



P.O. Box 266 • 63 Central Street • Woodsville, NH 03787 • Telephone (603) 747-2735 • Fax (603) 747-3267

June 26, 2008

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: Covered Bond Policy; Interim Final Policy Statement

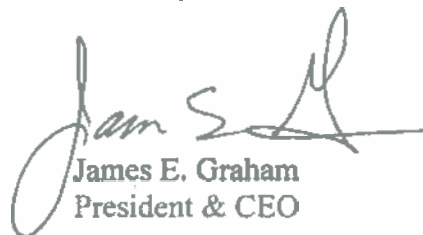
Dear Mr. Feldman:

I very seldom write a comment letter regarding a policy statement. However, I feel that I must in this case. I have attached a copy of a letter to you from the ICBA and I have taken the liberty of marking up certain sections of this letter that I feel are right on point on why including FHLB advances as part of an institutions assessment base or as a factor for determining an institutions assessment rate is a bad idea.

Please review the marked up copy of the letter as well as our annual report and you will see that without the use of FHLB advances we would not be able to provide the necessary lending that our rural region of New Hampshire and Vermont so critically needs.

Thank you for your time and I can be reached at (603) 747-2735 or by email at jgraham@thegarantysavings.com.

Sincerely,



James E. Graham
President & CEO

JEG/jg
Enclosures



COPY

CYNTHIA L. BLANKENSHIP
Chairman
R. MICHAEL MENZIES
Chairman-Elect
JAMES D. MACPHEE
Vice Chairman
LARRY W. WINUM
Treasurer
WILLIAM C. ROSACKER
Secretary
TERRY J. JORDISH
Immediate Past Chairman

CAMDEN R. FINE
President and CEO

June 23, 2008

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: Covered Bond Policy; Interim Final Policy Statement

Dear Mr. Feldman:

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to offer comments in connection with the FDIC's interim final policy statement on the treatment of covered bonds in a conservatorship or receivership.

Summary of ICBA's Position

While ICBA generally supports the FDIC's interim policy statement on covered bonds, ICBA strongly disagrees with including secured liabilities and in particular Federal Home Loan Bank (FHLBank) advances as part of an institution's assessment base or as a factor for determining an institution's insurance assessment rate. FHL Bank advances serve as a consistent, reliable source of liquidity for all FHL Bank members and discouraging their use would be counterproductive to reducing risks for the FDIC. ICBA also believes

¹The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.

With nearly 5,000 members, representing more than 20,000 locations nationwide and employing over 282,000 Americans, ICBA members hold more than \$982 billion in assets, \$788 billion in deposits, and more than \$681 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

higher premiums under the recently adopted risk-based assessment system would conflict with the intent of Congress in establishing the FHLBanks.

Background

Covered bonds are general obligation bonds of the issuing bank secured by a pledge of loans that remain on the bank's balance sheet. In a typical covered bond transaction, a bank sells mortgage bonds, secured by mortgages, to a trust or similar special purpose entity. The pledged mortgages remain on the bank's balance sheet, securing the bank's obligation to make payments on the debt, and the trust or other special purpose vehicle sells covered bonds, secured by the mortgage bonds, to investors. In the event of a default by the bank, the mortgage bond trustee takes possession of the pledged mortgages and continues to make payments to the special purpose vehicle to service the covered bonds.

Covered bonds originated in Europe, where they are subject to extensive statutory and supervisory regulation designed to protect the interests of covered bond investors from the risks of insolvency of the issuing bank. By contrast, covered bonds are a relatively new innovation in the U.S. with only two issuers to date—Bank of America and Washington Mutual. However, covered bonds are expected to grow in popularity in the U.S. since they are a useful liquidity tool for banks that need to hold their mortgages on their balance sheet.

Under the Federal Deposit Insurance Act, when the FDIC is appointed conservator or receiver of a bank, contracting parties cannot automatically terminate agreements with the bank. In addition, contracting parties must obtain the FDIC's consent during the 45 day period after appointment of the FDIC as a conservator, or during the 90 day period after appointment of FDIC as receiver, before liquidating any collateral pledged for a secured transaction. Covered bond obligees would therefore be subject to a lengthy wait before being able to repossess and liquidate collateral if the bank went into receivership or conservatorship.

Interim Policy Statement

To address this problem for covered bond transactions and to provide guidance to potential covered bond issuers and investors, the FDIC is adopting on an interim basis a Policy Statement that, in the event of a bank conservatorship or a receivership, would provide automatic consent to covered bond obligees to exercise their contractual rights over covered bond collateral within 10 business days after a monetary default or 10 days after the effective date of repudiation. However, the Policy Statement and the automatic consent would only apply to covered bond issuances (1) made with the consent of the primary federal regulator, (2) comprising no more than 4% of a bank's total liabilities, and (3) secured by "eligible mortgages."

