

Why would anyone bank anywhere else?



Franklin Savings Bank

2014 Annual Report

www.FranklinSavings.com

A Message from the President

I am pleased to report that we had another successful year at Franklin Savings Bank. Our friendly, knowledgeable staff continues to distinguish Franklin Savings Bank from our competitors. Our employees know our customers and truly enjoy helping them with their financial needs. They are also involved in their communities, volunteering their time to make our towns better places to live, work and play. Additionally, Franklin Savings Bank and our Community Development Foundation contributed \$142,000 to various non-profit, economic development, and educational efforts in 2014.

All signs indicate that 2014 was a year of positive transition from a struggling economy. On the national level, the Federal Reserve Board of Governors halted their purchase of agency debt and mortgage backed securities, indicating an improving housing market and positive progress towards its objectives for inflation and employment. There is also reasonable probability that it will begin raising rates in 2015, enabling us to pay higher rates to our depositors. I expect this will be a very welcome change.

On the local level, we lent out \$75,382,888 in new money, helping the bank grow loan balances by \$24,671,972 or 9.09%, representing the largest annual growth in loan balances in more than a decade. This loan growth contributed to an 18% improvement in net income over 2013, with final earnings after taxes of \$3.3 million and a return on average assets of .96%.

Western Mountain Financial Services had a very productive year while serving the investment needs of their many clients, with assets under management increasing 5.5% over 2013 year-end numbers.

The year was eventful for our employees and customers in the River Valley as we transitioned our branch activities in Mexico to a bigger, better branch in Rumford, bringing all of our activity under one roof. While the closure of the Mexico office and the extensive renovations of the Rumford office were somewhat disruptive, in the end, the "new" River Valley Branch is modern, beautiful and running well with the experienced, combined staff.

We also made it through two regulatory exams, one evaluating the Safety and Soundness of our bank and the other looking at how we perform against the many banking regulations that we are required to comply with in our daily operations. I am proud to report that we performed very well on both exams.

The capital position of a bank is the true indicator of the bank's strength. Franklin Savings Bank's Tier I Leverage Capital Ratio is 26%, ranking us at the top of our industry and supporting



a position of strength and long-term viability for the bank.

In 2015, we will be making a substantial investment in technology that will enable us to serve an evolving customer base into the future. Among other services, we will add mobile banking and remote deposit capture to improve access to the bank.

Financial Highlights

The bank ended the year with total assets of \$344 million and net income of \$3.3 million. We closed 378 consumer mortgages and home equity loans for a total of \$39.5 million. We also closed 442 commercial loans, totaling \$44 million and 992 non-mortgage consumer loans totaling \$8.4 million. Deposits totaled \$243.9 million at year end, representing a 1.22% increase for the year.

It is a pleasure to be able to present a very favorable report on the bank's performance. Thanks to our employees, our Corporators, and our Directors for their tremendous support and to our many customers who allow us to serve them with their financial needs.

We look forward to another year serving our customers and our communities!



On the cover: FSB Employees take the ALS ice bucket challenge, with a little help from our friends at E.L. Vining & Son, Inc. Between employee personal contributions and the Franklin Savings Bank Community Development Foundation match, we raised more than \$2,200 for ALS ... and we got wet!

Below: The new combined River Valley Branch staff at its December Open House.



Our Community



FSB in the Community: (Clockwise from upper left) Dee LaPlant raises awareness for the Relay for Life; Benjamin Black Bear scores a kiss from Jeanne Norton; Roberta Meisner and her daughter, Alexis, with Heidi Lee and Katie Rickards, ham it up for the Relay's Medieval theme; Lindsay Coolidge, Nancy Jones, Bett Hardy, Julie Harnden and Kerstin Hand



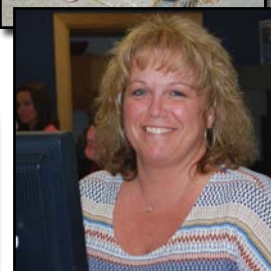
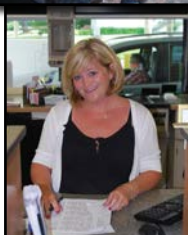
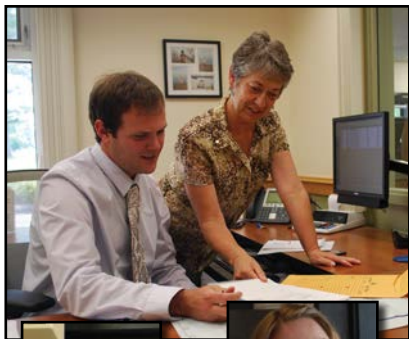
staffers line up for the Autism Walk; Leeanna Wilbur and Crystal Haley with Rangeley Lakes Regional School officials and the bleacher scorer table we donated; Jeff Pottle with some of the 245 Coats for Kids we collected; Kelsea Adams with Operation Santa gifts; Sherri Lewis and Sally Dwyer brave the rain for the Androscoggin Home and Hospice Walk; RaeAnn Hargreaves retrieves tubes for the tube run at the Fire and Ice Festival; Cortany Tinker and Katie Rickards join in the Hospice Walk; the little green army men from our 4th of July float salute the veterans; Brandi Manning and Wanda Nichols



serve up popcorn at the Wilton Blueberry Festival; Rich Allen helps celebrate the continued operation of Community Dental in Rumford with John Welsh and Lisa Kavanaugh; and Deann Trafton and Colby Wheaton bowl to raise money for the Relay.



