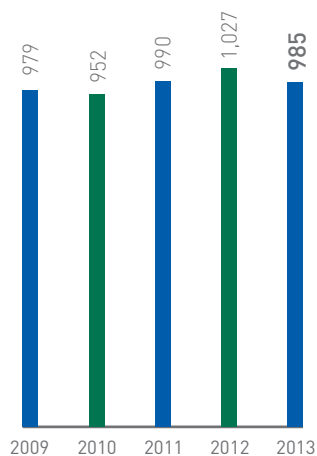
Franklin Financial's Total Assets declined from \$1,027,363,000 at year-end 2012 to \$984,587,000 at December 31, 2013, as we opted to let higher cost deposits roll off in light of sluggish loan demand. Net loans outstanding declined by 4% on a year-over-year basis while average loan outstandings decreased by 3.5%.

Commercial Loan demand was spotty and, coupled with the exit of several problem loans, average outstandings in the commercial portfolio declined by \$34,343,000 or 5.5%. Average consumer loan outstandings decreased by 12% to \$69,608,000 as consumers continued to be

Financial Highlights

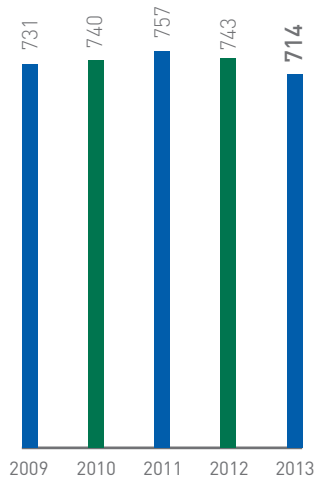
Total Assets

As dollars in millions



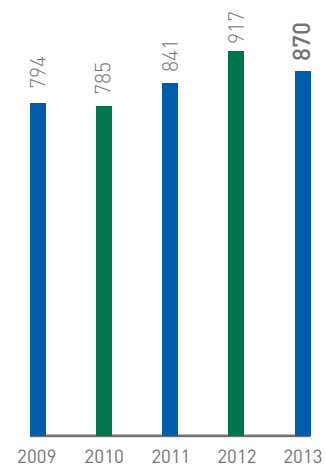
Net Loans

As dollars in millions



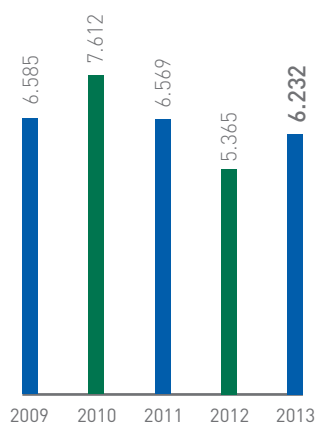
Total Deposits and Repos

As dollars in millions



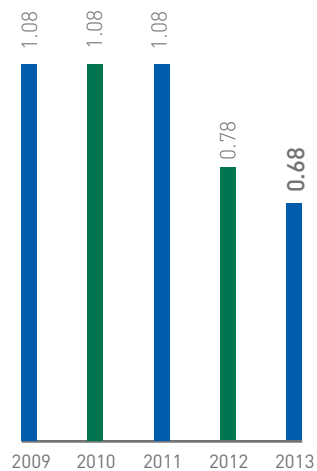
Net Income

As dollars in millions



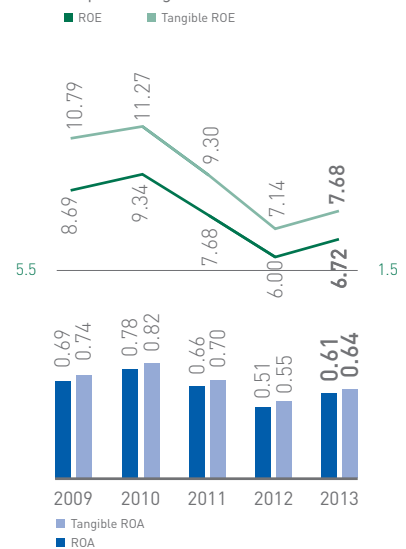
Regular Cash Dividends Paid

As dollars per share



ROA/ROE

As percentage values



hesitant to add debt and focused on increasing liquidity. Average residential mortgage loan outstandings increased by 29% as we retained more originations in the portfolio.

Total Deposits and Repurchase Agreements as measured at December 31, 2013 decreased by 5.1% while average Deposits and Repurchase Agreements increased by 1.9%. Average Core Deposits (i.e. checking, savings, and interest-bearing checking) increased by \$60,310,000 or 20.9%. Average balances in our Money Management Account product increased by \$20,750,000 or 5.7%.