The Policy Statement would define "eligible mortgages" as those secured by perfected security interests under applicable state and federal law on performing mortgages on one-to-four family residential properties, underwritten at the fully indexed rate and relying on

documented income. Eligible mortgages would have to be underwritten in accordance with existing supervisory guidance governing the underwriting of residential mortgages, including the Interagency Guidance on Non-Traditional Mortgage Products and the Interagency Statement on Subprime Mortgage Lending.

Policy Issues Concerning Assessment Rates

From an insurance perspective, the FDIC also is seeking comment on whether an institution's percentage of secured liabilities to total liabilities should be factored into an institution's insurance assessment rate or whether the total secured liabilities should be included in the assessment base. The FDIC also seeks comment on whether, as part of this Policy Statement, there should also be an overall cap for secured liabilities.

ICBA's Position

ICBA generally supports the FDIC's interim policy statement on covered bonds and the proposed treatment of covered bonds when a bank is under FDIC receivership and conservatorship. The proposed new policy, if adopted, will provide important guidance to potential covered bond issuers and investors and will encourage the use of covered bonds in the United States. We believe, however, that as covered bonds mature as a product and more banks realize their utility as a liquidity tool and as a good substitute for mortgage securitizations, the FDIC should reconsider and possibly raise the proposed 4% cap. We also support limiting the policy statement to covered bonds secured by eligible mortgages underwritten in accordance with existing supervisory guidance governing the underwriting of residential mortgages.

However, ICBA strongly disagrees with including any secured liabilities and in particular FHLBank advances as part of an institution's assessment base or as a factor for determining an institution's insurance assessment rate. This issue was raised previously by the FDIC in connection with its proposal in 2006 for a new risk-based assessment system as authorized by the Federal Deposit Insurance Reform Act of 2005. **ICBA said then that it strongly opposes including FHLBank advances as part of "volatile liabilities" since that would inappropriately discourage banks from borrowing from the FHLBanks and would be counterproductive to reducing risks for the FDIC.**²

FHLBank advances serve as a consistent, reliable source of liquidity for all FHLBank members. **The availability of FHLBank advances as a means of wholesale funding is especially important to the community banks that comprise a large majority of the FHLBank System's members.** These institutions do not have reliable access to other sources of cost-effective wholesale funding and rely on the availability of FHLBank advances as a critical tool for managing their balance sheets and implementing their business plans. In fact, in 2007 FHLBank advances increased 36.6 percent to \$875 billion, and increased further to \$913 billion by the end of the first quarter 2008 - indicating that the FHLBanks are playing a vital role in alleviating the current shortage of

² See ICBA's letter to the FDIC dated September 22, 2006 commenting on the proposed new risk-based assessment system.

liquidity in the mortgage markets. Discouraging the use of the FHLBank funding would be counterproductive to the current efforts by the Administration, Congress, and the Federal Reserve to restore liquidity and bolster confidence in the mortgage sector.

As we pointed out previously in our letter to the FDIC concerning the proposed new risk-based assessment system, ICBA believes that any policy that discourages borrowing from the FHLBanks would not only be counterproductive to reducing risks for the FDIC but could actually increase risks. FHLBank advances are commonly used for liquidity purposes, and help FHLBank members manage interest-rate risk and fund loan growth, especially in markets in which the supply of deposit funds is inadequate to meet loan demand and prudent financial management needs. If the use of FHLBank advances is discouraged, FHLBank members would be forced to seek alternative, often more costly and volatile sources of funding, thereby reducing profitability and increasing liquidity risk.

ICBA also believes that penalizing the use of advances by charging higher premiums under the new risk-based assessment system would conflict with the intent of Congress in establishing the FHLBanks, in opening membership in FHLBanks to commercial banks under FIRREA, and in adopting the Gramm-Leach-Bliley Act which expanded small banks' access to advances. Congress wanted commercial banks to have unfettered access to the low-cost funding of the FHLBanks. Charging higher assessments for banks that have FHLBank advances would be inconsistent with that goal.

FHLBank advances are a critical source of credit for housing and community development purposes, sustain prudent financial management practices, and enable small community member banks throughout the nation to remain competitive. FHLBank membership has long been viewed as protection for deposit insurance funds because FHLBank members have access to a reliable source of liquidity. In considering a final Policy Statement on covered bonds, or in taking any other administrative action, ICBA strongly urges the FDIC not to penalize institutions based on their use of Federal Home Loan Bank advances, or to limit the amount of such liabilities that they can use for their funding needs.

