



Peter F. Crosby,
President & CEO

Supporting communities, enhancing growth.

President's Message

This has been a year of innovation for Passumpsic Savings Bank. We have developed a number of new products for you, our customers, as well as brought new resources to our region. Earlier this year we developed a Downtown Loan product targeting businesses located in the downtown areas of each market we serve. These loans were priced below market rates in an effort to increase the level of investment in these areas. Downtowns are the heart of our communities, and keeping them vital is an important priority.

This spring, Passumpsic Savings Bank was awarded a grant from the Federal Home Loan Bank of Boston for their Equity Builder Program. The Equity Builder Program is an effort to expand and promote home ownership, and it provides down-payment assistance to qualified low and moderate income home buyers.

Other initiatives undertaken this year include a new Municipal NOW account that gives municipalities and other local governmental entities the ability to have FDIC insurance up to the maximum levels and collateralization to provide the security required all in one account. This account significantly facilitates money management for towns and school districts. Additionally, we have developed a new Partnership Checking Account for individuals, which provides for tiered interest rates and fee waivers based upon the total banking relationship.

Interest rates began to increase last year and have continued to rise in 2005. Deposit rates have begun to increase while many borrowing rates have continued to remain attractive. Home mortgage loan rates have, to date, remained very close to historic lows, making investing in your home or purchasing a new home very attractive. While we have little impact on these macroeconomic forces, our goal is to provide you with the service and products you need.

"What's the point?"

One of the most frequently asked questions when shopping for a mortgage rate is "what's the point." Most lenders offer a 0 point, 1 point, and even a 2 point rate. The point equals 1% of the loan amount. If you were borrowing \$100,000 a point would equal \$1,000. If you pay the point you get a lower interest rate in most cases. It comes down to how long you will be owning and financing the property. By paying a point and lowering your interest rate, you are also lowering your monthly mortgage payment.

Based on our example, 5 years and 2 months later you have recouped the original \$1,500 you

paid to buy the rate down from the 0 point (6.00%) to the 1 point rate (5.75%).

If you plan on living in the home and financing the property for the full 30 years, the savings would equal \$7,129.20. Now that you know what a point is, you're one step ahead of the game if you decide to buy a home or refinance. Our Mortgage Specialists are available in St. Johnsbury, Newport, Lyndonville and Littleton, NH to answer any questions.

Mortgage Lenders

Dave Cowens, St. Johnsbury • Cathy Clark, Lyndonville
Ellen Stanley, Newport • Brian Petelle, Littleton, NH

Here is an example of buying down the rate:

Loan Amount of \$150,000 for 30 year fixed rate

1 point = \$1,500
0 point rate (6.00%)
payment = \$899.33

1 point rate (5.75%)
payment = \$875.36

Savings per/m = \$23.97

Saving \$23.97 per/m for 62 months = \$1510.11

Introducing New Partnership Banking Checking

Rewarding you for your banking relationship!

At Passumpsic Savings Bank, we've found a great way to reward the loyalty of our customers: the new Partnership Banking Checking Account.

To qualify for a Partnership Banking Account, simply maintain a total consumer deposit relationship (including savings, checking, CD, IRA, etc.) of \$10,000 or more, or a consumer loan relationship of \$25,000 or more.*

*\$10,000 minimum average ledger balance in total consumer deposits or \$25,000 in outstanding loan principal for consumer loans, excludes mortgages.

In return for your substantial relationship, we provide you with the following Partnership Checking benefits:

- Interest-earning checking
- Higher interest on deposits over \$10,000
- FREE Oxford wallet-style checkbook
- No PSB fee at non-PSB ATMs**
- FREE one-time financial consultation
- Discounts on home financing fees

Stop by any office and let a Personal Banker know you'd like to open a Partnership Banking Account. We'll do the rest!

**Some ATM owners may charge a surcharge for using their machines.





Boothbay Harbor, Maine
The Fan Club enjoyed a real
"Down East" lobster feast.

Fan Club

UPCOMING TRIPS:

Canterbury Shaker Village, NH August 5, 2005

With a stroll into history, this trip will delight, and enlighten, our members as they spend a glorious day in this preserved Village. The trip includes a tour, while lunch is on your own. **Time:** Bus leaves 8:00AM from St. Johnsbury Center Branch on Rt.5. Bus returns approximately 5:30PM
Cost: \$40, includes bus travel, admission to Village, and guided tour.

Sedona, AZ

October 30 - November 4, 2005

Get mesmerized by this locale's impressive canyon and wind-shaped buttes. You'll also be amazed by the dramatic sandstone tower - an element that captures the essence of the West's rugged character. The tour begins at the Hilton Sedona Resort & Spa (that has a great golf course, naturally!). Tour highlights include the Sedona Trolley Tour, Phoenix, Scottsdale, Grand-Canyon South Rim, Black Bart's Saloon, and more.

