

Annual Report 2018



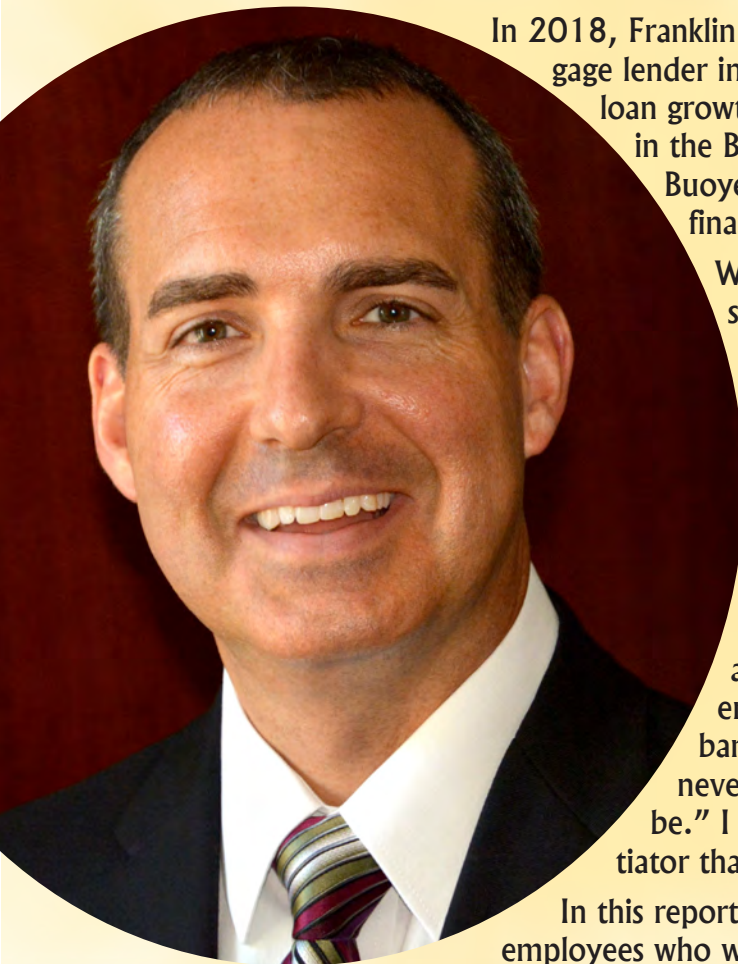
Franklin Savings Bank

Franklin Savings Bank

A Message from President and CEO Tim Thompson

In 2018, we celebrated our sesquicentennial anniversary. A landmark achievement, being present, consistently and successfully serving our communities for 150 years.

To mark the anniversary, the Board of Directors very generously increased the annual donations to our communities by \$150,000. So the *Community 150: You Pick. We Give* campaign was formed. Through the campaign the Bank donated a total of \$150,000 to non-profit organizations located in, or providing services to, the communities and primary counties that we serve, based on nominations from the public. Throughout the campaign we received nominations for more than 400 different organizations.



In 2018, Franklin Savings Bank was once again the leading mortgage lender in Franklin County. All other counties had positive loan growth as well. The growth in loan balances resulted in the Bank surpassing \$400 million in assets in 2018. Buoyed by the increase in interest income the Bank's financial performance remained strong.