Conclusion

While ICBA generally supports the FDIC's interim policy statement on covered bonds, and the treatment of covered bonds when a bank is under FDIC receivership and conservatorship, ICBA strongly disagrees with including secured liabilities and in particular FHLBank advances as part of an institution's assessment base or as a factor for determining an institution's insurance assessment rate. FHLBank advances are a consistent, reliable source of liquidity for all FHLBank members and discouraging their use would be counterproductive to reducing risks for the FDIC. ICBA also believes that penalizing the use of advances by charging higher premiums under the new risk-based assessment system would conflict with the intent of Congress in establishing the FHLBanks, in opening membership in FHLBanks to commercial banks under FIRREA, and in adopting the Gramm-Leach-Bliley Act which expanded small banks' access to advances.

ICBA appreciates the opportunity to offer comments in connection with the FDIC's interim Policy Statement on Covered Bonds. If you have any questions about our letter, please do not hesitate to contact me at 202-659-8111 or Chris.Cole@icba.org.

Sincerely,

/s/ Christopher Cole

Senior Regulatory Counsel

Guaranty Bancorp, Inc.

2007 ANNUAL REPORT

Relationships.

The focus of everything we do.



OUR MISSION

Woodsville Guaranty Savings Bank will serve the financial needs of consumer and business customers within our defined market area by offering competitive products in a friendly, prompt, and efficient manner.

We will operate in a financially sound and prudent manner, providing appropriate products and services to support the community's needs and economic growth, while being active participants in the civic affairs of the communities we serve.



Dennis O'Donnell
Dennis O'Donnell Building Contractor, Inc.
Fairlee, VT

The first thing I think of when I think about WGSB is that they get it done fast! Over the years, we've financed many houses with WGSB and they've been great to work with on every one. Woodsville Guaranty Savings Bank and their staff take the time to help us through the process, so we can keep our eye on our business. They definitely help us turn around homes quickly and efficiently. We couldn't do it without them!

Ray & Vi Hopkins
Littleton, NH

Woodsville Guaranty Savings Bank is a happy bank, one that does good business and, at the same time, enjoys being with the public and serving the community. And we really enjoy being a part of the Guaranty Tours program. We've gone on many wonderful trips and made so many special friends. We appreciate the way the bank treats people and the things they do for others.



Richard, Ann & Sheila Fabrizio
Windy Ridge Orchard
North Haverhill, NH

Woodsville Guaranty has provided personal, small town care to us since we bought our home and planted our first apple tree. Today, they continue to support us as our business grows and provide the same individual attention to our children as they build their homes and businesses.



TO OUR SHAREHOLDERS, CUSTOMERS AND FRIENDS



In the 2006 Annual Report, I commented that your company was operating in an interest rate environment that made it very difficult to produce strong earnings. During most of 2007, we were exposed to that same flat yield curve. Nationally, weak economic data was reported throughout many sectors of the economy, prompting the Federal Reserve Bank to make three key rate decreases in late 2007. These adjustments will hopefully normalize the yield curve that has continued to challenge the Bank's earnings.

On a local level, many economic factors impact your company. High energy prices, plant closings, and layoffs in the wood product sector negatively impact the entire region. Real estate sales have slowed in most markets and values are flat. That said, our delinquency rate remains relatively low. Despite a high foreclosure rate nationwide, the Bank had just one residential real estate foreclosure in 2007 and none in 2006. This speaks volumes to the strength of our loan portfolio and the strong underwriting practices that the Bank employs. I am also pleased to say that the Bank has not participated in the type of lending that has made the sub-prime mortgage crisis front page news for so many months.

The challenges we face are not unique to WGSB; the ability to meet them, however, is clearly in our hands and provides many opportunities that our employees have embraced at every level. New products, improvements to delivery channels, and more efficient processes are helping the Bank adapt to the current economic climate, respond to customers' changing financial needs, and address the bottom line. Yet, while we pay attention to the details, we remain focused on the 'big picture' of everything we do – our relationship with our customers and community. Relationships shape every decision we make and motivate us to do what's right for each customer and in every situation. They are the primary reason for WGSB's success to date, and will continue to drive us in a positive direction.

To our shareholders, directors, and employees, thank you for the role you play in the Bank's relationships with its customers and community. I welcome your comments and suggestions. Please contact me at any time at 800-564-2735 or by e-mail to jgraham@thegarantybank.com. We look forward to every opportunity to serve you.

Sincerely,

James E. Graham
President & Chief Executive Officer
Guaranty Bancorp, Inc. &
Woodsville Guaranty Savings Bank

2007 Highlights

Enhancing our delivery system. A number of improvements to the Bank's delivery systems have greatly enhanced customer services, while expanding the Bank's market.

