



*CONNECTED
TO OUR COMMUNITIES*



Franklin Financial
Services Corporation

2014 ANNUAL REPORT



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DEAR FELLOW

SHAREHOLDER:

Franklin Financial reported earnings of \$8,402,000 in 2014, representing a 34.8% increase over our 2013 earnings of \$6,232,000. Diluted earnings per share increased 32.5% from \$1.51 per share in 2013 to \$2.00 per share in 2014. Expense control and a 73.8% reduction in our Provision for Loan Loss were the primary factors driving our performance in 2014.

As a shareholder, you received cash dividends of \$0.68 per share in 2014, matching the cash dividends paid in 2013. Our current dividend represents a 3.1% return based upon the closing price of Franklin Financial stock at December 31, 2014, remaining in the upper end of our peer banking group range. Our Dividend Payout Ratio for 2014 was 33.9%.

The market value of a share of Franklin Financial stock increased 28.7% from a closing price of \$17.10 at year-end 2013 to \$22.00 at December 31, 2014.

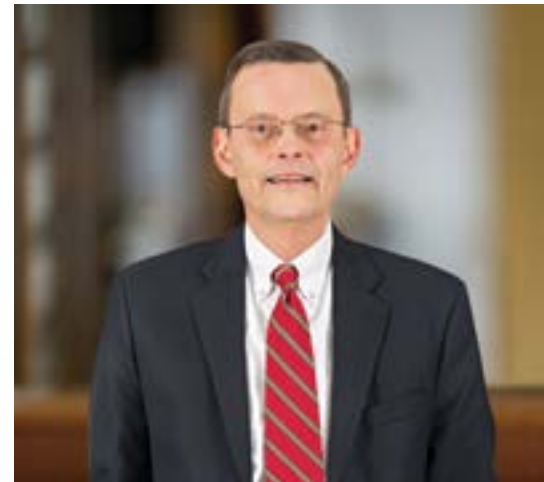
Our Tax Equivalent Net Interest Income increased 1.0% from \$33,260,000 in 2013 to \$33,592,000 in 2014. A reduction in Interest Expense and an increased benefit from tax-free income was sufficient to offset a reduction in Interest Income. Average Interest Earning Assets decreased by \$13,025,000 and the yield fell from 3.93% in 2013 to 3.89% in 2014. The low interest rate environment that continues to be supported by the Federal Reserve, coupled with spotty loan demand and intense competition for quality loans, continues to push asset yields down. Both Average Interest Bearing Liabilities and the cost of these liabilities also declined in 2014, resulting in an improvement in our Net Interest Margin from 3.47% in 2013 to 3.56% in 2014.

Non-Interest Income increased by \$984,000 or 10.0%, reflecting a 3.3% increase in Investment and Trust Services Fee Income as well as increases in Deposit Service Charges and Fees (14.4%), Debit Card Income (6.8%) and Other Service Charges and Fees (32.4%).

Non-Interest Expense was tightly controlled, increasing \$209,000 or .7% for the year. Increased Salary and Benefits Expense, including salary adjustments, incentive compensation accruals and severance accrual for employees affected by the consolidation of three of our community offices in 2015, was largely offset by a reduction in Advertising and Other Expenses, which includes Loan Collection Expense and Other Real Estate Expense.

As I stated previously, our Provision for Loan Losses decreased by \$2,156,000 or 73.8% in 2014, reflecting continued strong improvement in our asset quality. Net Charge-Offs decreased from \$3,597,000 in 2013 to \$1,355,000 in 2014, marking the third consecutive year of a decline in Net Charge-Offs. Our Net Charge-Off Ratio improved from .49% in 2013 to .19% in 2014.

Non-Accruing Loans totaled \$12,291,000 at year-end 2014, representing a 50% decrease from the \$24,643,000 total at year-end 2013. Our Nonperforming Loans to Total Gross Loans ratio declined from 4.90% in 2012 to 3.49% in



“ We have also created a five-year plan for the development of new or transformed community offices which are more fully integrated with our “self-service” delivery channels. ”

2013 to 1.74% at year-end 2014 while our Nonperforming Assets to Total Assets Ratio also declined from 4.10% in 2012 to 3.04% in 2013 to 1.63% at year-end 2014. We continue to work diligently to exit our remaining problem credits and are optimistic that we will again make significant progress in 2015. At year-end our Allowance for Loan Losses as a percentage of Total Loans stood at 1.25%.

Franklin Financial’s Total Assets increased from \$984,587,000 at year-end 2013 to \$1,001,448 at December 31, 2014. Net Loans Outstanding increased by .5% on a year-over-year basis while average loans outstanding decreased by .7%.

Commercial Loan demand remained spotty and, coupled with the exit of several problem loans, average outstandings in this portfolio declined by \$8,645,000 or 1.4%. Average Consumer Loans Outstanding decreased by 2.6% to \$67,792,000 while Average Residential Mortgage Loans Outstanding increased by 5.8% as we retained more originations in the portfolio.

Total Deposits and Repurchase Agreements as measured at December 31, 2014 increased 2.4% while Average Deposits and Repurchase Agreements decreased by 2.1%. Average Core Deposits (i.e. checking, savings, and interest-bearing checking) increased by \$46,466,000 or 13.3%. Average balances in our Money Management Account product remained flat.

The market value of Assets Under Management by our Investment and Trust Services Department grew by 5.4% to \$605,796,000 at December 31, 2014, reflecting the addition of new client relationships and higher market valuations. Assets Under Management as reported do not include approximately \$132,700,000 in assets held at third party brokers at year-end. Investment and Trust Services Fee Income, including revenue generated through our brokerage offerings, increased 3.3% to \$4,575,000 in 2014.

Our financial condition remains strong as evidenced by a Total Risk Based Capital Ratio of 15.49% and a Leverage Capital Ratio of 9.69%. These ratios remain above the level that Federal regulators require for an institution to be considered “well capitalized.” Franklin Financial’s Tangible Common Equity Ratio also improved to 9.51% at year-end 2014.

