



Peter F. Crosby,
President & CEO

President's Message

As 2007 rapidly moves along, so does innovation and change. Passumpsic Savings Bank is constantly looking to improve our processes in order to keep up with these changes, raising our level of customer service.

By the end of this year, one of the ways customers will notice and experience this innovation is in the national check collection process. This past April we began sending all checks that are presented to us daily from other institutions to the Federal Reserve electronically rather than sending the paper checks via courier to a central clearinghouse for processing. Within hours these checks are cleared and collected. Later this year we will also begin accepting checks that are presented to other banks, written by Passumpsic Savings Bank customers, from the Federal Reserve electronically via images. This will significantly speed up the process by which all checks are cleared as physical movement of paper checks is eliminated. Technology is moving very quickly and we are committed to providing our customers with all the advantages that these enhancements offer.

Another form of innovation customers are seeing is the way we are "redefining checking." Late last year we introduced an exciting new checking account called Reward Checking, which pays a high rate of interest to reward you when you take advantage of four different electronic services we offer. This account is a great value to our customers, and we have had a lot of positive feedback from customers who are currently enjoying the benefits of this account. See the article inside this issue of the newsletter for more details.

This year we continue to invest in our community to improve the vitality of our region. One of the major community development projects that Passumpsic has invested in is the Wireless Linc initiative of Northern Community Investment Corporation, The Coos Economic Development Corporation, and the Littleton Industrial Development Corporation. This project is dedicated to making broadband wireless capability available throughout the North Country of New Hampshire.

We continue to look for more ways to enhance our products and services and more opportunities to invest in the communities we serve, partnering with you for your continued financial success. Thank you for doing business with us.

New Look for HSA Debit Card



Health Savings Account customers now have a debit card designed just for them. A Health Savings Account is a convenient way to save

for future medical expenses if you have a high-deductible insurance plan. This interest-bearing checking account allows you to deposit pre-tax dollars and access your account whenever you need to. See a Personal Banker today for more details.

And Coming Soon! For Your Added Convenience...



Passumpsic Savings Bank's Home Equity Line of Credit loan product, called Preferred Equity, will soon provide customers with a

new way to access their account—a Preferred Equity debit card. So, now you won't have to remember to bring your checkbook along when you wish to make those home improvement purchases, or other important purchases like a new car, a home appliance, or college tuition expenses. A special Preferred Equity promotion will be offered in early September to kick off the new debit card feature. Watch for details in the Bank's 11 branch locations or in the media.

Relay for Life

More than 30 Passumpsic Savings Bank staff members, family, and friends participated in the Caledonia County and Orleans County Relay for Life events in June. Between the two PSB teams, over \$7,200 was raised by individual team members, bank-wide internal fundraising efforts, and on-site at the relay event.

Relay for Life is a fun-filled, team-based overnight event designed to bring together those who have been touched by cancer in our community. There will be over 200 relays held throughout New England in 2007. Fundraising is vital for cancer research, but the events also recognize cancer survivors and remember those whose lives have been lost to cancer. It also provides a place for valuable education and advocacy.



Bottom row: (left to right) Peter F. Crosby, Daniel Kimbell, Patsy Murray, Barb Schoolcraft, Becky Emerson; Second row: Patricia Bergeron, Shelley and Madison Bolduc, Debrah Locke, Lorraine Perkins, Cindy Wheeler, Wally Fortier, Dan and Heather Tanner; Third row: Lucille Towle, Karla Wilbur, Kathy Lantagne, Craig Lantagne, Tom Zabek, Sharlene Cornell, Karie Kvam.

PSB Goes to the Races!

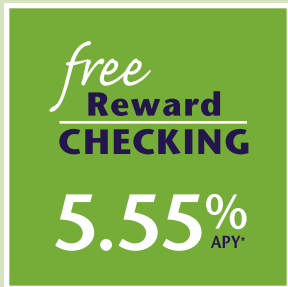
Riverside Speedway, Groveton, NH

As a proud sponsor of Riverside Speedway's Driver's Point Fund and 50/50 Raffle, we had the opportunity to join the race night on July 14, 2007 with special advertisements, interviews, and giveaways.

Right: Heather Hodge (right), Service Representative at our Newport Branches, with the winners of the Daredevil's Master Division: Cody Hodge (center), 1st Place; Jesse Switser (left), 2nd Place; Brandon Lambert (right), 3rd Place. Great job!



We Continue to Redefine Checking With Our *Reward Checking*



If you haven't heard, we have improved our Reward Checking account with new rates. Now you can earn a bonus rate of 5.55% APY* on all balances of \$0 – \$25,000 and 1.05% APY* on all balances over \$25,000, and you can receive refunds on all bank ATM fees nationwide**. Plus, you get unlimited check writing, free bill paying, free online banking, all with no monthly service fee and no minimum balance.

We've provided a way for you to get what you want just by doing more of what you most likely already do. Complete these four easy requirements during a monthly activity cycle*** and you qualify to earn the bonus rates.