On June 1st, the ninth office of WGSB was opened, located on Main Street, Franconia, right next to the Post Office. The full service branch offers 2 drive-up lanes, drive-up and walk-up ATMs, and safe deposit boxes, as well as a community room available for local meetings and organizations. The office has been warmly received by the community and customers alike as a great convenience and a welcome addition to the village.

At the Woodsville/Central Street office, a walk-up ATM vestibule was added to supplement the location's existing drive-up unit. The addition

was made to ease flow through the branch's high-traffic drive-up area and improve access for customers seeking this self-service option.

Since 2001, the Bank's Woodsville/Shaw's office has provided a convenient second location for Woodsville area customers, with the added benefit of extended and weekend banking hours. In 2007, the decision was made to improve upon a good thing and relocate the supermarket branch to Woodsville's new Wal-Mart Supercenter. Located just inside the retail store, the Woodsville/Wal-Mart office will continue to provide bank-while-you-shop convenience 7 days a week, while increasing WGSB's exposure to a broad consumer audience.

Providing new products and services. The Bank invested significant amounts of time

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**Kindra Royer, with Kyle & Paige
North Haverhill, NH**

As a single mom of two small children with a full time job, I don't have a lot of time for paperwork or to get to the bank. That's why I especially like working with WGSB. I recently bought a new home and being able to apply for a mortgage and get approved online made the whole process so easy. I just completed a few questions at a time and returned when I could. When I was finished, the pre-approval came back in 60 seconds! I especially appreciate that, while I was able to do most everything online, my lender stayed in close contact with me, by phone and by e-mail, answering all my questions and responding to my needs. WGSB has been great throughout the whole process.

2007 Highlights

and resources in developing new products and services, refining existing ones, and providing additional options and value to customers.

Customers who bank online received an added layer of security with the launch of GuarantyID multi-factor authentication (MFA). MFA further prevents unauthorized access to accounts by identifying customers in not one, but three ways – through a user code, password, and the computer used to access accounts online. In exchange, the website identifies itself to users by displaying a picture and pass phrase, so customers know the site they're entering is legitimate, and not a fraudulent look-a-like. Successfully launched in January, nearly 4,700 WGSB customers were enrolled in MFA and actively banking online by year end.

The Bank's first Health Savings Account (HSA) product was introduced in early 2007. The tax-favored trust account provides consumers a simple, cost effective way to save and spend health care dollars, in conjunction with a high deductible health plan. Response to the new offering has been very strong, with bank employees invited by local employers to make presentations to their workers, to promote the option and its benefits. Designed to be both competitive and attractive, WGSB's new HSA Checking offers unlimited access to funds by check or debit card, no minimum deposits, and no minimum balance to earn interest, with tiered interest.

WGSB's home equity portfolio was simplified, with the exchange of five loan products for two – an adjustable rate Home Equity Loan and Guaranty HELOC, an adjustable rate line of

(cont.)

3

Joe Robertie, President
Larry King, Vice President
Precision Lumber, Inc.
Wentworth, NH

WGSB has played a huge role in the success of Precision Lumber, Inc. The lumber industry is forever changing, and that requires us to constantly become more efficient and productive. In the past several years, we have made numerous upgrades to our plant and WGSB has worked with us every step of the way. Trying to cope with a distant and unresponsive bank relationship would make our business almost impossible to operate efficiently, which is why it's a true pleasure for us to be teamed up with the friendly, hardworking and knowledgeable people at WGSB.



2007 Highlights

credit with a fixed rate amortized option. The latter is a creative, flexible home equity product that offers homeowners the ability to manage how they re-pay their loan, with either interest only payments or amortized monthly payments. Consumer response has been very positive; the interest only option attractive to those looking for flexible payment options, and the fixed rate option allowing customers to lock in their rate and start paying principal and interest over time at a fixed rate, with no hassle.

4 An online Mortgage Center was launched in November, allowing consumers to apply for a mortgage via the Internet, from the comfort of their home, 24 hours a day. Accessible through the Bank's website, the Mortgage Center provides a personalized application, based on the borrower's personal situation, and returns a real, credit verified approval in as little as 20 minutes. If for any reason the application can not be com-

pleted online, a lender is notified, so that personal contact with the applicant can be made and support offered. Since launch, the service has been very popular with weekend house hunters and others seeking a convenient way to complete the application process on their own time. The 24/7 availability of the service has also been an attractive tool for realtors seeking to help prospects with the home buying process during non-banking hours.

Planning for success. Whether for the development of a new product or updates to critical software, project management has grown steadily more complex. To ensure the Bank's many projects throughout the year are successful and result in improved customer services, WGSB made two important additions during 2007.