In July 2013, Federal Banking regulators approved the final rules from the Basel Committee on Banking Supervision for the regulation of capital requirements for U.S. Banks. This regulation is generally referred to as “Basel III.” Certain components of the new capital requirements are effective January, 2015 with others being phased in through January 1, 2019. As of December 31, 2014, we believe that we will be “well capitalized” under these new rules.

We continued to enhance banking convenience for our customers through advancements in technology throughout 2014. Online channels continue to be a primary focus. We updated the user interface (experience) for both Online Account Opening and Online Banking, streamlining the process and allowing for quicker access to important information. We also added the ability to view loan statements online.

We added Xpress Deposit for Better Business Checking accounts as well as a new application developed just for the iPad to our Mobile Banking service.

We also upgraded Franklin Business Deposit, our Remote Deposit Capture product for businesses, with a new platform that has increased risk monitoring tools to allow for quicker fraud detection.

And we continue to invest heavily in our technology infrastructure. As Microsoft no longer supports Windows XP, a significant amount of time and resources was spent in order to upgrade to a current version of the Windows Operating System (OS). This included laptops, servers and ATM’s. A new core switch was added to our internal network to segment traffic and allow for quicker access to data. Both the hardware and software of our document imaging system was upgraded, including a new security feature to allow for integration into Microsoft’s Active Directory, eliminating the need for users to have an additional user ID and password.

In July, we were the first financial institution in our market to introduce the *EquityAdvantage Card*, a MasterCard Debit Card that enables customers to access their Home Equity Line of Credit. We are delighted with the reception that this product has received.

As I reported in last year's Shareholder Letter, in late 2013, we embarked on a comprehensive study of our community office network as well as "self-service" delivery channels, including ATM's, Mobile Banking and Internet Banking, with the objective of increasing market penetration and profitability. As a result of this analysis, we concluded that four of our community offices did not have the market potential to achieve the desired level of profitability. Accordingly, the Hanover Street Office was closed in January, 2014. In October, 2014, we announced the consolidation of our St. Thomas Office into our West Side Office and the consolidation of our Penns Village and Warfordsburg Community Offices into our McConnellsburg Office. These consolidations were effective January 21, 2015 and are projected to result in a reduction in Operating Expenses of approximately \$500,000 per year.

Further, we identified another group of community offices which have not achieved a desired level of profitability. We are currently developing specific marketing plans with measurable financial objectives over a specified time horizon for each of these offices.

We have also created a five-year plan for the development of new or transformed community offices which are more fully integrated with our "self-service" delivery channels. The first such transformation will be at our Waynesboro Office, which was built in the 1960's. With the forthcoming acquisition of Susquehanna Bancshares by BB&T, we are seeing significantly increased opportunities in this market.

In late 2014, Matt Weaver joined our Management Group as Marketing and Corporate Communications Manager. Matt is a native of Sharpsburg, Maryland, and brings to us more than 20 years of financial services marketing with a bank, a national Certified Public Accounting firm, and an Advertising Agency. He is responsible for the development and implementation of our overall branding, marketing and communications strategies.

During 2015, we will be focusing on several initiatives to help combat potential fraudulent activity on customer accounts. This will include a more robust system that will monitor debit card activity as well as a system to monitor activity associated with Bill Pay and Franklin Busine\$\$Link transactions. Because of the recent increase in "merchant compromises," we will also be introducing a new "chip" debit card that utilizes EMV technology to better secure debit card transactions.

I'd like to recognize Chuck Bender and Steve Patterson, who retired from the Franklin Financial Services and F&M Trust Boards at year end, after 33 and 16 years, respectively. We have included in this Annual Report a special section highlighting Chuck and Steve's years of service. Their insight, wisdom and support will be missed.

Tricia Lacy and Greg Duffey have been appointed to the Board of Directors of Franklin Financial Services Corporation and F&M Trust as Class B Directors, with a term expiring in 2016.

Tricia is President of the Beistle Company, a manufacturer of decorations and party goods based in Shippensburg. Greg is a partner in Craig, Friedly, Potter & Moore Insurance, an independent agency based in Waynesboro. The appointment of Tricia and Greg reflects our continued commitment to finding dedicated community leaders and advocates to help guide our company.

We anticipate that we will see a continuation of the low interest rate environment in 2015 coupled with intense competition for quality loans and additional regulation. Your continued support as Franklin Financial shareholders is very much appreciated.

Sincerely,

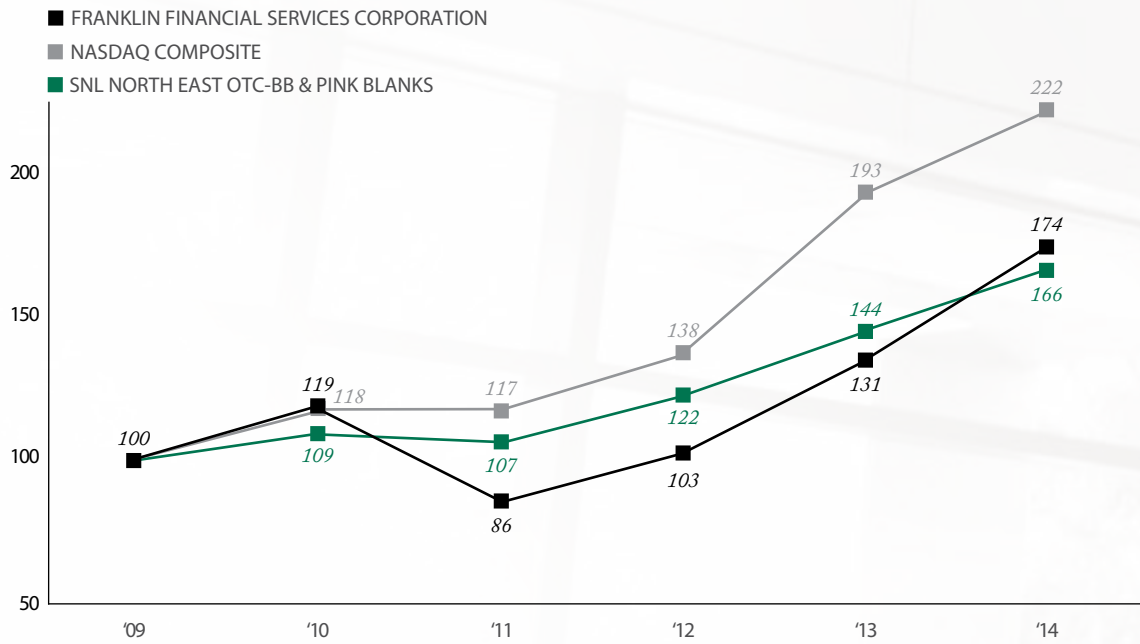


William E. Snell, Jr.