The market value of Assets Under Management by our Investment and Trust Services Department

grew by 10.4% to \$574,700,000 at December 31, 2013, reflecting the addition of new client relationships and higher market valuations. Assets Under Management as reported do not include approximately \$130,000,000 in assets held at third party brokers at year-end. Investment and Trust Service fee income, including revenue generated through our brokerage offerings, increased 8.4% to \$4,429,000 in 2013.

Our financial condition remains strong as evidenced by a Total Risk Based Capital Ratio of 14.24% and a Leverage Capital Ratio of 9.14%. These ratios remain above the levels that federal regulators require for an institution to be considered "well-capitalized." Franklin Financial's Tangible Common Equity Ratio also improved from 8.01% to 8.79% at year-end 2013.



Shareholder services team: Lee Ann Novak, Joyce Riley, Cathy Angle

AVERAGE CORE DEPOSITS INCREASED BY OVER \$60 MILLION OR 20.9%

During 2013, we made two significant additions to our Management Group. Jane Tompkins joined us in May as Senior Vice President and Risk Management Officer. Jane has an extensive background in commercial lending and credit management during her 39 years in banking. As Risk Management Officer, she is responsible for ensuring that we maintain adequate policies to control credit, operational, compliance and other risks. Her duties also include managing our enterprise risk management program, ensuring the overall quality of the Bank's loss portfolio and acting as a liaison with our internal audit and loan review firms.

Steve Butz joined us in November as Senior Vice President and Commercial Services Market Manager. Steve brings almost 30 years of

experience to F&M Trust, most recently having served as President of the Capital Region of Susquehanna Bank where he had responsibility for all commercial banking and retail operations in a region that included 13 branches.

At F&M Trust, Steve is responsible for managing our Commercial Services Department, including cash management, merchant services, commercial lending, and the credit department. We are delighted to have both Jane and Steve aboard.

We continued to enhance banking convenience for our customers through advancements in technology throughout 2013. In March, we introduced Online Account Creation, giving customers the ability to open accounts online. We added Mobile Xpress Deposit in July, enabling

INVESTMENT & TRUST SERVICES FEE INCOME INCREASED 8.4% IN 2013

retail customers to deposit checks from home, work, or nearly anywhere, simply by taking a photo of the items with their smart phone and electronically presenting them for deposit. Mobile Xpress Deposit for Small Businesses was added in December. We also provided customers with the ability to create their own customized Freedom Cards (MasterCard Debit Card) by selecting an image from their PC, Facebook, Twitter, Flickr, or Picasa, customize the image, and create the card.

In September, our Investment and Trust Services Department converted its non-trust brokerage to Cetera Investment Services, LLC and is now operating under the private label of "F&M Investment Services." Cetera Investment Services, LLC provides customized investment and insurance solutions solely to financial institutions. The key factors in the selection of our new broker dealer was Cetera's self-clearing status and its innovative technology. Cetera's

advisor and wealth management platforms are key components in our strategy of deepening customer relationships by creating customized financial plans to enable customers to meet their defined goals.

We also embarked on a comprehensive study of our current community offices network as well as "self-service" delivery channels, including ATMs, Mobile Banking and Internet Banking, with the objective of increasing market penetration and profitability. This initiative will result in a five-year plan for the development of new or transformed community offices, more fully integrated with our "self-service" delivery channels, incorporating measurable financial objectives. We may also conclude that certain offices may not have the potential to achieve the desired level of profitability...one example was our Hanover Street Office, which we closed in January of this year.

During 2014, we will be upgrading our PCs and servers with a more current version of the Microsoft Operating System, as well as our document imaging system. We also plan to upgrade our Business Remote Deposit Capture system and offer loan billing statements online by mid-year.

Finally, I'd like to recognize and thank Cathy Angle, who will be retiring in May after 11 years of service as Corporate Secretary of Franklin Financial and F&M Trust, as well as my Executive Assistant, for her professionalism, dedication, and many contributions. It has been my pleasure to work with Cathy and she will be missed. I am delighted that Lee Ann Novak joined us in

January and has been working with Cathy to ensure a smooth transition in this position.

We anticipate that 2014 will be yet another challenging year for financial institutions with a continuation of the low interest rate environment, soft loan demand and additional regulations for financial institutions. Your continued support as Franklin Financial shareholders is very much appreciated.

Sincerely,



William E. Snell, Jr.