The Information Systems (IS) Steering & Quality Service Committee was formed to engage repre-



David McPhaul Sr., President
David McPhaul Jr., Vice President
Harrison Publishing House
Littleton, NH

Our relationship with WGSB goes back many years and has allowed us to grow into the healthy company we are today. Most recently, two specific items have been very beneficial to our company...they provided mortgage financing to key executives moving into or returning to the area; and provided financing for acquisition opportunities so that we may continue our growth strategy. Our lenders asked insightful questions, made us justify our plans, and then shepherded our request through the bank processes. We value our relationship with WGSB and appreciate their assistance as we grow and develop.

2007 Highlights

representatives from every department of the Bank in the project planning process, from initial review and development, to deployment and training. Members of the committee address project needs and goals, internal and external impacts, compliance issues, and desired results for employees and customers. They also help prioritize the resources to allow the effective deployment of projects that offer the greatest impact on the customer experience.

At the helm of the IS Steering Committee is Vice President and Project Manager, Tony Pucci. Tony joined the Bank's senior management team during 2007 from Bow Mills Bank and Trust, with nearly 30 years of banking experience in the areas of retail operations, compliance, and finance. As Project Manager for WGSB, Tony combines his experience to coordinate and oversee all technology related initiatives, with a focus on the Bank's information systems. His hands-on experience

has proven to be of great value as we work to refine our processes, deploy new products and initiatives, and seek ways to better utilize the Bank's resources to serve our customers and grow the Bank.

Improving efficiency. Identifying better ways to get things done increases productivity, improves customer services, and strengthens the bottom line. During 2007, WGSB deployed one such efficiency that promises significant value in all three areas.

Virtual Image Exchange is a new technology that allows us to deliver and receive checks in a secure electronic method as opposed to physical delivery to and from the Federal Reserve Bank. In addition to the obvious energy and time savings for the Bank, customers benefit by faster access to their money through quicker availability of items deposited. This technology paves the way for

(cont.)

Julie Clough, Executive Director Grafton County

As administrator of one of the largest employers in the Haverhill area, I know that it's very important to have a financial institution that is always there for us. Woodsville Guaranty Savings Bank is that financial institution for Grafton County. The bank receives many phone calls in a week's time from the Treasurer, me, or my staff and no matter what the request, it is accommodated. I appreciate knowing that whether it's a stop payment or millions of dollars that need to be wired out, there are always friendly, courteous people at WGSB to help us. The County has diverse financial needs, and WGSB is able to accommodate them all. We recognize and appreciate the relationship that we have with the bank.



2007 Highlights

another time saver coming in 2008, Branch Capture, which allows tellers to transmit transactions electronically from their stations to the Operations Center instantly and securely.

Partners with the community. Volunteerism continues to be a bank-wide initiative and a critical component of our core values.

The Bank renewed its partnership with AHEAD in support of National NeighborWorks Week, an annual event that brings volunteers and businesses together to roll up their sleeves and lend a hand in support of their community and neighbors in need. WGSB was site sponsor for an external painting project at Ammonoosuc Community Health Services in Littleton and responsible for overall coordination of the project. In all, 70 volunteers worked on the project from the Bank and other business and school

groups, giving the health center and its patients a great result and saving the not-for-profit thousands of dollars in expense.

Terry Daniels, AVP/Residential Loan Officer, was honored as Volunteer of the Year by AHEAD (Affordable Housing, Education, and Development). Tom Eyman, AHEAD/VP made the presentation and praised Terry for helping to create affordable housing and first-time homeownership opportunities through her participation in the Homeownership Center, Secrets of Homebuying workshops, conference participation, and time given to provide home buying and credit counseling to clients of the center. Terry also serves on AHEAD's Resource Development Committee and is a Certified Homebuyer Educator. Congratulations, Terry!

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Heather Porter, Resource Development Director
David Wood, Executive Director
AHEAD, Inc.
Littleton, NH

Our entire organization is impressed with the level of investment and involvement of the bank in our mission, particularly with respect to the volunteer resources they provide. Their employees help us paint during NeighborWorks Week and serve on our board. Their lenders assist us in serving clients of our homeownership center and refer their customers to us for education; we turn to them for advice on loans for property development and are so appreciative of their ongoing financial commitment. WGSB positively affects every one of our business lines and is an invaluable resource for us.

2007 Highlights

Investing in the community. It is a priority of the Bank to help improve the community in which we live and work. To accomplish this, the Bank supports a variety of charitable initiatives, with a focus on economic and community development; education; family, youth, and senior services; and the Arts.