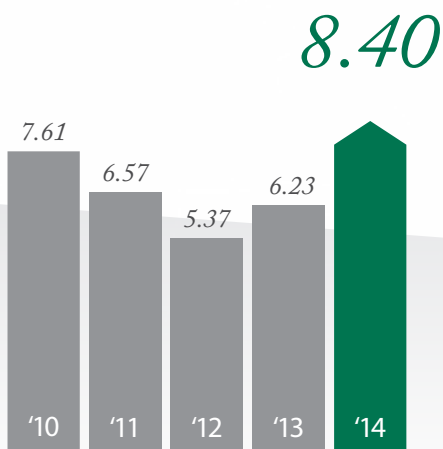
President & CEO

FINANCIAL STRENGTH AND STABILITY

TOTAL RETURN PERFORMANCE



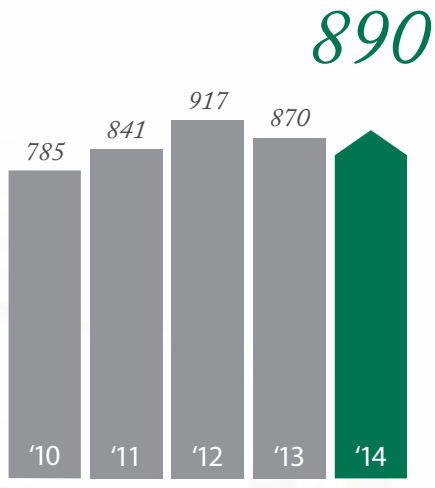
NET INCOME (as dollars in millions)



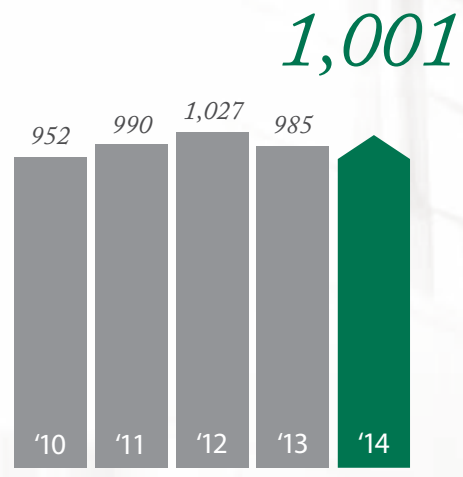
REGULAR CASH DIVIDENDS PAID (as dollars per share)



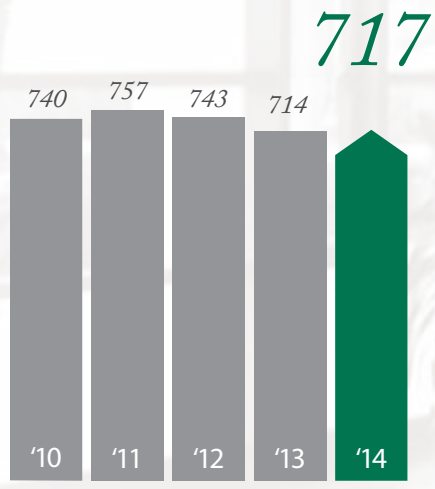
TOTAL DEPOSITS AND REPOS
(as dollars in millions)



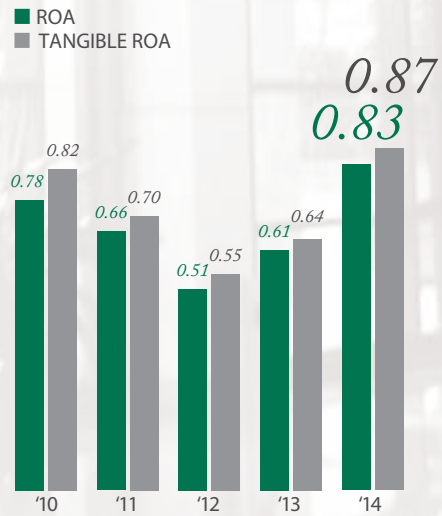
TOTAL ASSETS
(as dollars in millions)



NET LOANS
(as dollars in millions)



ROA
(as percentage values)



FFSC BOARD OF

DIRECTORS

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 Funeral 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

William E. Snell, Jr.

President and Chief Executive Officer

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



STEPHEN E. PATTERSON

(Chairman of the Asset and Liability Committee; Executive; Nominating and Corporate Governance; and Trust Committees)

Mr. Stephen E. Patterson is stepping down from the Franklin Financial and F&M Trust Boards of Directors after 17 years.

He has been an invaluable voice on the board and his business and management expertise, legal knowledge, and thoughtful insight will be missed.

With more than 40 years' experience, Mr. Patterson specializes in business law, real estate, and estate planning

and administration. He is a principal and practicing attorney at Salzmann Hughes, P.C. and a graduate of Gettysburg College and the Wake Forest University School of Law. A revered member of our community, he has also served on the boards of numerous businesses and nonprofits. We appreciate Mr. Patterson's contributions to F&M Trust and wish him success in his future endeavors.