Our Staff



FSB Staffers: (Clockwise from upper left) Sally Dwyer and Patrick Dore look over a project in Skowhegan; Diane Perry at the River Valley Branch; Sen. Susan Collins responds to Tim Thompson regarding "the strongest bank in Maine"; Mike Mansir and Laurie Danforth of the Homestead; Theresa Bowie; Bernice Cote and Shelley Deane; Heather Harris; Katelyn Holbrook and Julie Harnden in the Loan Center; Rangeley Manager Leeanna Wilbur with Virginia and Adam MacFawn and Gary and Jackie Patnode at Rangeley Lakes Builders Supply & Welcome Home Furniture and Accessories; ISD's Brad Martin with Farmington Manager Lorna Niedner; Val Trial, Skowhegan; Brandi Manning at the Mt. Blue HS Branch; Lorna with Matt and Jim Timberlake of Ted Berry Company; Kelly Hader; and Jennifer Pingree.

Management

Directors

William J. Bernard, Chairman of the Board

Bradford S. Adley

Richard H. Smith

Mary Ellen Carpenter

Richard M. Walker

Peter L. Judkins

James M. Witt IV

Michael A. Luciano

Guthrie S. Colpitts, Director Emeritus

Corporators

Bradford S. Adley

Richard B. Gould Jr.

Bruce A. Ross, DMD

Susan L. Allmendinger

Marco A. Grimaldi

Ronald W. Savage

Alan R. Archibald

Curtis C. Haley

Gary J. Shaffer

Rebecca L. Arsenault

David L. Haley

Jerry P. Simpson

Noel E. Austin, DMD

Duane A. Hardy

Juanita Bean Smith

William J. Bernard

Bart J. Hersey

Richard H. Smith

Robert L. Berry III

Barbara B. Hitchcock

Lynn M. Soriano-Noyes

Caitlin J. Bogar

Mary B. Howes

Roger J. Soucy Jr.

John D. Bogar

Leroy Ireland

Steven J. Swasey

Brenda L. Brochu

James A. Jannace

Timothy J. Thompson

Darryl N. Brown

Craig A. Jordan

Robert A. Thorndike

James P. Brown

Peter L. Judkins

James D. Timberlake

Todd W. Bullen

Glenn P. Kapiloff

Peter F. Tracy

Mary Ellen Carpenter

L. Gary Knight

Thomas F. Upham

Mark J. Cote

Michael A. Luciano

Richard M. Walker

Donald K. Cummings

William H. Marceau

Carroll M. Ware

Shelley W. Deane

Frederick H. Marshall III

Robert C. Welch

Erik L. Dickson

Paul H. Mills

Gerard K. Williams

Peter F. Dougeneck

Michael F. Monahan

Lolisa M. Windover

Gary M. Downs

Ronald B. Morin

James M. Witt IV

Matthew P. Dubois

James A. Nicols Jr.

Katherine W. Yardley

John H. Duffy

Troy A. Norton

Ann B. Yorks

Colon E. Durrell

Virginia G. Nuttall

Stewart K. Durrell

Gary F. Paling

Honorary

James L. Eastlack

Meredith J. Pike

Beverly N. Adams

Patricia A. Ellis

Thomas N. Puiaa

Erald L. Farmer

Peter A. Robichaud

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, Peter L. Judkins, Michael A.
Luciano, Richard H. Smith, Richard M. Walker and James M. Witt IV



Tim Thompson speaks at the Maine Bankers Association Emerging Leaders Conference.

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.

Lionel F. Howard, Vice Pres., Internal Controls (retired)

Kelli A. Given, Internal Auditor

Lorna Durrell Niedner, V.P., Lending, Main Office Manager

Nancy W. Jones, V.P., Underwriter, Loan Services

Deidre C. LaPlant, VP, Operations & Compliance

Michael R. Mansir, Vice President, Commercial Lending

Thomas L. Sawyer, Vice President, Residential Lending

Cindy A. Spencer, Vice President, Credit Risk Mgmt.

Brad A. Martin, Bank Information Systems Manager

Anna C. H. Lyon, Asst. V.P., Marketing Director

Jeanne M. Norton, Asst. V.P., Information Systems Dept.