President & CEO



Zoe's Chocolates

Waynesboro

In 2007, siblings Zoë, Petros and Pantelis Tsoukatos established Zoë's Chocolate Co. to begin a third generation of passionate chocolatiers. What started in the early 1900s with Zoë's Great Aunt Mary and Uncle Jim who left Greece and started a pushcart confectionery business, evolved into a permanent storefront in Waynesboro, with Zoe's grandfather Petros joining them. George Tsoukatos came to visit America, fell in love with Petros' daughter, and joined the business—becoming a master chocolatier and father of three children who now run the business.

Today, Zoë's Chocolate Co. serves more than 100 retailers nationally. The company's superior quality has earned it the honor of providing chocolates for the 2013 Oscars, 2013 White House Correspondents' Dinner, and 2011 Emmy Awards.

With a nicely growing business, the Tsoukatoses look to Natasha Koons—Waynesboro Community Office manager and her staff for responsive service and fast, local answers.



Zoë, Petros and Pantelis Tsoukatos of Zoë's Chocolates with Natasha Koons

The Butcher Shoppe

Chambersburg

The Butcher Shoppe in Chambersburg evolved from “Kennie’s Market,” a 1957 partnership between Kenneth Foust and Glenn Koons. In 1964, it was renamed Scotland Road Market. A second location on Stouffer Avenue opened in 1977 and houses the current operation well known as The Butcher Shoppe. In 2006, Mary Sue and Frank Keath, Glenn and Lorraine Koons’ daughter and son-in-law purchased the company and now run it with their children, Adam, Ann, and Kyle.

The Butcher Shoppe and its attached Big Oak Cafe offer “market style” customer shopping and dining experiences. The Keaths like the 100% local attention they get from Shaun Young—Norland Avenue Office Manager and Phil Pantano—Commercial Services Officer to meet their financial needs for borrowing, cash management, payroll, and more.



Shaun Young, Frank Keath of the Butcher Shoppe, and Phil Pantano

Thomas E. Brown Auto Body Werks

Mechanicsburg

Since 1960, the Mechanicsburg community has relied on the Thomas E. Brown Auto Body Werks business to provide exceptional body work on cars and trucks—no matter the year, make, or model.

Today, second-generation owner Lance Bonsall continues the tradition of superior quality and service—relying on well-trained employees, industry-certified technicians, and a 12,000-square-foot state-of-the-art workshop.

Lance's relationship with Matt Harshbarger—Commercial Services Officer, started when the expanding business constructed their new building. Lance noted, "I like Matt and F&M Trust because of their honesty, integrity, and hard work. They get the job done. I really appreciate the bank's commitment to its customers."



Lance Bonsall of Thomas E. Brown Auto Body Werks and Matt Harshbarger

Cumberland Valley Tree Service

Chambersburg

Cumberland Valley Tree Service and Landscaping is a family-owned business that provides landscaping artistry, holistic plant health care, and comprehensive tree care by ISA Certified Arborists.

Established in 1978 by George & Nancy Pogue, Sr., today the company's day-to-day operations are run by their son, George Pogue, Jr. and his wife Lisa. And Cumberland Valley Tree Service has branched out into Cumberland, Adams and

Franklin counties in Pennsylvania, as well as in Frederick and Washington counties in Maryland.

For the past decade, they have been working with Ron Froeschle, Vice President—Employee Benefits Specialist, and the F&M Trust team for retirement planning, business banking and lines of credit. With more than 40 years of financial experience, Ron helps clients like the Pogues with their financial needs and goals.



Ron Froeschle with Lisa and George Pogue, Jr. and Kelly Schooley and Cumberland Valley Tree Service

Carlisle Evangelical Free Church

Carlisle

Carlisle Evangelical Free Church was established in 1985 when a small group of parishioners from the West Shore saw a need for a local church in Carlisle. Today, average weekly attendance is nearly 1,000 worshipers. Since the church doesn't set any geographic boundaries for attending, people gather from a large surrounding area, from Mechanicsburg to near Chambersburg.

Church staff currently includes four pastors, two directors, and seven part-time support staff.

When the church was looking to expand two years ago and needed financing assistance, they chose F&M Trust and moved all of their banking accounts. They liked the competitiveness of the bank's products, its community focus, and local decision making process. And they find Dave Zimmerman, Vice President—Commercial Services, is good to work with because he genuinely understand their needs and goals.



David Zimmerman and Steve Wilmert, Kristine Barner, and Trevor Steele of Carlisle Evangelical Free Church

M&C Lumber

Needmore

In 1988, Mark and Connie Mellott purchased the Needmore lumber products business from Mark's father, starting an impressive 3rd generation of family ownership. Today, M&C Lumber Co. Inc. continues to provide quality wood products to businesses throughout their multi-state service region.