CHARLES S. BENDER, II

(Chairman of the Audit Committee; Executive; Asset and Liability; Credit Risk Oversight; Executive; and Nominating and Corporate Governance Committees)

After more than three decades of service, Mr. Charles S. Bender, II is vacating his position on the Franklin Financial and F&M Trust Boards of Directors.

An F&M Trust employee since 1975, Mr. Bender has genuinely earned the admiration of his colleagues—particularly for his banking and regulatory knowledge.

A graduate of Susquehanna University, he began his career as an FDIC Bank Examiner.

At F&M Trust, he held many titles including Loan Portfolio Manager and Executive Vice President until retiring in 2002.

A life-long area resident, Mr. Bender has also shared his talents with his neighbors, serving on the boards of local organizations and nonprofits. His contributions to F&M Trust run vast and deep. We wish him well in retirement.



A TRIBUTE TO OUR

RETIREEES

WE ARE A LOCAL COMMUNITY BANK

FRESH BANKING

TECHNOLOGY

“ Now, F&M Trust customers have on-the-spot access to their home equity funds easily and safely with the convenience of a debit card. ”

F&M Trust has always put an emphasis on technology with a strategic approach. Over the years, we have introduced innovative products and services to enable an enhanced customer experience.

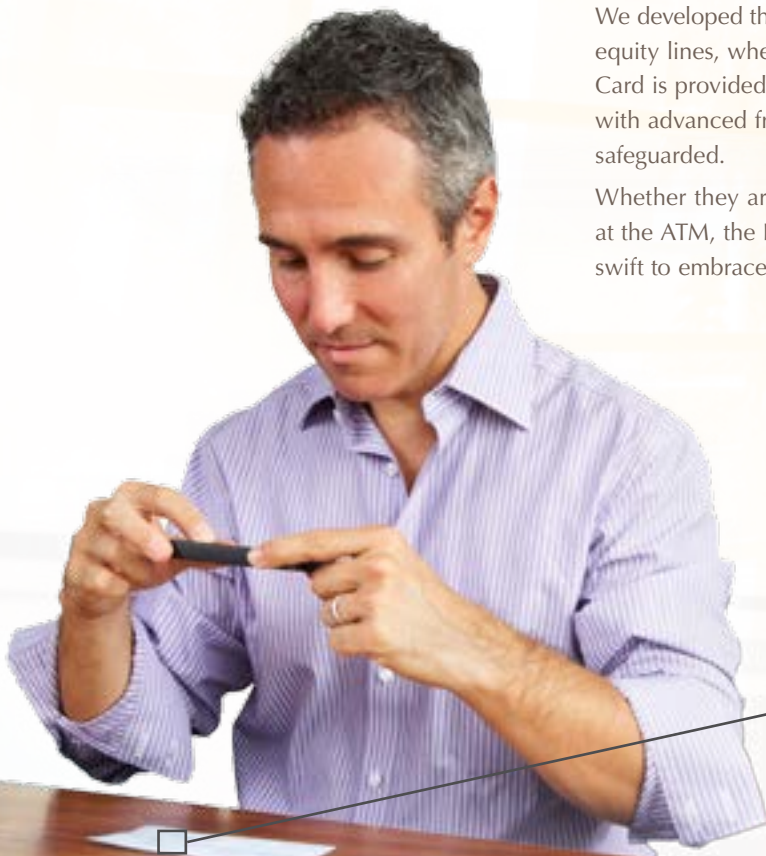
In 2014, we made considerable advancements in technology through competitive products like our EquityAdvantage Debit Card, iPad Mobile Banking App, and Mobile Xpress Deposit.

EquityAdvantage Debit Card

First-to-market among our local competitors, F&M Trust's EquityAdvantage Debit Card provides customers with instant access to their home equity funds. As with a traditional debit card, account holders can access their funds at ATMs or any retailer that accepts MasterCard®.

We developed this card to create a simple and safe way for homeowners to access their equity lines, when and where it was convenient for them. The EquityAdvantage Debit Card is provided when a customer opens a home equity line of credit and is equipped with advanced fraud protections, ensuring a customer's hard-earned home equity is safeguarded.

Whether they are swiping the card at the hardware store or using it to withdraw cash at the ATM, the EquityAdvantage Debit Card is a new resource our customers have been swift to embrace.



Now you can make a deposit anytime, anywhere using your mobile device. Mobile Xpress Deposit is quick, safe, convenient, and simple.

“ Our new Mobile Banking App for iPad is just one more way F&M Trust is meeting our customers where they want to be met. ”

iPad Mobile Banking App

With the continued popularity of our Online Banking App, F&M Trust unveiled a Mobile Banking App in 2014 designed exclusively for the iPad.

This new resource allows customers to view account balances and transactions, transfer funds, and pay bills on their iPads.

F&M Trust understands that customers want convenience and flexibility in banking. Now, whether a customer prefers to bank on a laptop, mobile phone, or iPad, they can do so with our easy-to-use and secure applications.

Mobile Xpress Deposit

Mobile Xpress Deposit is another innovative product that F&M Trust customers have been quick to adopt—and in 2014, we introduced the service for small business customers with Better Business Checking.

In just months, Mobile Xpress Deposit has become very popular among area small businesses—as most local community banks have yet to offer this technology.

With Mobile Xpress Deposit, customers can simply take photos of endorsed checks with their smart phones, deposit them, and have access to those funds as soon as the next business day.



“ Mobile Xpress Deposit was so popular among our personal banking customers, we couldn't wait to introduce the service for our small business customers—and it's been a hit. ”

INNOVATIVE

PRODUCTS



GIVING A
HELPING HAND

StartFresh Checking: Offering Second Chances for Financial Success

F&M Trust is devoted to its community—a part of the fabric of each neighborhood it serves. Many have fallen on hard times as a result of the economic downturn and it has been challenging for some to get back on their feet financially. To address the needs of these hard-working individuals and families, F&M Trust introduced StartFresh Checking.

StartFresh provides a second chance to open a traditional bank account—even if an individual was previously turned down. Customers enjoy a low monthly fee, online banking access, unlimited check writing privileges, and more.