During the year, the Bank has also taken advantage of Community Development Finance Authority (CDFA) offerings to make many high level donations to numerous community development projects including AHEAD, Coos County Economic Development Corp., Franconia Children's Center, Grafton County Economic Development Council, Littleton Area Learning Center, Mid-State Health Center, and the North Country Broad Band Initiative. In addition, the Bank is a capital investor in several community

development projects for the purpose of low-income housing in the communities of Lisbon, NH and Groton, Wells River, and Bradford, VT, as well as through the New Hampshire Housing Finance Authority.

Celebrating five years of asset management. Community Financial Services Group (CFSG), the Trust and Investment Management affiliate of WGSB, celebrated its fifth year in 2007. Assets under advisement have steadily grown from about \$40 million in 2001 to over \$275 million currently. CFSG continues to provide full-time trust and investment personnel to serve individuals, non-profit institutions and corporations in meeting their investment management, retirement, and financial planning needs

**Justin, Hilary and Hollyn Bradshaw
Monroe, NH**

We use WGSB for all our banking needs, from the basics with checking and savings account, to loans to build our first home and to purchase investment property. We really enjoy working with our residential lender; he was a lot of fun to work with and made the process as simple as possible. When our daughter, Hollyn, was born, we opened a Young Savers Club for her. And this past year we even decided to take part in the Christmas Club. We appreciate all that the bank has done for our family and look forward to working with them for years to come!



MANAGEMENT'S FINANCIAL REVIEW

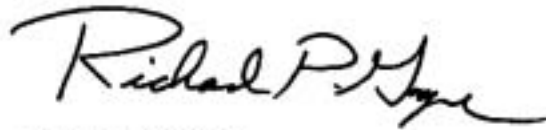
"The times they are a-changin'." or "The more things change, the more they remain the same." During the 2 year period from January 1, 2005 to December 31, 2006, interest rates were raised 12 times from 5.25% to 8.25%. During 2007, we saw 3 rate decreases, ending the year at 7.25%, with 2 additional decreases in January 2008 to 6.0% and the potential for more cuts.

We hear a lot of talk about a recession – whether one is inevitable or whether we are already in a period of recession. I will leave that answer to the economists, something I am not, nor would I want to be. I will say, however, that each year brings its own challenges to the Bank, with one constant – our mission of "serving the financial needs of our customers by providing competitive products in a friendly, prompt, and efficient manner."

Our company continues to grow. At December 31, 2007, the Company had total assets of \$322,710,449, an increase of \$22,708,101, or 7.6%. Loans at December 31, 2007 amounted to \$235,790,611 compared to \$222,161,754 at December 31, 2006, an increase of \$13,628,857, or 6%. Deposits at December 31, 2007 amounted to \$228,050,849 compared to \$227,691,285 at December 31, 2006. Total equity at December 31, 2007 amounted to \$28,282,369 compared to \$26,452,270 at December 31, 2006, an increase of \$1,830,099, or 6.9%.

Net earnings for the year amounted to \$2,096,831, or \$2.16 per share, compared to \$2,491,961, or \$2.56 per share. Return on average assets for 2007 was .68% and return on average equity amounted to 7.65%. This compares to .87% and 9.85%, respectively, for 2006. The result of the interest rate decline and resultant yield curve was a reduction of 8.2% in our net interest margin which declined from 3.84% in 2006 to 3.55% in 2007. This resulted in a small decrease in our net interest income for the year of \$68,575.

As always, I want to thank you for your support. Our customers are our most highly valued assets and we will continue to strive to fulfill our mission along with the best interests of our customers, shareholders, communities and employees.



Richard P. Gagne

Treasurer, Guaranty Bancorp, Inc.; Executive Vice President, Chief Financial Officer & Treasurer, Woodsville Guaranty Savings Bank



Neil Oakes, President

Wendell Oakes, Vice President & Treasurer

**Oakes Brothers, Inc.
Bradford, VT**

WGSB gave us the loan to buy this business in 1973 and they've supported us every step of the way since. They've always made us feel that they are personally invested in us, even through many significant ups and downs. We believe strongly that no other bank would have stuck it out with us; WGSB not only stuck it out, but believed in us completely, at every level. They demonstrate a lot of character, in their people and in the way they do business. You can shop around, but you won't find another bank with the character that this one has. For our business and personal banking, we're glad WGSB is our bank.

