

Why would anyone bank anywhere else?



**Franklin
Savings Bank**

2011 Annual Report

www.FranklineBranch.com

A Message from the President

I started my letter in 2008 with the narrative as follows: *"The low rate environment at the federal level, brought on in an effort to stimulate the economy, creates financial challenges for the bank. The prime lending rate, an index that ties to many of our loan products, has dropped 4% from a rate of 7.25% in December of 2007 to 3.25% in December of 2008. This is good news for some of our borrowers, but it creates a very slim margin for our operations and presents a less attractive rate environment for our deposit customers."*



WOW! Four years later and the Prime Rate is still 3.25% and the sluggish economy continues on with no apparent correction looming in the immediate future. The Federal Open Market Committee's (FOMC) recent decision to hold short-term interest rates to near zero, at least through the end of 2014, and its consideration to restart its controversial bond-buying program, in an attempt to push down long-term borrowing rates, will continue to exert downward pressure on bank earnings. Hopefully, the FOMC moves will ultimately have a positive impact on business expansion and personal prosperity.

As in 2008, Franklin Savings Bank was, and continues to be, well positioned to work through these very difficult times. Our conservative management practices and our dedicated workforce have enabled the bank to remain strong despite continued pressure on earnings.

We were very pleased with the results of thorough fourth quarter reviews by the Federal Reserve Bank and the Maine Bureau of Financial Institutions, for both safety and soundness and compliance management practices. The final conclusion is that the bank and our people are doing a very good job running this business. For eleven consecutive years, Franklin Savings Bank has been selected by TheStreet.com, via Weiss Ratings Inc., as the strongest bank in Maine and tied for the top in all of New England. We continue to be the only A-rated bank in Northern New England.

Financial Highlights

The bank ended the year with total assets of \$326 million and net income of \$2.96 million. We closed 395 consumer mortgages and home equity loans for a total of \$33.1 million. We also

closed 464 commercial loans, totaling \$28.1 million and 1,053 non-mortgage consumer loans totaling \$7.4 million. Deposits totaled \$237.8 million at year end, representing growth of 1.6% above year end 2010 totals.

We look forward to a new year, with hopes that this downward economic cycle will start to turn the other way and return our customers and our communities to more prosperous times. We are hopeful that we will have relief from the pressures of high unemployment and sluggish growth. We are well-positioned for a turnaround; we have money to lend and a rate environment that is very favorable for borrowing money.

Many thanks to our Board of Directors, our many corporators who support our bank and our communities and our dedicated and very capable staff, who make Franklin Savings Bank an integral part of our communities and our customers who place their trust in us every day.



On the cover: Franklin Savings Bank was happy to provide the students of the new Spruce Mountain Middle School with t-shirts that united the former rival schools in Jay and Livermore Falls.

At left: Benjamin Black Bear joined the FSB team in 2011. Here, he accompanies our float in the Chester Greenwood parade.

Our Community



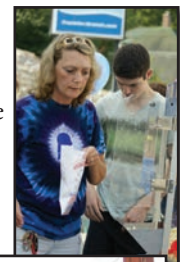
FSB in the Community: (Clockwise from upper left): Peter Judkins with Lisa Laflin of the United Way and Carolyn McLaughlin of the Care and Share Food Cupboard in Farmington; Heidi Lee and daughter Breanna at Chester Greenwood;



Lorna Niedner hands out t-shirts at the Spruce Mountain Middle School; Wanda Nichols serves up popcorn at the Wilton Blueberry Festival; Peter secures the new sign FSB bought to replace a stolen one, with Signworks' Mike Monahan indicating approval; FSB-sponsored New England Lung Cancer Project's E-Race the Stigma roadrace in Jay;



Lindsay Gray and April McLean staff the phones at the Project HEAT telethon benefit for Keep ME Warm; Leeanna Wilbur recoils as Benjamin Black Bear hams it up at the Logging Days parade in Rangeley; Lorna, Diane Jackson and Mike Luciano on hand to present scholarships at Livermore Falls H.S.;



Kelly King fills luminaria bags at the Relay for Life; the FSB crew serves dinner to survivors at the Relay; Deann Trafton works the ticket counter at the Rangeley Health Center Doobie Brothers benefit concert; the Skowhegan crew works the Rotary booth at the Skowhegan Fair; and Dawn Brann watches the Blueberry Festival Parade.



Our Staff



FSB Staffers: (Clockwise from upper left): Cindy Wright, Katrina Pease and Kerstin Hand from the Loan Center; Peter congratulates Lynn Vashaw and Bett Hardy for their advanced training diplomas; Jeannine McDonald, human resources; Peter congratulates Lisa Thompson on her supervisor certification; Dee LaPlant cannot contain her enthusiasm at the new ATMs; Heidi Lee, Lisa Walker and Joel Timberlake of the Loan Center; Shelley Deane enjoys the moment; Peter congratulates Marla Dubay on her supervisor certification; Sally Dwyer with customer Allen York at Jellystone Park; Benjamin Black Bear gives a bear hug to Brad Martin and Peter Fortunato in ISD; Shelley with Franklin Scholars Bethany Frazier and Michaela M. Yeaton of Farmington; Cherylene Sevey; Mike Mansir with customer Tawnya Clough of Mosher's Seafood.