StartFresh Checking has already helped many in our local community rebuild financial foundations and regain control of their financial futures.

“ We are only as strong as our community and F&M Trust remains committed to addressing the needs of hard-working individuals and families. ”

SERVING OUR
COMMUNITY

Employees Share F&M Trust's Commitment to Giving Back

Whether it's F&M Trust's women—and men—walking in high heels for Women in Need or building homes for the Chambersburg Habitat for Humanity, our family of employees is dedicated to giving back.

In 2014, almost 700 volunteers gave more than 1,500 hours for these community endeavors and others, including the financial literacy program at New Hope Ministries in Mechanicsburg.

F&M Trust also demonstrated its commitment to the community in 2014 through generous pledges and donations, including:

- \$45,000 to the Waynesboro Area Business Education Community Foundation's Capital Campaign.
- \$40,000 to the Alexander Hamilton Memorial Library in Waynesboro.
- \$5,000 to the American Literacy Corporation, and many more!





OUR RESULTS ARE MORE THAN JUST NUMBERS

ROOTED IN HISTORY, COMMITTED TO THE

FUTURE

Flight Systems Industrial Products / Carlisle

For more than 40 years, Flight Systems Industrial Products (FSIP) has been filling a niche in the electronics' business, providing controls for a variety of vehicles and more.

Although the company takes its name from its heritage in the aerospace industry, today FSIP provides new and remanufactured electronic products found on electric and gas powered vehicles, such as industrial trucks, golf carts, scrubber-sweepers, mining cars/locomotives, electric boats, go-karts and ground support equipment.

Committed to quality and service, FSIP boasts alliances with industry leaders, such as Curtis Instruments, Sevcon, InMotion, Navitas, and S.P.E. Elettronica Industriale, as well as many vehicle manufacturers.

Joseph Spangler, FSIP Chief Financial Officer and Human Resources Manager, and Cheryl Collins, FSIP Benefits Administrator, look to F&M Trust to manage and administer the company's 401(k) Plan. Since 2008, they've worked closely with Ron Froeschle, Employee Benefits Specialist, so they can offer the best in 401(k) services to their employees.

“ Ron is always just a phone call or email away. His experience in pension administration was one of the biggest bonuses when we decided to use his expertise to manage our retirement needs at FSIP. ”

—Joseph Spangler

FSIP Chief Financial Officer
and Human Resources Manager



Ron Froeschle with Joseph Spangler and Cheryl Collins of Flight Systems

“ Matt has the ability to understand our “growing” needs and to help us charter the complex lending environment in today’s world. ”

—Mark Toigo, Owner, Toigo Orchards Greenhouse

Toigo Orchards Greenhouse / Carlisle

Mark Toigo is a second generation farmer who not only knows how to listen to his crops; he also knows how to listen to consumers.

As a result, Mark and his wife Jaime have developed Toigo Orchards Greenhouse into a state-of-the-art production facility to meet consumers’ growing demand for local and organic food.

Their Integrated Pest Management system leaves no chemical residue on their vegetables and their production facility allows all the natural resources used in production to filter back into the growing process.

That focus on nutrition, sustainable food production, and environmental stewardship caught the eye of Whole Foods Markets, which has made Toigo Orchards Greenhouse a leading supplier for the Mid-Atlantic region.

With plans for a new greenhouse, the Toigos turned to banker Matt Harshbarger, F&M Trust Commercial Services Relationship Manager. The Toigos appreciate Matt’s genuine interest in their business and use F&M Trust for commercial loans, checking, and payroll services.



Diamond, Passion, Jaime, and Mark Toigo with Matt Harshbarger



SUSTAINABLE FARM. SUSTAINABLE

BUSINESS

A CANVAS

FOR FINANCIAL SUCCESS

“The staff of the bank know and understand my business and provide me with friendly and excellent customer service. They are very knowledgeable about their product lines and constantly exceed my expectations.”

—Susan Shaffer, Owner, Joyful Arts Studio

Joyful Arts Studio / Greencastle

Consumed by her corporate job, Susan Shaffer was discouraged she could not find time to work on her real passion—art. So, in 2012, she left her desk job to explore that passion and opened Joyful Arts Studio.

A beautiful windowed store-front in Greencastle, Joyful Arts Studio offers a variety of lessons, including watercolor, acrylic, oil, mixed media, and jewelry design. The studio also offers children’s lessons and Corks and Canvas Painting Parties. Since opening its doors, Joyful Arts Studio has moved locations twice to accommodate growth. Class offerings have swelled from one or two to eight packed classes per week.

Susan banks with F&M Trust for the personal service. She has checking and savings accounts with the bank and enjoys the weekly “check-ins” she receives from Kim Smith, Greencastle Community Office Manager, and Renee Preso, Southern Franklin County Market Manager.



Kim Smith, Susan Shaffer of Joyful Arts, and Renee Preso



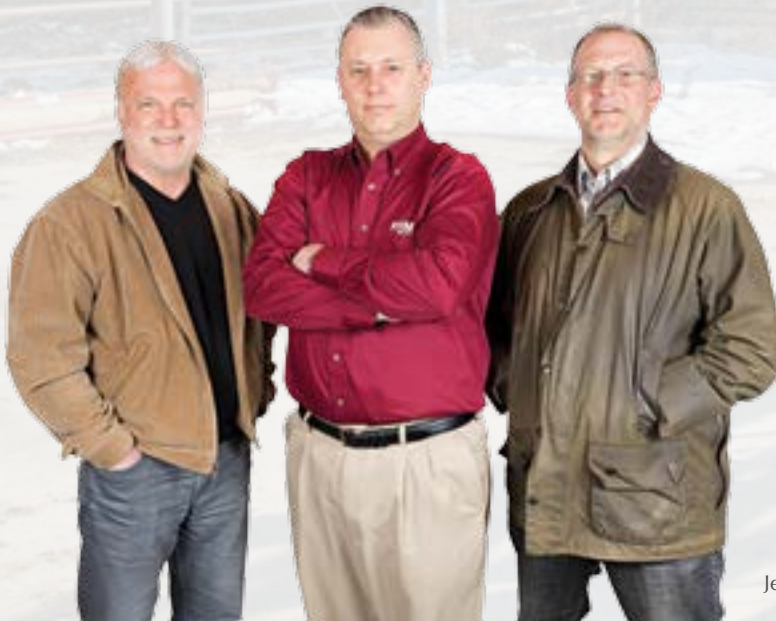
Twin Oaks Dairy, LLC / Mercersburg

In 2001, beer distributors Jeff Reeder and Tim Strickler set out to find a new venture, and today that move has propelled them to the top of the region's markets for natural and organic milk, as well as natural beef production.