Facing the financial challenges that most small business owners deal with on a daily basis—operational expenses, payroll, benefits and more, Mark and Connie turned to Don Trego—Small Business Relationship Manager and Gerri Fischer—Warfordsburg Community Office Manager for personalized service and customized banking solutions.



Don Trego, Mark and Connie Mellott of M&C Lumber and Gerri Fischer

Community Activism

Ed Bidelspach

F&M Trust employees, like Ed Bidelspach—Ritner Highway Office Manager are active in the community, serving on a variety of committees and board, as well as volunteering at community events.

While it would be simple to write a check for a worthy cause, F&M Trust believes that giving something more valuable can produce far greater results—time and experience.

Ed has been an active volunteer with Safe Harbour, Inc.'s Board of Directors for the past five years. As chairman, he offers his time and professional knowledge to help guide Safe Harbour initiatives to provide a continuum of housing services for the homeless of Cumberland

County. Safe Harbour operates an emergency shelter for families and single females who are in desperate need of a secure place to live and an environment to begin getting their lives under control, temporary and permanent housing plus other fundamental services.

That's just one of the many organizations Ed supports. He also provides time and talent to the Salvation Army, Downtown Carlisle Association, First Friday Committee, and others. He also has been an active volunteer at the United Way Day of Caring, Toys for Tots parade, YMCA fund-raiser, and West Pennsboro Fire Company car show.

It's another part of what makes F&M Trust a true local, community bank.



Borough of Chambersburg

Chambersburg

Established in 1803, the Borough of Chambersburg offers a variety of services to residents and businesses. When it comes to services, it is very unique among Pennsylvania municipalities. It is the only municipality in the state to own both electric and natural gas systems. The electric system is the largest municipal electric system in the state—by twice the size—and the Borough is the sole municipality in the state that owns and operates electric generating plants.

The Borough also has a regional water system, as well as a regional sewer system including a wastewater treatment facility. The sewer system provides treatment for Borough residents and businesses as well as customers of the Greene, Guilford and Hamilton Sewer Authorities. In addition they provide public works, police, fire and ambulance, and other services.

For many years they have relied on F&M Trust for their banking deposit and cash management services. The municipality saw an opportunity

to be at the forefront in meeting important Chesapeake Bay watershed quality standards and add capacity to their sewer service network to allow for future growth with a waste water sewer upgrade in 2012. F&M Trust financed the project to improve and expand the Borough's waste water treatment facility, and to make improvements to its electrical transmission system.

After considering all bids, F&M Trust was selected as the best overall choice providing superior bottom-line value, local convenience, and well-designed financial tools. Working with Mike Metz, Vice President—Commercial Services, Dianne Cornman—Cash Management Specialist, and the bank's staff, the borough officials have been thrilled with the level of personalized service received from their 100% local banking team.



Mike Metz with officials from the Borough of Chambersburg: Jason Cohen—Director of Finance/Treasurer, Darren Brown—Mayor, Jeff Stonehill—Borough Manager/Director of Utilities, and Allen Coffman, President of Council

Senior Management Team

From left to right:

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

Jane B. Tompkins—Senior Vice President, Risk Management Officer

Patricia A. Hanks—Senior Vice President, Retail Services Market Manager

Steven D. Butz—Senior Vice President, Commercial Services Market Manager

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

Lise M. Shehan, Esq.—Senior Vice President, Investment and Trust Services Manager

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

Ronald L. Cekovich—Senior Vice President, Technology Services Manager

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



Senior Management Team—from Left to Right: Mark R. Hollar, Jane B. Tompkins, Patricia A. Hanks, Steven D. Butz, William E. Snell, Jr., Lise M. Shehan, Esq., Kenneth C. Ditzler, Ronald L. Cekovich, Karen K. Carmack, SPHR

Officers



Relationship Management Division

Commercial Services

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

William D. Feist IV
Vice President

Michael S. Metz
Vice President

Philip A. Pantano
Vice President

Katherine M. Powley
Vice President

David P. Zimmerman
Vice President

Kathleen M. Bloss
Assistant Vice President
Senior Credit Analyst

Mary S. Cordell
Assistant Vice President

Matthew D. Harshbarger
Assistant Vice President

Brian C. Reidell
Assistant Vice President
Merchant Services Specialist

Kelly J. Bricker
Credit Analyst

Jeremy D. Culler
Small Business Credit Analyst

Eric J. Fleming
Credit Department Manager

Maria S. Seabra
Credit Analyst

Jennifer D. Kaiser
Commercial Services Support Specialist

Danielle J. Meredith
Credit Analyst

Retail Services

L. Kay Estep
Assistant Vice President
GO Club Coordinator

Chambersburg Market Offices:

Lincoln Way East Office

Lisa A. Hogue
Financial Services Officer and Manager

Tina M. Bricker
Assistant Financial Services Officer
and Assistant Manager

Memorial Square Office

Summer Franzoni
Assistant Vice President and Manager

Kimberly S. McKenrick
Assistant Vice President

Michele A. Williams
Assistant Financial Services Officer
and Assistant Manager

Orchard Park Office

Antonia L. Diffenderfer
Assistant Vice President and Manager

Penn Hall and Menno Village Offices

Barbara A. Seylar
Financial Services Officer and Manager

Philadelphia Avenue Office

Eric L. Alleman
Financial Services Officer and Manager

Norland Avenue Office

Shaun M. Young
Assistant Vice President and Manager

St. Thomas Office

Dana L. Kaiser
Financial Services Officer and Manager

West Side Office

N. Joy Weller
Vice President and Manager

Southern Franklin County Market Offices:

Renee L. Preso
Assistant Vice President
Southern Franklin County Market Manager

Lynn A. Waite
Assistant Vice President

Greencastle Office

Kimberly M. Smith
Financial Services Officer and Manager

Marion Office

Vicky L. Carson
Assistant Financial Services Officer
and Assistant Manager

Mont Alto Office

Sarah S. Stansfield
Financial Services Officer and Manager

OFFICERS

Waynesboro Office

Natasha J. Koons
Financial Services Officer and
Manager

Chastity L. Wantz
Assistant Financial Services Officer
and Assistant Manager

Cumberland County Market Offices:

Robert D. Weed
Vice President
Cumberland County Market Manager

Christopher J. Fitting
Small Business Relationship Manager

Boiling Springs Office

Kevin M. Stoner
Financial Services Officer and
Manager

Carlisle Crossing Office

David R. Winters
Assistant Vice President and Manager

Mechanicsburg Office

Cydney Kelly
Financial Services Officer and
Manager

Newville Office

Ellen L. Ile
Financial Services Officer and
Manager

Ritner Highway Office

I. Edward Bidelspach
Assistant Vice President and Manager

Shippensburg Office

Barbara A. Hoover
Financial Services Officer and
Manager

Fulton & Huntingdon County Market Offices:

Joyce E. Ritchey
Vice President
Fulton & Huntingdon County
Market Manager

Donald L. Trego
Assistant Vice President
Small Business Relationship Manager

Hustontown Office

Bertha A. Peffer
Financial Services Officer and
Manager

McConnellsburg Office

Mary E. Wright
Financial Services Officer and
Manager

Warfordsburg Office

Geraldine A. Fischer
Financial Services Officer and
Manager

Consumer Lending Services

Kristen G. Appleby
Consumer Lending Manager

Mark E. Bitting
Mortgage Production Manager

Investment & Trust Services

Marissa Pinto Burt
Investment & Trust Services Market
Manager

Warren M. Hurt
Vice President
Senior Investment Portfolio Manager

David Y. Luo, CFA
Investment Portfolio Manager

Carole L. Crist
Vice President
Investment & Trust Services

Ronald R. Froeschle, QPA, QKA
Vice President
Employee Benefits Officer

David C. Gority
Vice President
Investment & Trust Services

James P. Probst
Vice President
Investment & Trust Services

Diana L. Sponseller, CISP
Vice President
Investment & Trust Services

Dennis L. Wilson, CTFA
Vice President
Investment & Trust Services

Matthew T. Brennan
Assistant Vice President
Investment & Trust Services

OFFICERS

Avis M. Graham, CFP®, RFC, CASL
Assistant Vice President
Investment & Trust Services