Management

Directors

William J. Bernard, Chairman of the Board

Bradford S. Adley	Michael A. Luciano
Mary Ellen Carpenter	Richard H. Smith
C. Clinton Knapp	Richard M. Walker
Peter L. Judkins	Guthrie S. Colpitts, Director Emeritus



Jennifer Conant, River Valley Branches.

Corporators

Bradford S. Adley	Erald L. Farmer	Thomas N. Puia
Alan R. Archibald	Richard B. Gould Jr.	Bruce A. Ross, DMD
John D. Beaupre	Marco A. Grimaldi	Rebecca L. Ryder
Allen H. Berger	Curtis C. Haley	Ronald W. Savage
William J. Bernard	David L. Haley	Gary J. Shaffer
John D. Bogar	Duane A. Hardy	Jerry P. Simpson
James E. Brooks	Stephen W. Harris	Juanita Bean Smith
Darryl N. Brown	Bart J. Hersey	Richard H. Smith
James P. Brown	Mary B. Howes	Lynn M. Soriano-Noyes
Paula D. Buchanan	Leroy Ireland	Steven J. Swasey
Todd W. Bullen	James A. Jannace	Dennis S. Taylor
Mary Ellen Carpenter	Craig A. Jordan	Robert A. Thorndike
Gary R. Chiasson	Peter L. Judkins	James D. Timberlake
Linda S. Cipriano	C. Clinton Knapp	Peter F. Tracy
Gary W. Collins	Michael A. Luciano	Thomas F. Upham
Richard J. Cormier	Virginia P. MacFawn	Richard M. Walker
Mark J. Cote	William H. Marceau	Carroll M. Ware
Donald K. Cummings	Frederick H. Marshall III	Robert C. Welch
Shelley W. Deane	Paul H. Mills	Gerard K. Williams
Erik L. Dickson	Michael F. Monahan	John H. Windover II
Peter F. Dougeneck	Ronald B. Morin	Lolisa M. Windover
Gary M. Downs	Ann M. Nemi	James M. Witt IV
John H. Duffy	James A. Nicols Jr.	Ann B. Yorks
Colon E. Durrell	Troy A. Norton	
Gilbert C. Durrell	Virginia G. Nuttall	
Stewart K. Durrell	Gary F. Paling	
James L. Eastlack	Meredith J. Pike	

Honorary

Beverly N. Adams

Franklin Savings Bank is a wholly-owned subsidiary of FSB Bancorp MHC
Chairman Gary M. Downs, Vice Chairman William J. Bernard, Directors
Bradford S. Adley, Mary Ellen Carpenter, C. Clinton Knapp, Peter L.
Judkins, Michael A. Luciano, Richard H. Smith and Richard M. Walker

Officers

Main Office - Farmington

Peter L. Judkins, President, Chief Executive Officer
Timothy J. Thompson, Senior V.P., Chief Financial Officer
Shelley W. Deane, Sr. V.P., Human Resources & Admin.
Sandra P. Goodwin, V.P., Loan Administration
Lionel F. Howard, Vice President, Internal Controls
Nancy W. Jones, V.P., Underwriter, Loan Services
Deidre C. LaPlant, Vice President, Customer Service
Michael R. Mansir, Vice President, Commercial Lending
Thomas L. Sawyer, Vice President, Residential Lending
Cindy A. Spencer, Vice President, Credit Risk Mgmt.
Peter M. Fortunato, Bank Information Systems Administrator
Anna C. H. Lyon, Asst. V.P., Marketing Director
Jeanne M. Norton, Asst. V.P., Information Systems Dept.
RaeAnn A. Hargreaves, Loan and Collections Officer
Christine A. St. Laurent, Loan Officer
Bett E. Hardy, Mortgage Underwriting Officer

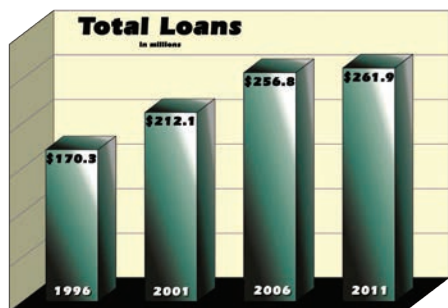
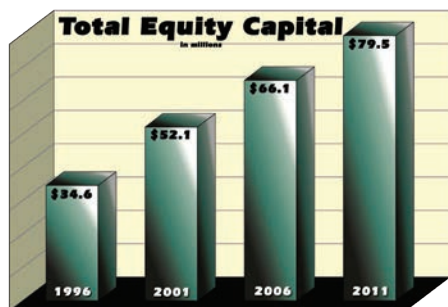
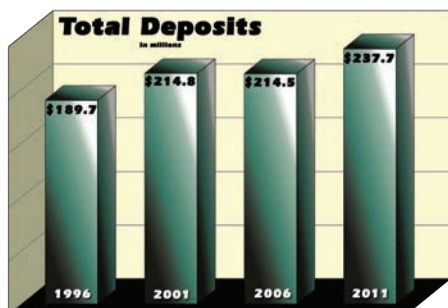
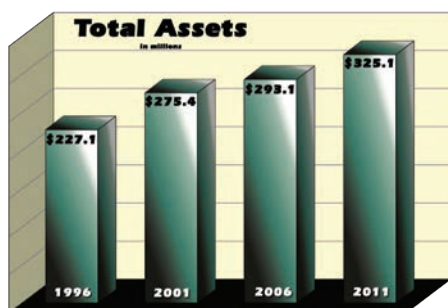
Branch Locations