It began when the two teamed up with F&M Trust to purchase a small dairy farm in Emmitsburg, Maryland. After expanding there, Jeff and Tim partnered again with the bank to purchase a Mercersburg dairy operation.

Soon after, they consolidated the successful dairy operations and transformed the Emmitsburg facility to a natural beef production operation. Today, Twin Oaks is not only a leading producer of natural beef and natural and organic milk for prominent natural food retailers; they are exploring new opportunities like veterinary health.

Twin Oaks values its relationships with F&M Trust and looks to Bill Snell, President and CEO, and Brian Reidell, Cash Management Specialist, for flexible credit lines, sweep accounts, and direct deposit.



“ We looked for a bank that wanted to be a financial partner with us. We have always found F&M to be genuinely interested in how our business works. ”

—Jeff Reeder, Co-Founder,
Twin Oaks Dairy, LLC

Jeff Reeder of Twin Oaks, Brian Reidell, and Tim Strickler of Twin Oaks



FINDING SUCCESS IN BEEF AND DAIRY FARMING,

NATURALLY

BAKING A FINANCIAL

SUCCESS

Martin's Famous Pastry Shoppe, Inc. / Chambersburg

From humble beginnings in a Chambersburg garage, Martin's Famous Pastry Shoppe, Inc., has ballooned to a multi-million dollar business that boasts the top branded hamburger bun in the U.S.

Lloyd and Lois Martin opened the small bakery in 1958, baking potato rolls based on a family recipe for Cloverleaf Rolls. Over the years, they grew their operation exponentially and with it a distribution base that reaches from Maine to Florida and beyond.

Today, Martin's continues as a family-operated company and attributes its success to a "legacy of extraordinary quality and service."

Martin's relies on F&M Trust for many of its commercial lending and cash management needs. Just around the corner, Martin's enjoys F&M Trust's community focus and the dedicated service they receive at the Memorial Square Office from Bill Snell, President and Chief Executive Officer, Brian Reidell, Merchant Services Specialist, and Steve Butz, Commercial Services Market Manager.

“ Our roots are in Chambersburg and having a business partner with a team of financial experts right here in our hometown has been an invaluable asset as we've grown. ”

—Tony Martin
CEO, Martin's Famous Pastry Shoppe, Inc.

Sherry Flair and Tony Martin of Martin's Famous Pastry Shoppe with Steve Butz, Bill Snell, and Scott Heinzelman of Martin's Famous Pastry Shoppe



COMMITTED TO

CARING

Menno Haven, Inc. / Chambersburg

When David H. Lehman and Norman Martin first envisioned a long-term Christian nursing facility for Chambersburg's aging community in 1962, they probably didn't foresee the overwhelming response or growth they would experience over the next five decades.

What was once a 56-bed nursing center is now two regionally recognized retirement communities, a home care service, and an adult day service with more than 1,200 clients. Operated as a nonprofit, Menno Haven is guided by a commitment to "enhancing the quality of life through responsive Christian Human Services" and that commitment is evident in its respected reputation.

For 25 years, Menno Haven has entrusted its banking needs to its community bank, F&M Trust. Working closely with Stacey Stenger, Data Operations, and Jim Probst, Investment and Trust Relationship Manager, Menno Haven uses F&M Trust's checking and trust account services, as well as Franklin Business Link to simplify payroll and resident billing.

“ We value our relationship with F&M Trust and look forward to expanding that relationship in the future. ”

—Hugh Davis
CEO of Menno Haven



Wayne Yeager and Hugh Davis of Menno Haven with Jim Probst



SENIOR
MANAGEMENT

From Left to Right

Lise M. Shehan, Esq.
*Senior Vice President, Investment &
Trust Services Manager*

Matthew D. Weaver
*Senior Vice President, Marketing
and Corporate Communications Manager*

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

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

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

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

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*



FRANKLIN FINANCIAL

OFFICERS

Commercial Services

Steven D. Butz

Senior Vice President
Commercial Services Market Manager

Kathleen M. Bloss

Assistant Vice President
Senior Credit Analyst

Mary S. Cordell

Vice President
Commercial Services
Relationship Manager

Jeremy D. Culler

Small Business Credit Analyst

William R. Feist, IV

Vice President
Commercial Services
Relationship Manager

Eric J. Fleming

Credit Department Manager

Matthew D. Harshbarger

Vice President
Commercial Services
Relationship Manager

Jennifer D. Kaiser

Commercial Services Support Specialist

Danielle J. Meredith

Credit Analyst

Michael S. Metz

Vice President
Commercial Services
Relationship Manager

Philip A. Pantano

Vice President
Commercial Services
Relationship Manager

Katherine M. Powley

Vice President
Commercial Services
Relationship Manager

Brian C. Reidell

Vice President
Commercial Services
Cash Management
and Merchant Services Specialist

Maria S. Seabra

Credit Analyst

David P. Zimmerman

Vice President
Commercial Services
Relationship Manager

Executive

William E. Snell, Jr.