Pamala J. Dixon, Assistant V.P., Controller

Bernice P. Cote, Customer Service Officer

RaeAnn A. Hargreaves, A.V.P. and Workout Officer

Christine A. St. Laurent, Asst. Vice Pres., Loan Officer

Lindsay Coolidge, Loan Officer

Bett E. Hardy, Mortgage Underwriting Officer

Heather Erskine, Loan Compliance Officer

Branch Locations

Diane M. Perry, V.P., River Valley Branch Manager

Richard E. Allen, V.P., Comm. Lending, River Valley Branch

Leanne Gagne, Loan Officer, River Valley Branch

Catherine Dorion, Loan Officer, River Valley Branch

Diane L. Jackson, Asst. V.P., Jay Branch Manager

Leeanna J. Wilbur, V.P., Rangeley Branch Manager

Crystal W. Haley, Assistant Manager, Rangeley Branch

Sally A. Dwyer, V.P., Skowhegan Branch Manager

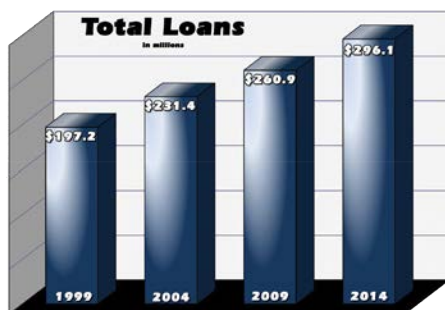
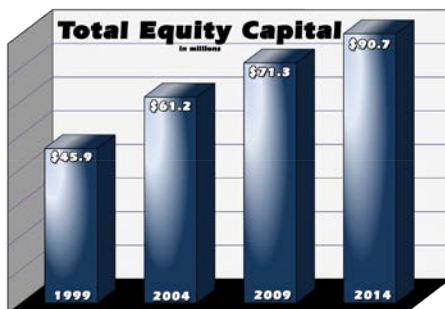
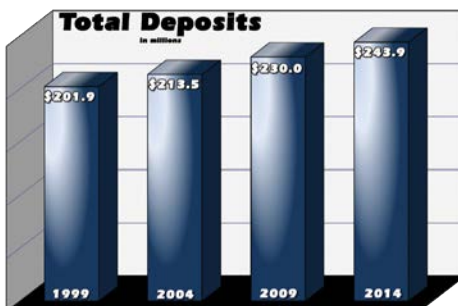
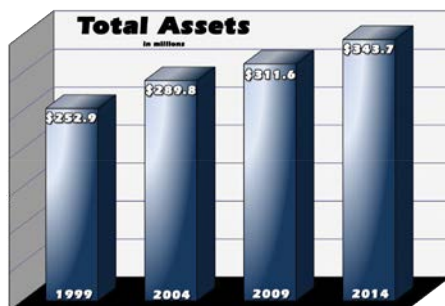
Patrick Dore, Loan Officer, Skowhegan

Additional Services

Aaron C. Knapp, LPL Financial Advisor, WMFS

Jared P. Ranger, LPL Financial Advisor, WMFS

Financials



2014 Statement of Condition

Assets

| | |
|--------------------------------|-----------------------------|
| Cash & Due from Banks | \$ 8,725,683 |
| Bonds | 15,693,180 |
| Stocks | 1,424,950 |
| Mortgage Loans | 260,789,185 |
| Other Loans | 35,307,486 |
| Allowance for Loan Losses | (3,400,000) |
| Bank Premises and Fixed Assets | 5,005,345 |
| Other Assets | 20,143,574 |
| Total Assets | <u>\$343,689,403</u> |

Liabilities

| | |
|--------------------------|-----------------------------|
| Deposits | \$ 243,887,020 |
| Other Liabilities | 9,051,920 |
| Total Liabilities | <u>\$252,938,940</u> |

Equity Capital

| | |
|---|-----------------------------|
| Surplus and Reserves | 90,750,463 |
| Total Liabilities & Equity Capital | <u>\$343,689,403</u> |

Please Note: Letters of Credit outstanding
not included in above figures: \$261,000

Statement of Earnings

Twelve Months: ended December 31, 2014

| | |
|---|----------------------------|
| Interest and fee income on loans | \$ 15,413,800 |
| Interest and dividend income on investments | 410,298 |
| Non-interest income | 2,840,457 |
| Total interest and other income | <u>\$18,664,555</u> |

| | |
|---|---------------------------|
| Interest paid on deposits | 876,433 |
| Other expenses | 12,727,102 |
| Earnings after interest and other expenses | <u>\$5,061,020</u> |

| | |
|----------------------------------|---------------------------|
| Net gains (losses) on securities | 0 |
| Earnings before taxes | <u>\$5,061,020</u> |

| | |
|------------------------------|---------------------------|
| Income taxes | 1,762,450 |
| Net income for period | <u>\$3,298,570</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

River Valley

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

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



Pictured above: (from top) A Jay tractor in the off season; Sen. Tom Saviello and banking student Courtney Austin at the Mt. Blue High School branch; Tim Thompson and Marla Dubay carry the banner for the 4th of July parade; Jeanne Norton shares a treat with her grandson on Customer Appreciation Day; Sally Dwyer at the Skowhegan Branch.



** 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.

| | | |
|------------------|--|----------------|
| Not FDIC Insured | No Bank Guarantee | May Lose Value |
| Not a Deposit | Not Insured by Any Federal Government Agency | |



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