Andrew M. Otto
Investment & Trust Services
Relationship Manager

Matthew W. Berger
Investment & Trust Services
Assistant Relationship Manager

Heather C. Hershey
Estate Administration Officer

Robin L. Murray
Trust Operations Manager

Marketing

Samantha J. Burke
Marketing Officer

Melissa D. Miller
Marketing Officer

Facilities

Barry L. Shetter
Assistant Vice President
Facilities Manager

Finance & Control

Kim A. Brant
Asset-Liability Analyst

Amy B. Herrold
Controller

Human Resources

Levi L. Crouse
Human Resources Officer

Christina L. Yoder
Training & Development Officer

Corporate

Catherine C. Angle
Corporate Secretary

Lee Ann Novak
Corporate Secretary

Joyce A. Riley
Assistant Corporate Secretary

Risk Management Division

Olaf R. Hasse
Vice President
Loan Portfolio Risk
Management Officer

Eric M. Follin
Documentation Review Officer

Matthew R. Shank
Assistant Documentation Review Officer

Janet E. Stamper
Assistant Documentation Review Officer

Compliance

Lorie M. Heckman, CRCM
Vice President

Rainbow D. Hopkins
Security Officer

Mary F. Cramer
Bank Secrecy Act and OFAC Analyst

David W. Smith
Bank Secrecy Act and OFAC Analyst

Sheryl R. Snider
Assistant Compliance Officer

Credit Administration

William A. Pryor
Vice President
Credit Recovery Manager

Robert K. Day
Commercial Credit Recovery Officer

Steven R. Gormont
Credit Recovery Officer

Technology Services Division

Matthew C. Clark
Assistant Vice President
Technology Services Officer

Pamela A. Johns
Assistant Vice President
Loan Servicing Manager

Patricia R. Ganoë
Deposit Operations Manager

Joshua S. Davis
Assistant Technology Services Manager

Carol L. Morris
Assistant Loan Servicing Manager

Stacey A. Stenger
Data Operations Manager

2013 CONSOLIDATED FINANCIAL HIGHLIGHTS

(dollars in thousands, except per share)	2013	2012	% increase (decrease)
Performance Measurements			
Net income	\$ 6,232	\$ 5,365	16
Return on average assets	0.61%	0.51%	
Return on average equity	6.72%	6.00%	
Return on average tangible assets ⁽¹⁾	0.64%	0.55%	
Return on average tangible equity ⁽¹⁾	7.86%	7.14%	
Efficiency ratio ⁽²⁾	72.01%	70.44%	
Net interest margin	3.47%	3.50%	
Current dividend yield	3.98%	4.86%	
Dividend payout ratio	45.09%	59.09%	
Shareholders' Value (per common share)			
Diluted earnings per share	\$ 1.51	\$ 1.32	14
Basic earnings per share	1.51	1.32	14
Regular cash dividends paid	0.68	0.78	(13)
Book value	22.88	22.31	3
Tangible book value ⁽³⁾	20.55	19.84	4
Market value	17.10	14.00	22
Market value/book value ratio	72.01%	62.75%	
Price/earnings multiple	11.32	10.61	
Balance Sheet Highlights			
Total assets	\$984,587	\$1,027,363	(4)
Investment securities	159,674	133,328	20
Loans, net	713,711	743,200	(4)
Deposits and customer repurchase agreements	869,558	916,649	(5)
Shareholders' equity	95,388	91,634	4
Safety and Soundness			
Risk-based capital ratio (Total)	14.24%	12.60%	
Leverage ratio (Tier 1)	9.14%	8.29%	
Common equity ratio	9.69%	8.92%	
Tangible common equity ratio ⁽⁴⁾	8.79%	8.01%	
Nonperforming loans/gross loans	3.49%	4.90%	
Nonperforming assets/total assets	3.04%	4.10%	
Allowance for loan losses as a % of loans	1.34%	1.38%	
Net charge-offs/average loans	0.49%	0.60%	
Average equity to average asset ratio	9.01%	8.60%	
Trust assets under management (fair value)	\$574,680	\$ 520,434	10

(1) Excludes goodwill, intangibles and intangible amortization expense, net of tax

(2) Noninterest expense/tax equivalent net interest income plus noninterest income less net securities gains

(3) Total shareholders' equity less goodwill and intangibles/shares outstanding

(4) Total shareholders' equity less goodwill and intangibles/total assets less goodwill and intangibles