President and Chief Executive Officer

Joyce A. Riley

Assistant Corporate Secretary

Facilities

Barry L. Shetter

Assistant Vice President
Facilities Manager

Finance

Mark R. Hollar

Senior Vice President
Chief Financial Officer and Treasurer

Kim A. Brant

Asset-Liability Analyst

Amy B. Herrold

Controller

Human Resources

Karen K. Carmack, SPHR

Senior Vice President
Human Resources Manager
Affirmative Action and
HIPAA Privacy Officer

Levi L. Crouse

Human Resources Officer

Christina L. Yoder

Training & Development Officer

Investment & Trust Services

Lise M. Shehan, Esq.

Senior Vice President,
Investment & Trust Services Manager

Marissa Pinto Burt

Investment & Trust Services
Franklin and Fulton/Huntingdon County
Market Manager

Bruce A. Smith

Investment & Trust Services
Cumberland County Market Manager

Matthew W. Berger

Investment & Trust Services
Relationship Manager

Carole L. Crist

Vice President
Investment & Trust Services
Relationship Manager

Ronald R. Froeschle

Vice President
Employee Benefits Officer

David C. GORITY

Vice President
Investment & Trust Services
Relationship Manager

Avis M. Graham

Assistant Vice President
Investment & Trust Services
Relationship Manager

Heather C. Hershey

Estate Administration Officer

Warren M. Hurt

Vice President
Chief Investment Officer

OFFICERS

David Y. Luo

Investment Portfolio Manager

Robin L. Murray

Trust Operations Manager

Andrew M. Otto

Investment & Trust Services
Relationship Manager

James P. Probst

Vice President
Investment & Trust Services
Relationship Manager

Diana L. Sponseller

Vice President
Investment & Trust Services
Relationship Manager

Dennis L. Wilson

Vice President
Investment & Trust Services
Relationship Manager

Marketing

Matthew D. Weaver

Senior Vice President, Marketing and
Corporate Communications Manager

Samantha J. Burke

Marketing Officer

Melissa D. Miller

Marketing Officer

Retail Services

L. Kay Estep

Assistant Vice President
GO Club Coordinator

Chambersburg Market

Patricia A. Hanks

Senior Vice President
Retail Services Market Manager

Patricia M. Murray

Assistant Vice President
Small Business Relationship Manager

Lincoln Way East

Lisa A. Hogue

Financial Services Officer
Manager

Memorial Square

Summer Franzoni

Assistant Vice President
Manager

Kimberly S. McKenrick

Assistant Vice President
Assistant Financial Services Officer

Michele A. Williams

Financial Services Officer
Assistant Manager

Norland Avenue

Shaun M. Young

Assistant Vice President
Manager

Penn Hall/Menno Village

Barbara A. Seylar

Financial Services Officer
Manager

Philadelphia Avenue

Eric L. Alleman

Financial Services Officer
Manager

Orchard Park

Dana L. Kaiser-Brechbeil

Financial Services Officer
Manager

West Side

Tina M. Bricker

Financial Services Officer
Manager

Cumberland County Market

Robert D. Weed

Vice President
Market Manager

Christopher J. Fitting

Small Business Relationship Manager

Boiling Springs

Jason S. Hutton

Financial Services Officer
Manager

Camp Hill

Michelle M. Farren

Financial Services Officer
Manager

Mechanicsburg

Cyndie Kelly

Financial Services Officer
Manager

Shippensburg & Newville

Ellen L. Ile

Financial Services Officer
Manager

Ritner Highway

I. Edward Bidelspach

Assistant Vice President
Manager

So. Franklin County Market

Renee L. Preso

Vice President
Market Manager

Lynn A. Waite

Assistant Vice President
Small Business Relationship Manager

OFFICERS

Greencastle

Kimberly M. Smith
Financial Services Officer
Manager

Marion

Vicky L. Carson
Assistant Financial Services Officer

Mont Alto

Sarah S. Stansfield
Financial Services Officer
Manager

Waynesboro

Natasha J. Koons
Financial Services Officer
Manager

Chastity L. Wantz
Assistant Financial Services Officer
Assistant Manager

Fulton/Huntingdon County Market

Joyce E. Ritchey
Vice President
Market Manager

Donald L. Trego
Assistant Vice President
Small Business Relationship Manager

McConnellsburg

Mary E. Wright
Financial Services Officer
Manager

Hustontown

Bertha A. Peffer
Financial Services Officer
Manager

Orbisonia

Susanne M. House
Financial Services Officer
Manager

Consumer Lending

Jared M. Leonard
Assistant Vice President
Consumer and Residential Mortgage
Lending Manager