GUARANTY BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CONDITION

<i>As of December 31,</i>	2007	2006	2005
ASSETS			
Cash and due from banks	\$8,012,489	\$10,692,319	\$9,827,745
Interest bearing deposits with banks	2,370,529	415,259	411,995
Federal funds sold	2,525,000	8,315,000	9,865,000
Cash and cash equivalents	12,908,018	19,422,578	20,104,740
Certificates of deposit	150,000	0	246,000
Securities available-for-sale	55,161,309	41,822,655	37,541,653
Loans, net	233,228,392	219,662,217	215,849,971
Bank premises and equipment, net	9,919,680	8,879,077	8,170,087
Accrued interest receivable	1,512,017	1,336,529	1,131,369
Federal Home Loan Bank stock	3,024,400	2,516,300	2,804,700
Other real estate owned	0	125,000	59,876
Other assets	6,806,633	6,237,992	5,331,507
Total Assets	\$322,710,449	\$300,002,348	\$291,239,903
LIABILITIES			
Deposits:			
Demand	\$25,260,227	\$28,476,713	\$26,453,619
NOW accounts	31,745,467	34,552,055	34,108,122
Savings	52,239,964	55,002,140	58,181,499
Time, \$100,000 and over	22,170,802	21,272,774	16,476,857
Other time	96,634,389	88,387,603	77,489,307
	228,050,849	227,691,285	212,709,404
Securities sold under repurchase agreements	8,287,290	9,955,225	10,076,696
Other borrowings	0	0	0
Accrued interest and other liabilities	2,483,256	2,330,317	1,316,979
Long term debt	55,606,685	33,573,251	43,138,369
	294,428,080	273,550,078	267,241,448
STOCKHOLDERS' EQUITY			
Common stock, \$.20 par value, 2,000,000 shares authorized; 971,787 shares issued and outstanding	194,357	194,357	194,278
Additional paid-in capital	582,163	582,163	572,230
Guaranty fund	4,000,000	4,000,000	4,000,000
Retained earnings	23,224,288	21,691,093	19,723,845
Accumulated other comprehensive income (loss)	281,561	(15,343)	(491,898)
	28,282,369	26,452,270	23,998,455
Total Liabilities & Stockholders' Equity	\$322,710,449	\$300,002,348	\$291,239,903

Standby Letters of Credit were \$2,650,000, \$175,000 & \$205,000 as of December 31, 2007, 2006 & 2005 respectively.

GUARANTY BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

<i>For the Years Ended December 31,</i>	2007	2006	2005
Interest Income:			
Interest and fees on loans	\$15,570,752	\$14,563,313	\$13,277,755
Interest on investment securities			
U. S. Government and federal agencies	1,348,664	1,007,858	970,014
Other	616,577	556,138	543,558
Dividends on stock	254,408	225,577	180,168
Interest on deposits with banks	92,088	74,387	28,698
Interest on federal funds sold	189,018	63,690	95,880
	<u>18,071,507</u>	<u>16,490,963</u>	<u>15,096,073</u>
Interest expense:			
Interest on deposits	5,685,646	4,354,891	2,800,406
Interest on securities sold under repurchase agreements	269,285	243,915	134,377
Interest on other borrowings	19,610	58,294	65,334
Interest on long term debt	1,844,381	1,512,701	1,459,761
	<u>7,818,922</u>	<u>6,169,801</u>	<u>4,459,878</u>
Net interest income	10,252,585	10,321,162	10,636,195
Provision for possible loan losses	70,000	300,000	426,667
Net interest income after provision for possible loan losses	<u>10,182,585</u>	<u>10,021,162</u>	<u>10,209,528</u>
Other income:			
Service fees	1,680,493	1,565,777	1,541,059
Security gains (losses)	477,795	577,550	146,166
Gain (loss) on sale of other real estate owned	1,058	24,426	3,652
Gain (loss) on sale of other property	(1,650)	9,178	(2,948)
Other	304,370	281,369	156,641
	<u>2,462,066</u>	<u>2,458,300</u>	<u>1,844,570</u>
Other expenses:			
Salaries and wages	4,102,916	3,829,213	3,527,996
Pension and other employee benefits	1,260,187	1,163,785	1,052,182
Occupancy expense	757,253	628,343	541,394
Equipment expense	774,179	769,325	744,819
Other operating expense	3,251,536	3,103,693	2,744,955
	<u>10,146,071</u>	<u>9,494,359</u>	<u>8,611,346</u>
Income before taxes	2,498,580	2,985,103	3,442,752
Income tax expense	401,748	493,142	1,134,516
Net income	<u>\$2,096,832</u>	<u>\$2,491,961</u>	<u>\$2,308,236</u>
Earnings Per Share	\$2.16	\$2.56	\$2.38

