



Northern Insights

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A Light at the End of the Tunnel

Daniel J. Kimbell, Senior Vice President, Investment Management Division

The financial markets entered into a downturn starting back in October 2007. It is now 2009, and the light at the end of the tunnel for an up market seems to be getting perpetually further away as the economic recession continues. Investors are asking if it is time to give up, turn tail and run, or hope for a market recovery soon.

These are truly unprecedented times as this is a global crisis, yet many of the same historic characteristics of a recession and recovery will repeat themselves as they relate to the financial markets and the overall economy. The financial markets tend to lead the overall economy by an average of six months, both on the up and down sides.

While the markets began their descent back in October 2007, the economy didn't start its downturn until the end of the first quarter 2008. Currently, most experts believe the economic recession we are in will last another twelve to eighteen months, making it one of the longest in history next to the Great Depression. The federal government's stimulus package will inject nearly a trillion dollars into our economy over the next two years.

Turbulent times still lie ahead, as some industries will take longer to recover than others. There is a lot of cash sitting on the sidelines waiting to get back into the game, and when these funds are reinvested back into the market, the upward movement should be dramatic. If history does indeed repeat itself, when the markets return to positive swings, they tend to return between 30% and 40% in the 12 months following.

Knowing what we know today, the market should emerge from the tunnel at the end of the third quarter or the beginning of the fourth quarter 2009. Positive rewards for those investors properly positioned within the market is likely. Having a sound and reasonable game plan and sticking to it is not always easy, but it is usually the most profitable strategy.



Peter F. Crosby,
President & CEO

President's Message

To Our Valued Customers,

There has never been a more important time to emphasize the benefits of community banking. Though we have clearly entered into a very trying economic time, I expect that our region may fare somewhat better than other areas of the country. Real estate property values have not experienced significant declines, and foreclosure rates have not risen like they have in other parts of the nation. As a community bank, we are as prepared as ever to assist you with your financial goals.

I want to reassure everyone that Passumpsic Savings Bank remains a safe and strong financial institution, ready to meet all your needs. Late last year, the FDIC insurance levels were raised to \$250,000 per depositor for savings, checking, certificates of deposit and money market accounts. These levels will remain in effect until at least December 31, 2009. Also, Individual Retirement Accounts continue to be insured separately. This increased coverage provides significantly better security for your money. On the loan side, Passumpsic Savings Bank has money to lend and looks forward to continuing to finance the needs of the communities we serve. Since mortgage rates have been at historic lows, now is a great time to take advantage of these low rates and consider refinancing your home.

During these difficult times, I urge everyone to work together and support our local economy and businesses. By doing so, we will help strengthen and support employment in the area, which is critical to generating a stronger economy. Passumpsic Savings Bank is focused on working with our customers and communities to build a brighter future.

Dressing Down to Support Local Food Shelves

During our December Casual Dress Down Day charity event, over \$1,250 was raised bank-wide by employees, along with matching funds from the Bank, and distributed to nine food shelves in the Northeast Kingdom of Vermont and Northern New Hampshire. Here are four of the food shelves that received support.



Mary Cote (right), Branch Manager for the Danville Branch office presents Ollie Wolfson, Manager for The Open Door Food Shelf, with a check. Ollie Wolfson said, "The Food Shelf is so thankful for the donation. The need is great during these tough economic times and financial contributions, like this one, really make a difference."



Laurie Emmons (left), Personal Banker for the Lyndonville Branch office, presents Debbie Minor, Co-Chair of the Lyndon Area Food Shelf, with a check. Debbie Minor said, "This donation is greatly appreciated and the timing is perfect. We are serving well over 100 families a month."



Donna Clay (left), Branch Manager for the Newport Branch office presents Paul Denton, Executive Director/Northeast Kingdom Community Action (NEKCA) and Kathy Metras, Outreach Supervisor/NEKCA, with donated foods and products from Bank staff and customers for the food shelf, along with a check. Kathy Metras reported, "NEKCA is so thankful for the donation from Passumpsic Savings Bank. We are currently serving 150-200 families in the food shelf each month."



Holly Fortin (right), Branch Manager for the Whitefield Branch office, presents Lillian Harriman, Head Volunteer for Friends 'n Neighbors Food Pantry, with a check. The Friends 'n Neighbors Food Pantry serves the communities of Whitefield, Dalton, Jefferson and Twin Mountain.