Cathy S. Goodhart
Residential Mortgage Lending Officer

Timothy A. Rarick
Consumer Lending Officer

David R. Winters
Consumer Lending Officer

Risk Management

Robert K. Day
Commercial Credit Recovery Officer

Eric M. Follin
Documentation Review Officer

Steven R. Gormont
Consumer Credit Recovery Officer

Olaf R. Hasse
Vice President
Loan Portfolio Risk Management Officer

Lorie M. Heckman
Vice President
Compliance Officer

Rainbow D. Hopkins
Security Officer

William A. Pryor
Vice President
Credit Recovery Manager

Matthew R. Shank
Assistant Documentation Review Officer

David W. Smith
BSA/OFAC Analyst

Sheryl R. Snider
Assistant Compliance Officer

Janet E. Stamper
Consumer Documentation Review Officer

Technology Services

Ronald L. Cekovich
Senior Vice President
Technology Services Manager

Matthew C. Clark
Technology Services Officer

Joshua S. Davis
Assistant Technology Services Officer

Patricia R. Ganoe
Deposit/Data Operations Manager

Pamela A. Johns
Assistant Vice President
Loan Servicing Manager

Carol L. Morris
Assistant Loan Servicing Manager

CONSOLIDATED FINANCIAL HIGHLIGHTS

(dollars in thousands, except per share)	2014	2013
Performance Measurements		
Net income	\$ 8,402	\$ 6,232
Return on average assets	0.83%	0.61%
Return on average equity	8.44%	6.72%
Return on average tangible assets ⁽¹⁾	0.87%	0.64%
Return on average tangible equity ⁽¹⁾	9.72%	7.86%
Efficiency ratio ⁽²⁾	70.83%	72.01%
Net interest margin	3.56%	3.47%
Current dividend yield	3.09%	3.98%
Dividend payout ratio	33.88%	45.09%
Shareholders' Value (per common share)		
Diluted earnings per share	\$ 2.00	\$ 1.51
Basic earnings per share	2.01	1.51
Regular cash dividends paid	0.68	0.68
Book value	24.54	22.88
Tangible book value ⁽³⁾	22.36	20.55
Market value	22.00	17.10
Market value/book value ratio	89.65%	74.74%
Price/earnings multiple	11.00	11.32
Balance Sheet Highlights		
Total assets	\$ 1,001,448	\$ 984,587
Investment securities	171,751	159,674
Loans, net	717,420	713,711
Deposits and customer repurchase agreements	890,260	869,558
Shareholders' equity	103,521	95,388
Safety and Soundness		
Risk-based capital ratio (Total)	15.49%	14.24%
Leverage ratio (Tier 1)	9.69%	9.14%
Common equity ratio	10.34%	9.69%
Tangible common equity ratio ⁽⁴⁾	9.51%	8.79%
Nonperforming loans/gross loans	1.74%	3.49%
Nonperforming assets/total assets	1.63%	3.04%
Allowance for loan losses as a % of loans	1.25%	1.34%
Net charge-offs/average loans	0.19%	0.49%
Trust assets under management (fair value)	\$ 605,796	\$ 574,680

(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

	For the Year Ended December 31				
(dollars in thousands, except per share)	2014	2013	2012	2011	2010
Summary of Operations					
Interest income	\$ 34,794	\$ 36,042	\$ 39,142	\$ 41,791	\$ 43,284
Interest expense	3,180	4,378	6,890	9,154	12,443
Net interest income	31,614	31,664	32,252	32,637	30,841
Provision for loan losses	764	2,920	5,225	7,524	3,235
Net interest income after provision for loan losses	30,850	28,744	27,027	25,113	27,606
Noninterest income	10,861	9,877	9,451	10,200	9,366
Noninterest expense	31,303	31,094	30,601	28,333	26,423
Income before income taxes	10,408	7,527	5,877	6,980	10,549
Income tax	2,006	1,295	512	411	2,937
Net income	\$ 8,402	\$ 6,232	\$ 5,365	\$ 6,569	\$ 7,612
Performance Measurements					
Return on average assets	0.83%	0.61%	0.51%	0.66%	0.78%
Return on average equity	8.44%	6.72%	6.00%	7.68%	9.34%
Return on average tangible assets ⁽¹⁾	0.87%	0.64%	0.55%	0.70%	0.82%
Return on average tangible equity ⁽¹⁾	9.72%	7.86%	7.14%	9.30%	11.27%
Efficiency ratio ⁽²⁾	70.83%	72.01%	70.44%	63.46%	63.43%
Net interest margin	3.56%	3.47%	3.50%	3.73%	3.53%
Current dividend yield	3.09%	3.98%	4.86%	8.74%	5.92%
Dividend payout ratio	33.88%	45.09%	59.09%	65.05%	55.10%
Shareholders' Value (per common share)					
Diluted earnings per share	\$ 2.00	\$ 1.51	\$ 1.32	\$ 1.66	\$ 1.96
Basic earnings per share	2.01	1.51	1.32	1.66	1.96
Regular cash dividends paid	0.68	0.68	0.78	1.08	1.08
Book value	24.54	22.88	22.31	21.67	21.09
Tangible book value ⁽³⁾	22.36	20.55	19.84	19.04	18.28
Market value	22.00	17.10	14.00	12.35	18.25
Market value/book value ratio	89.65%	74.74%	62.75%	56.99%	86.53%
Price/earnings multiple	11.00	11.32	10.61	7.44	9.31
Balance Sheet Highlights					
Total assets	\$1,001,448	\$984,587	\$1,027,363	\$990,248	\$951,889
Investment securities	171,751	159,674	133,328	125,301	117,616
Loans, net	717,420	713,711	743,200	756,687	739,841
Deposits and customer repurchase agreements	890,260	869,558	916,649	841,089	785,495
Shareholders' equity	103,521	95,388	91,634	87,182	82,639
Safety and Soundness					
Risk-based capital ratio (Total)	15.49%	14.24%	12.60%	12.14%	11.73%
Leverage ratio (Tier 1)	9.69%	9.14%	8.29%	8.40%	8.16%
Common equity ratio	10.34%	9.69%	8.92%	8.80%	8.68%
Tangible common equity ratio ⁽⁴⁾	9.51%	8.79%	8.01%	7.82%	7.61%
Nonperforming loans/gross loans	1.74%	3.49%	4.90%	2.94%	3.68%
Nonperforming assets/total assets	1.63%	3.04%	4.10%	2.60%	2.96%
Allowance for loan losses as a % of loans	1.25%	1.34%	1.38%	1.27%	1.18%
Net charge-offs/average loans	0.19%	0.49%	0.60%	0.86%	0.45%
Trust assets under management					
(fair value)	\$ 605,796	\$574,680	\$ 520,434	\$481,536	\$490,420

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

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

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,
Shippensburg
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

Additional ATM Locations

Ayr Town Center

368 South 2nd Street,
McConnellsburg

Fayetteville

4025 Lincoln Way East,
Fayetteville

Northgate Commons

1500 Northfield Drive,
Chambersburg

Penn National Clubhouse

3720 Club House Drive,
Fayetteville

Quincy Village

6596 Orphanage Road,
Quincy

Riverview Business Center

11734 Lenape Drive,
Mount Union

Shippensburg West End

9966 Molly Pitcher Highway,
Shippensburg

Waynesboro Market Place

11123 Buchanan Trail East,
Waynesboro

Zullinger

4884 Buchanan Trail East,
Zullinger





Franklin Financial
Services Corporation

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Chambersburg, PA 17201
888.264.6116
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