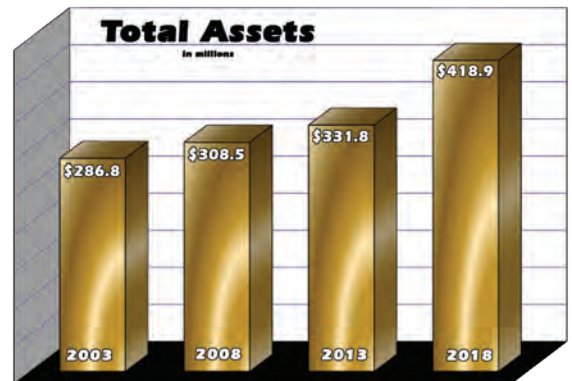
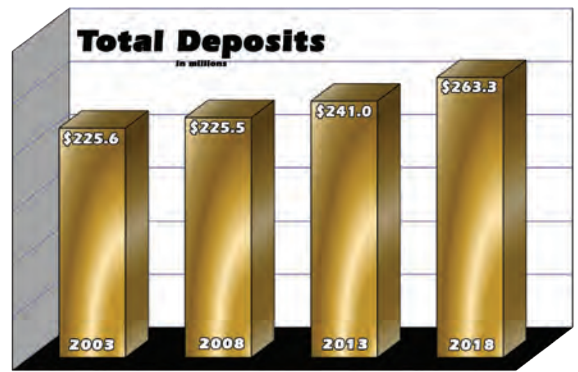
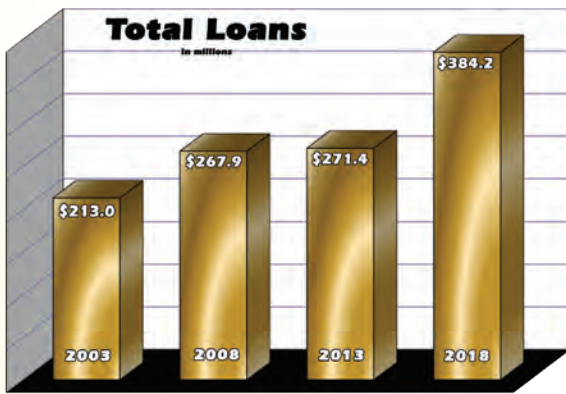
We are continuously developing new or enhanced services to retain our existing customers and to attract new banking relationships. In 2018, we introduced Business Solutions, a full suite of online banking services designed specifically for our business customers.

Everything great about Franklin Savings Bank starts with our employees. Our employees are dedicated to the Bank, our customers and to the communities we serve; volunteering their time and donating financially. Recently, a new customer to the Bank told me that prior to moving his banking relationship to Franklin Savings Bank, "he never knew how good the banking experience could be." I truly believe that our employees are the differentiator that elevates Franklin Savings Bank to the next level.

In this report we have spotlighted two long-term, impactful employees who will be retiring in 2019; Tom Sawyer, who will soon celebrate 42 years with the Bank, and Jeanne Norton, who will have completed 33 years with the Bank. I offer a sincere thank you to Tom and Jeanne for your dedication to the Bank and our communities and wish you both a joy-filled and healthy retirement.

As we close the book reflecting on our first 150 years, we now embrace the future and an ever-changing financial marketplace. Our commitment to the communities we serve adds significant value to our offerings, our products are carefully tailored to meet the needs of our customers and our service is excellent. We know there is no room for complacency and our focus is to affirm our customers' belief that Franklin Savings Bank is the best bank for them and their families for the next 150 years.

Tim



Financial Highlights

Franklin Savings Bank ended 2018 with total assets of \$418.9 million and net income of \$4.1 million. We closed 356 consumer mortgages and home equity loans for a total of \$41.7 million. We also closed 414 commercial loans, totaling \$51.3 million and 826 non-mortgage consumer loans totaling \$8.5 million. Our lending efforts resulted in an increase in loan balances over 2017 levels of \$24.3 million. Deposits totaled \$263.3 million at year end, representing a 1.6% increase for the year.

Western Mountain Financial Services had a very productive year while serving the investment needs of its many clients, with the number of accounts under management increasing 6% over 2017 year-end numbers.

Our employees continue to demonstrate dedication to the communities we serve by volunteering their personal time. Last year, employees volunteered about 3,500 hours and raised tens of thousands of dollars for local charities that benefit all of us.

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 have chosen Franklin Savings Bank as their banking partner.



Success

Western Mountain Financial Services

In 2019, we celebrate yet another anniversary: the 20th Anniversary of Western Mountain Financial Services.

In 1999, Franklin Savings Bank acquired Robert E. Bean Financial Services in Farmington.

This new facet to the business has enabled

the bank to diversify and offer its customers a broader range of financial services.

“Western Mountain Financial Services is a natural complement in strengthening our financial relationships with our customers,” said then-President Gary Downs. “We have established an excellent reputation in handling people’s money. This enables us to take them to the next level in investments.”

The acquisition reflected the opening up of the financial marketplace at the time. People were seeking a wider variety of financial services including market-based investment products.

“We believe that our customers will appreciate being able to turn to people they know and people they can trust when it’s time to consider investments,” said Downs.