Employee of the Year



Audrey B. Heisholt, File Librarian, Consumer Loan Department, was named 2008 Employee of the Year at the Bank's Annual Employee Recognition event. This award recognizes an em-

ployee who has shown accomplishments, outstanding service, or contributions in the areas of innovation, service, judgment or human relations. Nominations are submitted by Bank employees.

Audrey joined the Bank in September of 2004 as a Service Representative and became the File Librarian in May 2005. As File Librarian, Audrey is responsible for organizing and maintaining secured record retention of all consumer and commercial loan files and for providing additional support services.

Here are some of the comments from her co-workers: "Audrey is one of the best things to happen to this Bank. She is wonderful with each and every employee and really works hard to accomplish everything that needs to get done."

"Audrey consistently makes outstanding contributions in supporting the needs of the internal and external customers."

As Employee of the Year, Audrey received a paid day off, a gift certificate to her favorite restaurant, and a contribution was made on her behalf to the March of Dimes. Thank you, Audrey, for being part of our team!



PSB contributes to Coos Economic Development Corporation

Peter F. Crosby (left), President of Passumpsic Savings Bank and Sarah Desrochers, Commercial Banker/Lancaster Office, meet with Peter Riviere (right), Executive Director for Coos Economic Development Corporation to discuss the Bank's recent \$7,000 contribution to Coos

Economic Development Corporation. Peter Riviere states, "This contribution will greatly enhance our organization's ability to support and promote the economic vitality of the region and we greatly appreciate Passumpsic Savings Bank's commitment to business and community initiatives in Coos County."



Progress Continues On Our New Lancaster Branch Office

A new branch office is under construction at 117 Main Street in Lancaster, New Hampshire. After the merger with Lancaster National Bank this past summer, an extensive review of facilities resulted in the decision to consolidate all Lancaster staff and resources into one facility. The new branch office will open for business on June 1, 2009, and will include a community room, a walk-up 24 hour ATM, plus three drive-up lanes and one drive-up ATM. ATM access will still be available at the Colonial Plaza at 202 Main Street in Lancaster. The Middle Street location will close. The bank is actively seeking to sell the Middle Street property. Watch for details on our grand opening!

Identity Theft Brochure Available

The federal bank regulators recently issued a revised brochure to help customers prevent and resolve identity theft.

The brochure focuses primarily on Internet phishing by describing how it works, offering ways to protect against identity theft and detailing steps victims can take.

It provides a good list of the basics:

- Never provide personal financial information if you did not initiate the contact.
- Never click on a link provided in an e-mail you think is fraudulent.
- Do not be intimidated by an e-mail or caller who suggests dire consequences for failure to act.
- Check on the sender by typing in the site address instead of using a link in the e-mail.
- If you become a victim, call your bank immediately, place fraud alerts on your credit files and monitor account statements closely.
- Report suspicious e-mails or calls to the Federal Trade Commission.

For more information and to download the brochure, go to <http://www.federalreserve.gov/newsevents/press/other/20081222a.htm>.

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Communications Tools News To Use.

Penguin Plunge

Passumpsic Savings Bank took a team of 12 plungers to the 6th annual Penguin Plunge to benefit Special Olympics Vermont, which took place in the frigid waters of Lake Memphremagog in Newport, VT on Saturday, February 14. Special Olympics Vermont provides year-round sports training and athletic competition for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy, and participate in a sharing of gifts, skills and friendships with their families, other Special Olympic athletes and the community. Passumpsic Savings Bank was proud to participate and raised over \$3,900 between individual team fundraising and Bank contributions.



Left to right, back row: Kayce Harris, Kelsie Percy, Michaela Green, Nikki Draper, Steve Roberts, Shanna Fortin, and Timothy Delabruere; front row: Thomas Lichtenberger, Tina Hill, and Alexa Sicard. Plungers not pictured are Ellen Stanley and Meghan Baker.

Join Us!

The NEK Energy Fair at Lyndon State College on March 27-28 is free for all those concerned about Vermont's energy future and interested in renewable energy options for their homes, businesses and farms. Northeastern Vermont Development Association is presenting the region's first major energy event and Passumpsic Savings Bank is a proud sponsor!

It begins at 7:00pm on Friday evening, March 27 with an interactive panel discussion in the Alexander Twilight Theatre. Following the program, the public is invited to a reception to network with special guests and industry leaders.

A full and informative day of exhibits, demonstrations, and educational workshops will be offered on Saturday, March 28 starting at 9:00am. We'll see you there!