- Access online banking at least once
- Receive your monthly statement electronically
- Make one direct deposit or ACH auto debit transaction
- Make at least ten Debit Card transactions (excluding ATM transactions)

What happens if you don't complete the requirements? You will still earn our base interest rate of 0.25% APY*.

*5.55% Annual Percentage Yield (APY) paid on balances \$0 – \$25,000, and 1.05% APY paid on all amounts above \$25,000 each cycle the minimum requirements are met. If you do not meet the requirements during a given cycle, you will earn the Base Rate of 0.25% APY, and ATM fees will not be refunded. Rates may change after account is open. APY is accurate as of 7/20/07.

**If you have met your eligibility requirements described above during the qualification cycle each month, we will refund domestic ATM fees up to \$5.00 maximum per item.

*** Requirements must be met each qualification cycle to earn bonus APY and ATM fee refunds. The qualification cycle will begin on the 3rd Thursday of the month and will run through the 3rd Wednesday of the following month. Your statement cycle will end on the 3rd Thursday of each month. Minimum balance to open account is \$25.00.

Personal accounts only.



FAN Club Update

Forty-four FAN Club members enjoyed a four-day trip to Washington, DC in June. Everyone had a fabulous time and we're all looking forward to more FAN Club adventures. Stay tuned for more trips to come!

New FAN Club Director, Carolyn Cherry

PSB Teaches Children to Save

April was *Teach Children to Save* month, and employees from Passumpsic Savings Bank had the opportunity to visit classes from 1st grade through 5th grade throughout the Northeast Kingdom and the North Country. The schools included Lyndon Town School, Danville School, Sutton School, Whitefield Elementary School, Brighton Elementary School, Jefferson Elementary, and Groveton Elementary School. We were also able to give 28 home-schooled students a full tour of our Railroad Street, St. Johnsbury office as a part of this program, which was a huge hit with the students. The focus of this program was to teach students the importance of saving money, how to save money using a bank, the value of different items, and how to tell the difference between needs and wants. The kids really enjoyed all the activities and prizes. Thank you to all the schools that welcomed us into their classrooms. We all had a great time with the students, and look forward to teaching more on financial literacy in more classrooms in the future.

Treasury Report: Direct Deposit Safer Than Checks

The U.S. Treasury Department has released a survey showing that large numbers of consumers mistakenly believe that paper checks are safer than direct deposit when, in fact, the opposite is true. The survey was sponsored by the U.S. Department of the Treasury's Financial Management Service on behalf of its *Go Direct* campaign, which encourages people who receive Social Security and other federal benefits by paper check to protect themselves from financial crimes by switching to direct deposit.

"Millions of Americans are affected by identity theft and other financial crimes, but there are steps people can take to increase their financial safety—such as choosing direct deposit," said Kenneth R. Papaj, Commissioner of Treasury's Financial Management Service. "Last year 57,000 checks issued by Treasury were fraudulently endorsed, while problems with direct deposit payments were negligible. In fact, while paper checks make up about 20 percent of the total Social Security and SSI payments, they account for more than 90 percent of reported payment problems."

The survey revealed that nearly one in three respondents (31 percent) said they had a check, important document, or large sum of cash lost or stolen. Of this group, nearly one in five said a family member or member of the household had stolen the cash, check, or document.

The poll showed that compared to Americans who use direct deposit for regular payments, those who use paper checks or other methods are significantly more likely to take unnecessary risks with their money. For example, they were twice as likely to carry around large amounts of money compared to people who use direct deposit. In addition, 30 percent of those using checks and other methods say they are more likely to keep their money somewhere other than a bank account, compared to 22 percent of direct deposit users.

The Treasury-sponsored survey revealed that there are many misconceptions about the safety and security of direct deposit. Forty percent of respondents feel that paper checks are better than direct deposit at preventing theft or loss of payments, and 20 percent think paper checks offer superior protection from identity theft or fraud. In fact, the opposite is true, with direct deposit providing substantial safety benefits over paper checks.

Americans can easily sign up for direct deposit through their local bank or by calling Go Direct at (800) 333-1795 or visiting www.GoDirect.org.

These results are of a nationally representative telephone survey of 1,003 adults, age 18 and over, conducted October 23–November 12, 2006, by KRC Research. The margin of error for the overall study is +/- 3.1 percent at the 95 percent confidence level.

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*Joshua and Danielle Puffer
Homeowners*



*Gregg Laber
Co-owner
Green Mountain
Electric Supply, Inc.*



*Dr. Samuel Shippee
Shippee Family Eye Care*

Positive Partnerships

This past spring, we were pleased to share some stories from our customers. These testimonials reflect what they have come to value most in our bank. For the Puffer family from Barnet, Vermont, it was the support and helpfulness they received while walking through the mortgage process to purchase their first home. For business owner Gregg Laber from Newport, Vermont, it was the commercial banking expertise that helps power the growth of his business. For Dr. Samuel Shippee from Lancaster, New Hampshire, it was a solid banking partner to believe in his dream to start his own eye care practice, and provide the financing and guidance he needed to realize that dream. Read more about what some of our customers value most about their partnership with us on our website...and let us hear from you about what you value most about Passumpsic.