SUMMARY OF SELECTED FINANCIAL DATA

(Dollars in thousands, except per share)	For the Year Ended December 31				
	2013	2012	2011	2010	2009
Summary of Operations					
Interest income	\$ 36,042	\$ 39,142	\$ 41,791	\$ 43,284	\$ 43,757
Interest expense	4,378	6,890	9,154	12,443	14,674
Net interest income	31,664	32,252	32,637	30,841	29,083
Provision for loan losses	2,920	5,225	7,524	3,235	3,438
Net interest income after provision for loan losses	28,744	27,027	25,113	27,606	25,645
Noninterest income	9,877	9,451	10,200	9,366	8,880
Noninterest expense	31,094	30,601	28,333	26,423	25,929
Income before income taxes	7,527	5,877	6,980	10,549	8,596
Income tax	1,295	512	411	2,937	2,011
Net income	\$ 6,232	\$ 5,365	\$ 6,569	\$ 7,612	\$ 6,585
Performance Measurements					
Return on average assets	0.61%	0.51%	0.66%	0.78%	0.69%
Return on average equity	6.72%	6.00%	7.68%	9.34%	8.69%
Return on average tangible assets ⁽¹⁾	0.64%	0.55%	0.70%	0.82%	0.74%
Return on average tangible equity ⁽¹⁾	7.86%	7.14%	9.30%	11.27%	10.79%
Efficiency ratio ⁽²⁾	72.01%	70.44%	63.46%	63.43%	65.35%
Net interest margin	3.47%	3.50%	3.73%	3.53%	3.44%
Current dividend yield	3.98%	4.86%	8.74%	5.92%	6.61%
Dividend payout ratio	45.09%	59.09%	65.05%	55.10%	62.95%
Shareholders' Value (per common share)					
Diluted earnings per share	\$ 1.51	\$ 1.32	\$ 1.66	\$ 1.96	\$ 1.71
Basic earnings per share	1.51	1.32	1.66	1.96	1.71
Regular cash dividends paid	0.68	0.78	1.08	1.08	1.08
Book value	22.88	22.31	21.67	21.09	20.39
Tangible book value ⁽³⁾	20.55	19.84	19.44	18.38	17.43
Market value	17.10	14.00	12.35	18.25	16.33
Market value/book value ratio	74.74%	62.75%	56.99%	86.53%	80.09%
Price/earnings multiple	11.32	10.61	7.44	9.31	9.55
Balance Sheet Highlights					
Total assets	\$984,587	\$1,027,363	\$990,248	\$951,889	\$979,373
Investment securities	159,674	133,328	125,301	117,616	143,288
Loans, net	713,711	743,200	756,687	739,841	730,626
Deposits and customer repurchase agreements	869,558	916,649	841,089	785,495	794,220
Shareholders' equity	95,388	91,634	87,182	82,639	78,766
Safety and Soundness					
Risk-based capital ratio (Total)	14.24%	12.60%	12.14%	11.73%	10.89%
Leverage ratio (Tier 1)	9.14%	8.29%	8.40%	8.16%	7.50%
Common equity ratio	9.69%	8.92%	8.80%	8.68%	8.04%
Tangible common equity ratio ⁽⁴⁾	8.79%	8.01%	7.82%	7.61%	6.94%
Nonperforming loans/gross loans	3.49%	4.90%	2.94%	3.68%	2.47%
Nonperforming assets/total assets	3.04%	4.10%	2.60%	2.96%	1.93%
Allowance for loan losses as a % of loans	1.34%	1.38%	1.27%	1.18%	1.21%
Net charge-offs/average loans	0.49%	0.60%	0.86%	0.45%	0.26%
Average equity to average asset ratio	9.01%	8.60%	8.63%	8.36%	7.98%
Trust assets under management					
(fair value)	\$574,680	\$ 520,434	\$481,536	\$490,420	\$460,233

(1) Excludes goodwill, intangibles and intangible amortization expense, net of tax

(2) Noninterest expense/tax equivalent net interest income plus noninterest income less net securities gains

(3) Total shareholders' equity less goodwill and intangibles/shares outstanding

(4) Total shareholders' equity less goodwill and intangibles/total assets less goodwill and intangibles

Directors and Officers



FFSC Board of Directors

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

William E. Snell, Jr.
President and Chief Executive Officer,
F&M Trust

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

Martin R. Brown
President, M.R. Brown Funder Home, Inc.

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, Jennings Chevrolet,
Buick, GMC, Inc.

Richard E. Jordan III
Vice President,
Smith Land & Improvement Corp.

Stanley J. Kerlin, Esq.
Attorney,
Law Offices of Stanley J. Kerlin, LLC

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

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

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

FFSC Officers

G. Warren Elliott
Chairman of the Board

Catherine C. Angle
Corporate Secretary

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

Lee Ann Novak
Corporate Secretary

Mark R. Hollar
Treasurer and Chief Financial Officer

Joyce A. Riley
Assistant Corporate Secretary



Franklin Financial Service Corporation Board of Directors, front row (left to right): Donald A. Fry, Charles S. Bender II, G. Warren Elliott, William E. Snell Jr, Martha B. Walker, and Daniel J. Fisher; back row (left to right): Richard E. Jordan III, Donald H. Mowery, Allan E. Jennings Jr, Martin R. Brown, Stephen E. Patterson, and Stanley J. Kerlin

Shareholder 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 29, 2014 at the Orchards Restaurant in Chambersburg. The Business Meeting will begin at 9:00 a.m. and will be preceded by a breakfast buffet. If interested in attending, please complete and return the reservation form reply card by April 15th.