Diane M. Perry, V.P., Mgr., River Valley Branches
Richard E. Allen, V.P., Comm. Lending, River Valley Branches
Linda S. Westleigh, Asst. Mgr., River Valley Branches
Leanne Gagne, Loan Officer, River Valley Branches
Catherine Dorion, Loan Officer, River Valley Branches
Lorna Durrell Niedner, Asst. V.P., Jay Branch Manager
Diane L. Jackson, Loan Officer, Jay Branch
Leeanna J. Wilbur, V.P., Rangeley Branch Manager
Crystal W. Haley, Assistant Manager, Rangeley Branch
Sally A. Dwyer, Asst. V.P., Skowhegan Branch Manager
Cherylene L. Sevey, Assistant Manager, Skowhegan Branch

Additional Services

Aaron C. Knapp, LPL Financial Advisor, WMFS
Jared P. Ranger, LPL Financial Advisor, WMFS

Financials



2011 Statement of Condition

Assets

Cash & Due from Banks	\$ 29,395,326
Bonds	17,054,750
Stocks	1,525,950
Mortgage Loans	231,402,511
Other Loans	30,538,588
Allowance for Loan Losses	(3,400,000)
Bank Premises and Fixed Assets	5,017,620
Other Assets	14,150,223
Total Assets	<u>\$325,684,968</u>

Liabilities

Deposits	\$ 237,778,663
Other Liabilities	8,371,570
Total Liabilities	<u>\$246,150,233</u>

Equity Capital

Surplus and Reserves	79,534,735
Total Liabilities & Equity Capital	<u>\$325,684,968</u>

Please Note: Letters of Credit outstanding
not included in above figures: \$393,260

Statement of Earnings

Twelve Months: ended December 31, 2011

Interest and fee income on loans	\$ 15,816,660
Interest and dividend income on investments	487,265
Non-interest income	2,638,970
Total interest and other income	\$18,942,895
Interest paid on deposits	1,844,698
Other expenses	12,667,812
Earnings after interest and other expenses	<u>\$4,430,385</u>

Income taxes	1,466,365
Net income for period	<u>\$2,964,020</u>

Locations



Farmington

ATM & Drive Up

197-209 Main Street and 198 Front Street, PO Box 825 Farmington, ME 04938
800-287-0752 - 207-778-3339 Loan Center: 207-778-2900

Rumford

ATM & Drive Up

155 Congress Street, PO Box 579, Rumford ME 04276-0579
Telephone: 207-364-7866

Wilton

ATM & Drive Up

603 Main Street, PO Box 520, Wilton ME 04294-0520
Telephone: 207-645-2583

Mexico

Drive Up

20 Main Street, PO Box 242, Mexico ME 04257-0242
Telephone: 207-364-4536

Jay

ATM & Drive Up

9 Main Street, PO Box 30, Jay, Maine 04239-0030
Telephone: 207-897-3982

Rangeley

ATM & Drive Up

2573 Main Street, PO Box 650, Rangeley ME 04970-0650
Telephone: 207-864-3386

Skowhegan

ATM & Drive Up

194 Madison Avenue, PO Box 368, Skowhegan ME 04976-0368
Telephone: 207-474-5574

Mt. Blue High School

Seasonal

Mt. Blue High School, 129 Seamon Road, Farmington, ME 04938
Telephone: 207-778-5268

Western Mountain Financial Services

198 Front Street, Farmington, ME 04938
Telephone: 800-300-9779 - 207-778-9779
Internet: www.WesternMountainFinancial.com



** Past performance is not a guarantee of future results **

Franklin Savings Bank has entered into a third-party arrangement allowing LPL Financial to offer securities to bank customers. Securities offered through LPL Financial, Member FINRA/SIPC. Insurance products offered through LPL Financial or its licensed affiliates.

<small>Not FDIC Insured</small>	<small>No Bank Guarantee</small>	<small>May Lose Value</small>
<small>Not a Deposit</small>	<small>Not Insured by Any Federal Government Agency</small>	



Pictured above: (from top) Azischohos Lake near Rangeley; Diane Perry, manager, River Valley branches; Tim Thompson and Dee LaPlant celebrate Pam Hargreaves' 20th anniversary with the bank; Sally Dwyer and Cherylene Sevey, Skowhegan; Angela Cushman, Rumford; Jen McPherson, Mexico; Peter with Anita Hedstrom; Lorna Niedner with Franklin Scholar Cassandra Plante of Jay.



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