Since then, the WMFS arm of the company has seen tremendous success and provided a nice counter-balance to bank market swings.

WMFS specializes in providing retirement planning and wealth management services for individuals, business and non-profit organizations locally and in many states across the country. Financial services at WMFS are offered through LPL Financial. LPL Financial is the nation’s leading independent broker dealer in the United States.

Aaron Knapp is an LPL Financial Advisor and the program manager for WMFS and Jared Ranger is an LPL Financial Advisor and OSJ for WMFS. Lisa Thompson is a Financial Services Office Administrator; Amy Bond, an LPL Registered Sales Assistant; and Penny Meservier, a Financial Services Assistant.



**Western Mountain
FINANCIAL SERVICES**

Western Mountain Financial Services
198 Front Street, Farmington, ME 04938
Telephone: 800-300-9779 - 207-778-9779
www.WesternMountainFinancial.com

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

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

Franklin Savings Bank and Western Mountain Financial Services are not registered broker/dealers and are not affiliated with LPL Financial.

Bank Financial Highlights

| Highlights | 2016 | 2017 | 2018 |
|------------|---------------|---------------|---------------|
| Assets | \$365 million | \$394 million | \$419 million |
| Loans | \$333 million | \$360 million | \$384 million |

Statement of Condition

Assets

| | |
|--------------------------------|-------------|
| Cash and Due from Bank | \$6,179,613 |
| Bonds | 8,210,000 |
| Stocks | 3,180,550 |
| Mortgage Loans | 333,885,868 |
| Other Loans | 50,337,558 |
| Allowance for Loan Losses | (3,400,000) |
| Bank Premises and Fixed Assets | 5,041,808 |
| Other Assets | 15,442,631 |

TOTAL ASSETS

\$418,878,028

Liabilities

| | |
|-------------------|-------------|
| Deposits | 263,293,721 |
| Other Liabilities | 54,291,467 |

TOTAL LIABILITIES

\$317,585,188

Equity Capital

| | |
|----------------------|-------------|
| Surplus and Reserves | 101,292,840 |
|----------------------|-------------|

TOTAL LIABILITIES AND EQUITY CAPITAL

\$418,878,028

Please Note: Letters of Credit outstanding not included in above figures, \$135,000

Statement of Earnings *Twelve Months: ended December 31*

| | |
|---------------------------------------------|---------------------|
| Interest and fee income on loans | \$19,214,375 |
| Interest and dividend income on investments | 327,125 |
| Non-interest income | 3,090,950 |
| Total interest and other income | \$22,632,450 |
| Interest paid on deposits | 834,058 |
| Other non-interest expense | 16,493,961 |
| Earnings after interest and other expenses | \$5,304,431 |
| Net gains (losses) on securities | (1,361) |
| Earnings before taxes | \$5,303,070 |
| Income taxes | 1,173,900 |
| NET INCOME FOR THE PERIOD | \$4,129,170 |

Our sesquicentennial

A legacy celebrated

2018 was a year of looking back nostalgically while optimistically surging forward into the future. Our bank team opted to celebrate our 150th anniversary by giving back, thanking those who made our successful history possible: Our Communities.

Employees eagerly volunteered for projects with the goal of logging an extra 150 minutes each. Yet they did much more, putting in about 3,500 hours, or almost 210,000 minutes. That works out to something closer to 1,750 minutes per employee. They knitted hats for chemo patients, ran food drives for local food pantries, cleaned up roadways on Earth Day, and generally found things that needed to be done and stepped up to make them happen. On the 15th of each month at precisely 1:50 p.m., they surprised a customer at each branch with a small FSB-related gift.

We're very proud of our people!

Another facet of the sesquicentennial celebration was planting 150 trees in our communities. We sent saplings to all our bank locations and shared them with towns, schools and customers willing to plant them.