Cost per person: Single \$2029, Double \$1579, Triple \$1549. Deposit of \$300. Final payment due 9/1/05. Call Erica Perkins for reservations and details at (802) 751-4227.



Employee of the Year

Margaret Villeneuve in the Operations Department was named 2004 Employee of the Year at the Annual Employee Recognition Banquet held this past October. The award recognizes an employee who has gone above and beyond the call of duty throughout the year. Maggie was nominated by her fellow employees, whose accolades included, "Maggie reflects a positive attitude within the department and is always willing to help out when needed..." "Maggie is a real asset to the organization and every committee she serves on."

Maggie joined the Bank in 1995 as a Teller, became Assistant Head Teller at Railroad Street in 1997, became Head Teller in Lyndonville in 1998, joined Customer Information Services in May 1999, and moved to Operations in September 1999. As Employee of the Year, she received a paid day off and a gift certificate to her favorite restaurant. In addition, a donation was made on her behalf to the Norris Cotton Cancer Center at Dartmouth-Hitchcock Medical Center. Thank you Maggie for being part of our team!

Strengthening Downtowns

Helping local businesses succeed is a great way to strengthen communities. That's why Passumpsic Savings Bank created the "Downtown Business Development Loan" program. The Bank committed \$2 million to invest in local businesses throughout Northern Vermont and Northern New Hampshire. The loan fund was established to meet new initiatives for small businesses including working capital, expansions, inventory, facade improvements, and renovations. Twenty businesses received loans through the program. Here's what several businesses are doing with loan funds they've received from the program:

Scott Beck is opening a bookstore and cafe on Railroad Street in downtown St. Johnsbury called "The Boxcar and Caboose." Scott told us that the loan's flexible terms and great rate made a real difference in making his business decision.

On August 1st, Lona Stewart and Kelli Kazmarski of Newport are opening a children's

book and toy store called "Wider Than The Sky" at 158 Main Street. Lona stated that this great loan program ultimately helped them select a downtown site for their business.

Janet Parker of Littleton Office Supply, 281 Main Street, Littleton, NH, has been meeting the office supply needs of area businesses since 1975. Janet indicated that this loan program is fabulous and she truly appreciates the commitment to customer service provided by the Littleton office.

Marty and Plyn Beattie, of Danville, have purchased a building in the center of the village called The Dole Block and plan to renovate and restore this historic 1898 building. Plans for the building include creating retail, apartment and office space. Marty indicated that he has enjoyed working with Passumpsic Savings Bank and feels that saving downtowns is important for the future of Vermont communities.

Pharming: Beware of the Latest Cyber Scam

There is always a new internet scam to be wary of. Now, the cyber thieves have upped the ante with a scam called "pharming."

Pharming sends you to a phony site without your knowledge. You type in a normal website "domain name"—such as a trade site or your credit card company—but you are instead directed to a bogus site made to look like the real one.

To do this, cyber thieves are now starting to attack the internet servers called "domain name servers" (or "DNS"). Using sophisticated techniques, these cyber scammers are able to fool the DNS to send web users to a different IP address—where a phony website is waiting to gather sensitive information.

HOW CAN YOU PROTECT YOURSELF?

Pay attention to details. If you are at a "secure" site (most sites that ask for a password or log in

are secure), the address in your browser's address bar should begin with "https" rather than simply "http" (the "s" stands for secure). Also, you should see a little padlock symbol at the bottom of your browser, indicating you are at a secure site (click on). If you don't see these things, or if you click on the padlock symbol and the correct web address doesn't appear, you could be at a "spoofed" site.

Some internet experts recommend that you find out the numerical IP address for a particular site and bookmark it. Using the IP address instead of the domain name can help by avoiding the DNS "translation" step.

You can find more information at the website for the Anti-Phishing Working Group (www.anti-phishing.org) an industry association working to eliminate internet identity theft and fraud.

Community Service

Passumpsic Savings Bank staff is always willing to support charitable fundraising events.

On February 13, 2005, a team comprised of ten brave Bank staff members, family and friends jumped into Lake Memphremagog in Newport for the 2nd Annual Newport Penguin Plunge to benefit Special Olympics. This hardy group raised \$1,422 in donations, which was matched by the Bank.

On May 1, 2005, Bank staff and family participated in two walks for the March of Dimes. In Newport, there were 14 walkers who collected \$1,500 in donations. In Lyndonville, there were 13 walkers who raised \$2,446. Additionally, in



the St. Johnsbury/Lyndonville region, the Bank raised \$881 through t-shirt sponsorships & sale of promotional items. The Passumpsic Savings Bank team in the St. Johnsbury/Lyndonville Walk was the top fundraising group. Great work everyone!