Market and Dividend Information

The Corporation's common stock is not actively traded in the over-the-counter market. The Corporation's stock is quoted on the OTCQB Market Tier of the OTC Markets under the symbol "FRAF." Current price information is available from account executives at most brokerage firms as well as the registered market makers of Franklin Financial

2013

	Per Share		Cash
	High	Low	Dividends Paid
First quarter	\$17.05	13.81	\$0.17
Second quarter	16.25	15.75	0.17
Third quarter	16.60	15.85	0.17
Fourth quarter	17.10	15.95	0.17

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 Dr., Suite 300
West Conshohocken, PA 19428
800-883-1212

Raymond James Financial, Inc.
222 South Riverside Plaza, 7th Floor
Chicago, IL 60606
312-655-2975

RBC Wealth Management
2101 Oregon Pike
Lancaster, PA 17601
800-456-9234

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 Registrar & Transfer Company, 10 Commerce Drive, Cranford, NJ 07016-3572, telephone 800-368-5948, email: info@rtco.com

Web site:

www.franklinfin.com

Services Corporation common stock as listed above under Stock Information.

There were 1,984 shareholders of record as of December 31, 2013. The range of high and low bid prices is shown below for the years 2013 and 2012. Also shown are the regular quarterly cash dividends paid for the same years.

2012

	Per Share		Cash
	High	Low	Dividends Paid
First quarter	\$15.85	12.30	\$0.27
Second quarter	15.75	12.86	0.17
Third quarter	14.29	13.10	0.17
Fourth quarter	14.75	13.65	0.17

Community Office/ATM Locations

Chambersburg Area

Lincoln Way East

1712 Lincoln Way East,
Chambersburg
264-9414

Memorial Square

20 South Main Street,
Chambersburg
264-6116

Menno Village

2075 Scotland Avenue,
Chambersburg
261-3697

Norland Avenue

870 Norland Avenue,
Chambersburg
262-2085

Orchard Park

841 Wayne Avenue,
Chambersburg
263-1801

Penn Hall

1425 Philadelphia Avenue,
Chambersburg
261-3660

Philadelphia Avenue

2405 Philadelphia Avenue,
Chambersburg
264-5122

St. Thomas

6962 Lincoln Way West,
St. Thomas
369-3240

West Side

1100 Lincoln Way West,
Chambersburg
263-9168

Southern Franklin County

Greencastle

518 N. Antrim Way,
Greencastle
597-2384

Marion

5293 Main Street,
Marion
375-2200

Mont Alto

8 Park Street,
Mont Alto
749-3161

Waynesboro

200 East Main Street,
Waynesboro
762-2188

Cumberland County

Boiling Springs

3 East First Street,
Boiling Springs
241-4131

Camp Hill

3907 Market Street,
Camp Hill
731-9604

Carlisle Crossing

214A Westminster Drive,
Carlisle
243-2215

Carlisle Plaza Drive-Up

700 East High Street,
Carlisle
243-0416

Mechanicsburg Office

6375 Carlisle Pike,
Mechanicsburg
697-0444

Newville

51 South High Street,
Newville
776-2240

Ritner Highway

1901 Ritner Highway,
Carlisle
960-1400

Shippensburg

13 Shippensburg,
Shopping Center
530-2100

Fulton & Huntingdon County

Hustontown

7781 Waterfall Road,
Hustontown
987-3193

McConnellsburg

100 Lincoln Way East,
McConnellsburg
485-3144

Orbisonia

18810 Sandy Ridge Station,
Orbisonia
814/447-3104

Penns Village

182 Buchanan Trail,
McConnellsburg
485-3167

Warfordsburg

560 Great Cove Road,
Warfordsburg
294-3288

Additional ATM Locations

Fayetteville

4025 Lincoln Way East,
Fayetteville

Northgate Commons

1500 Northfield Drive,
Chambersburg

Quincy Village

6596 Orphanage Road,
Quincy

Penn National Clubhouse

3720 Club House Drive,
Fayetteville

Waynesboro Market Place

11123 Buchanan Trail East,
Waynesboro

Zullinger

4884 Buchanan Trail East,
Zullinger

Shippensburg West End

9966 Molly Pitcher Highway,
Shippensburg

Ayr Town Center

368 South 2nd Street,
McConnellsburg

Riverview Business Center

11734 Lenape Drive,
Mount Union

F&M TRUST



Franklin Financial
Services Corporation

P. O. Box 6010

Chambersburg, PA 17201

888.264.6116

www.franklinfin.com