Spruce Mountain High School in Jay and the Cushing School and Academy Hill School in Wilton embraced the opportunity to make this project a "teachable moment." At Spruce Mountain, teacher Rob Taylor and his AP environmental science students incorporated the saplings

into the Envirothon program to become a lasting part of the town's recreation area, which doubles as the school's living classroom. In

the River Valley, our branch crew planted a tree at the Veterans' Green and

Hosmer Field in Rumford as well as

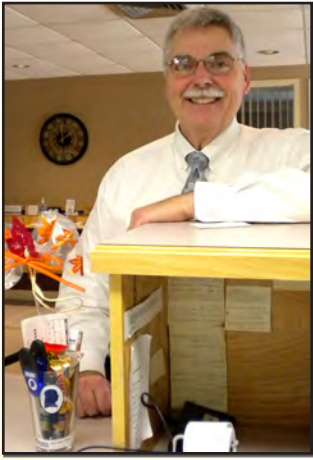
in Peru. We look forward to watching these trees grow tall and strong! Thank you to everyone for embracing this project and helping us make this happen.

And we celebrated! We hosted chamber business-after-hours events in most of our branch communities. Rangeley, as usual, proved itself to be unique by hosting an old-fashioned country fair complete with apple bobbing, antique vehicles and free "penny candy" for the youngsters.



Spruce Mountain High School





You picked. We gave.

The \$150,000 Community 150 campaign

2018 was an exciting year for the Franklin Savings Bank Community Development Foundation. In addition to making \$150 donations to the charities of choice for all our Corporators and employees, we asked the community to tell us where they would like us to donate a total of \$150,000. We were elated at the tremendous response and impressed by the variety, creativity and needs expressed in the many choices. The winning nonprofits touched on subjects including education, culture, environment, animals and health. In all, 60 local nonprofits shared in the donation. In each of Franklin, Oxford, Somerset and Hancock counties, the top nominated nonprofit received \$10,000, the second most nominated nonprofit, \$7,500, and the third, \$5,000. In addition, the fourth and fifth highest received \$2,500. Ten additional nonprofits received \$1,000 each. The top three from each county were recognized at a special reception.



Bernice Cote gets a thank you after delivering a check to the Double B Equine Rescue.

“We have enjoyed giving back,” says Tim Thompson. “We see our 150th anniversary not so much as a celebration of ourselves, but as a celebration of our communities. It’s the people living and working in the communities we serve who have made our sesquicentennial possible. This is our thank you.”

This \$150,000 is on top of the normal contributions the bank makes through its Franklin Savings Bank Community Development Foundation and the \$27,300 for 95 charities in the name of its employees and Corporators earlier this year. The Foundation generally makes about \$160,000 in donations annually.

- First place \$10,000 winners are: Franklin County Animal Shelter, accepted by Dori Diaz; Main Street Skowhegan, accepted by Kristina Cannon; and Community Closet, accepted by Jacqueline Wycoff. Not pictured is the Thompson Lake Environmental Association.

- Second place \$7,500 winners are: Healing Hands, accepted by Tracy Kniffin; Farmington Ski Club, accepted by Seth Noonkester; Team Hailey Hugs, accepted by Tabatha Steward; and Lake Stewards of Maine, accepted by Scott Williams.

- Third place \$5,000 winners are: Greater Rumford Community Center, accepted by Gary Dolloff; Rangeley Library Association, accepted by Janet Wilson; Sebasticook Chapter of NAVHDA, accepted by Peter Wade; and Families First Community Center, accepted by Terri Ouellette.



\$10,000 recipients

Community 150

You Pick. We Give.



Hope Association



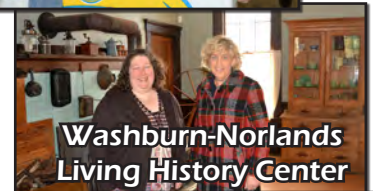
Somerset Humane Society



Care and Share Food Closet



Hospice Volunteers of Somerset County



Washburn-Norlands Living History Center

Other recipients are:

- Franklin County:** Rangeley Lakes Heritage Trust, Holland Strong Community Foundation, Rangeley Health and Wellness Center, Rangeley Lakes Region Historical Society, Washburn-Norlands Living History Center, MATE Housing Ministry, Rangeley Region Guides & Sportsmen's Association, Fit Girls of Wilton Maine, Double B Equine Rescue Corp., LEAP, Inc., Farmington Public Library Association, and the Care & Share Food Closet.
- Oxford County:** Chisholm Ski Club, Pink Feather Foundation, Region 9 School of Applied Technology, Community Concepts, Inc., Androscoggin Land Trust, Mexico Historical Society, Gardner Roberts Memorial Library, Hope Association, Maine K9 Vest Fund, Andover Educational Fund, Inc., Maine Adaptive Sports and Recreation, and Rural Community Action Ministry.
- Somerset County:** Friends of the L.C. Bates Museum; Somerset Humane Society, Community Care, Siesta Sanctuary, Wesserunsett Arts Council, Somerset Woods Trustees, Lake George Regional Park, GEAR Parent Network, Hospice Volunteers of Somerset County, Day One, United Methodist Economic Ministry, and Kennebec Behavioral Health.
- Hancock County:** Camp Capella, Tree of Life, Inc., KidsPeace Graham Lake Campus, Next Step Domestic Violence Project, Ellsworth Lioness Club, Open Door Recovery Center, The Grand Auditorium, Healthy Peninsula, Maine Veterans Project, Hancock County Habitat for Humanity, Children's Dyslexia Center-Bangor, and Special Children's Friends.



Children's Dyslexia Center



Gardner Roberts Memorial Library



Lake George Regional Park



Andover Educational Fund



Rangeley area charities



Holland Strong Foundation



\$7,500 recipients



\$5,000 recipients

Going Forward

We had much to celebrate in 2018, including the 25th Anniversary of our Mt. Blue Campus branch this 2018-2019 school year. The branch at Mt. Blue High School is a teaching branch in the sense that it is part of the larger business program at the Foster Regional Applied Technology Center at the school. But it's also a real bank branch where student tellers greet customers and process transactions. This unique school-business partnership, which prepares business students for a real-world job in banking, has resulted in many fine employees here and at other financial institutions who got into banking as a result of their experiences there.

Bank-wide, we are not content to sit on our laurels. Franklin Savings Bank took a ergonomical leap to equip sit-stand desks for all our employees. We love our employees' dedication to their jobs and, as part of our wellness initiative, we are getting them on their feet for a healthier mix of sitting and standing during the workday. In 2018, we adapted or replaced employee desks to enable them to rise at various points to work while standing. In addition, all our employees were offered FitBit step trackers and participated in various challenges all year. We walked to Australia one month in the fall, well, virtually in step distance. Employees feel better and we hope these "steps" will pay off in fewer health issues in the future.



Haily Turner
Mt. Blue HS



Operations



Farmington
Customer Service and
Commerical Lending



Human Resources



River Valley



Ellsworth



Skowhegan



Jay



Rangeley



Wilton



Marketing



Loan Department

Legacy

Retirement Notes

Jeanne Norton



Jeanne started out in operations in 1986. By about 1990, the bank decided to get its own mainframe and Jeanne, with some training, stepped up to run it. Over the years, computers have grown considerably and Jeanne has grown with the technology. She shines brightest when serving as a liaison between Fiserv and the end users. Those end users have always appreciated being able to talk to someone who speaks the same language and understands their needs. “Our end users are our ‘customers.’ It’s IT’s responsibility to give them the tools to do their jobs and keep their data safe and secure.”

“Jeanne has done a tremendous job keeping our employees’ computer systems running efficiently. She’s an unseen hero. She always thinks first of her customers within the bank and what is convenient for them so that they can better serve their bank customers,” says Shelley Deane.

For Jeanne, Y2K proved to be the most memorable experience during her tenure. “I stayed here all night,” she says, noting that all the others left before midnight. It was a long night of keeping an eye on the updates



Information Technology Department

while counting on an Ozzy Osbourne double-album to keep her awake all night.

“It’s been an interesting 33 years but it’s time to pass the torch,” she says. “It’s been a good gig.”

Upon retirement, Jeanne and her husband, Terry, plan to travel a bit, dote on the grandchildren a lot and generally focus on making more memories.



Tom Sawyer

We say farewell, but not goodbye, to our longest serving employee at Franklin Savings Bank. Legendary lender Tom Sawyer retires in 2019 after 42 years of service.

A butcher at the former Ray's Market, Tom was enticed to the bank in 1977 by Theone "Sue" Woodcock. "They wanted a man on the teller line. At the time, the average teller age was 60. They thought it would be a nice break."

There was a huge tub behind the teller line containing customer files. When a loan payment was made, the teller would pull the customer's card and cross off that payment. "We got a mainframe in about the mid-1980s," he said.

As a lender, Sawyer said it used to be much simpler to write a mortgage: there were fewer forms and the only variable being whether the borrower needed mortgage guarantee insurance. The rate was a single fixed rate and the term 25 years. "Now, we have pages of rates."

He has been with the bank through six presidents: working in accounting, on the teller line and as a lender. "I've done almost everything at the bank, even janitorial when necessary," he says. "I liked the teller line because I liked the customer contact. With lending, you have customer contact but it's not the same flow."

"You know it's time to retire when you're waiting



on the grandchildren of your first customers."

"Tom exemplifies the concept of a Community Banker," says Shelley Deane. "His deep involvement in the community resulted recently in recognition for distinguished service from the Rotary Club. We won't soon forget his hustling to raise money for charitable causes by selling onions, baskets, used goods and any number of projects."

Tom and his wife, Veronica, plan to continue living at their camp on Parker Pond in Chester-ville. After that, well, who knows?

Expertise

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Peter L. Judkins

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Timothy J. Thompson
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Meredith J. Pike
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Mark S. Remick
Bruce A. Ross, DMD

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Thomas L. Sawyer
Gary J. Shaffer
Juanita Bean Smith
Richard H. Smith
Lynn M. Soriano-Noyes
Roger J. Soucy Jr.
Brian St. Louis
Robert H. Susbury Jr.
Steven J. Swasey
Timothy J. Thompson
Robert A. Thorndike
James D. Timberlake
Matthew Timberlake
Peter F. Tracy
Richard M. Walker
Bruce D. Waugh
Robert C. Welch
James M. Witt IV
Katherine W. Yardley
Ann B. Yorks

Honorary
Beverly N. Adams



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Franklin Savings Bank is a wholly-owned subsidiary of FSB Bancorp MHC

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Richard M. Walker, *Vice Chairman*
Bradford S. Adley

Mary Ellen Carpenter
Peter L. Judkins
Michael A. Luciano

Richard H. Smith
Timothy J. Thompson
James M. Witt IV

Officers

Main Office - Farmington

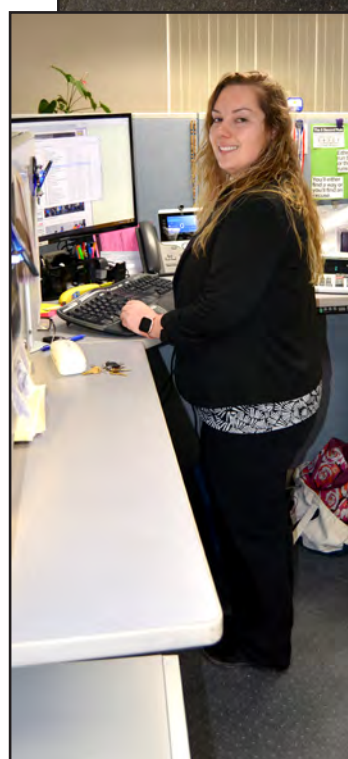
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Shelley W. Deane, Executive Vice President,
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Derek W. Hayes, Senior Vice President, Director of
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Lorna D. Niedner, Senior Vice President, Director of
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Manager and Underwriter
Lindsay E. Coolidge, Loan Officer
Elizabeth K. Beaudoin, Loan Officer
Heather L. Erskine, Loan Compliance Officer
Sarah J. Baker, Collections Officer

Branch Locations

Diane M. Perry, Vice President, River Valley Branch Manager
Richard E. Allen, Vice President, Commercial Lending,
River Valley Branch
Leanne Gagne, Loan Officer, River Valley Branch
Stacy L. Fortin, Loan Officer, River Valley Branch
Diane L. Jackson, Vice President, Jay Branch Manager
Leeanna J. Wilbur, Vice President, Rangeley Branch
Manager
Crystal W. Haley, Assistant Manager, Rangeley Branch
Patrick A. Dore, Vice President, Skowhegan Branch
Manager
Sherri A. Lewis, Assistant Manager, Skowhegan Branch
Amanda A. Look, Vice President, Commercial Banking,
Ellsworth Business Center

Western Mountain Financial Services

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



Katie Deming
in Customer
Service and
Danielle Welch
in Operations
at their sit-stand
desks.

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, ME 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

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