GUARANTY BANCORP, INC. AND SUBSIDIARY

SELECTED FINANCIAL DATA

<i>As of December 31,</i>	2007	2006	2005	2004	2003
Balance Sheet Data:					
Total assets	\$322,710,449	\$300,002,348	\$291,239,903	\$271,448,440	\$256,764,309
Investments	55,161,309	41,822,655	37,541,653	43,500,747	35,446,987
Total loans, net	233,228,392	219,662,217	215,849,971	201,116,602	189,524,191
Other real estate owned	0	125,000	59,876	45,470	0
Deposits	228,050,849	227,691,285	212,709,404	209,175,239	203,143,078
Borrowed funds	63,893,975	43,528,476	53,215,065	38,164,133	30,965,208
Shareholder's equity	28,282,369	26,452,270	23,998,455	22,840,583	21,164,941
Nonperforming assets	773,464	697,797	302,344	464,844	916,993
Allowance for loan losses	2,422,606	2,392,962	2,155,389	1,790,877	1,659,945
Book value per share	\$29.10	\$27.22	\$24.70	\$23.51	\$21.79
Operating Data:					
Interest and dividend income	\$18,071,509	\$16,490,963	\$15,096,073	\$14,071,750	\$14,384,573
Interest expense	7,818,922	6,169,801	4,459,878	3,712,222	4,351,021
Net interest income	10,252,587	10,321,162	10,636,195	10,359,528	10,033,552
Provision for loan losses	70,000	300,000	426,667	420,000	540,000
Net interest income after provision for loan losses	10,182,587	10,021,162	10,209,528	9,939,528	9,493,552
Net security gains (losses)	477,796	577,550	146,166	188,649	217,660
Other noninterest income	1,984,270	1,880,750	1,698,404	1,532,027	1,277,956
Noninterest expense	10,146,075	9,494,359	8,611,346	7,917,361	7,433,155
Income before income taxes	2,498,578	2,985,103	3,442,752	3,742,843	3,556,013
Income tax expense	401,747	493,142	1,134,516	1,300,551	1,234,315
Net income	\$2,096,831	\$2,491,961	\$2,308,236	\$2,442,292	\$2,321,698
Net income per share	\$2.16	\$2.56	\$2.38	\$2.51	\$2.39
Dividends per share	\$0.58	\$0.54	\$0.50	\$0.44	\$0.40
Average shares outstanding	971,787	971,743	971,390	971,390	971,390
Selected Financial Ratios:					
Return on average assets	0.68%	0.87%	0.83%	0.92%	0.92%
Return on average equity	7.65%	9.85%	9.87%	11.08%	11.64%
Average equity to average assets	8.79%	8.53%	8.32%	8.33%	8.01%
Net interest margin	3.55%	3.84%	4.08%	4.11%	4.20%
Dividend payout ratio	26.88%	21.06%	21.04%	17.50%	16.74%

OFFICERS

Guaranty Bancorp, Inc. and Woodsville Guaranty Savings Bank

James E. Graham

President & Chief Executive Officer, Guaranty
Bancorp, Inc. & Woodsville Guaranty Savings Bank

Richard P. Gagne

Treasurer, Guaranty Bancorp, Inc.; Executive Vice President, Chief
Financial Officer & Treasurer, Woodsville Guaranty Savings Bank

Woodsville Guaranty Savings Bank

Lawrence P. Corey

Vice President & Senior Loan Officer

Wendy S. Hazlett

Vice President & Chief Operations Officer

Anthony J. Pucci

Vice President & Project Manager

A. Frank Stiegler, III

Vice President & Senior Commercial Loan Officer

Daniel J. Cullen

Vice President & Business Development Officer

Ann D. Dow

Vice President & Residential Loan Officer

Brenda Leete Highland

Vice President & Commercial Loan Officer

Robert F. Miller, Jr.

Vice President & Information Systems Officer

Carol J. Walker

Vice President & Commercial Loan Officer

Anthony L. Brainerd

Assistant Vice President & Residential Loan Officer

Barbara A. Bullard

Assistant Vice President & Residential Loan Officer

Terry J. Daniels

Assistant Vice President & Residential Loan Officer

Marsha E. Gingue

Assistant Vice President, Assistant Treasurer & Controller

Pamela S. Kinder

Assistant Vice President & Core Banking Manager

Jeneil C. McAllister

Assistant Vice President & Network Security Administrator

Shannon C. McKee

Assistant Vice President & Branch Manager

Janine B. Carver

Marketing Officer

Rhonda L. Caswell

Branch Administration Officer

Jonathan P. Hobbs

Residential Loan Officer

Scott D. Horne

Commercial Loan Officer

Gary P. Langlois

Consumer Loan Officer

Linda R. Livengood

Assistant Operations Officer

Scott E. Pollock

Commercial Loan Officer

Lorraine M. Stiegler

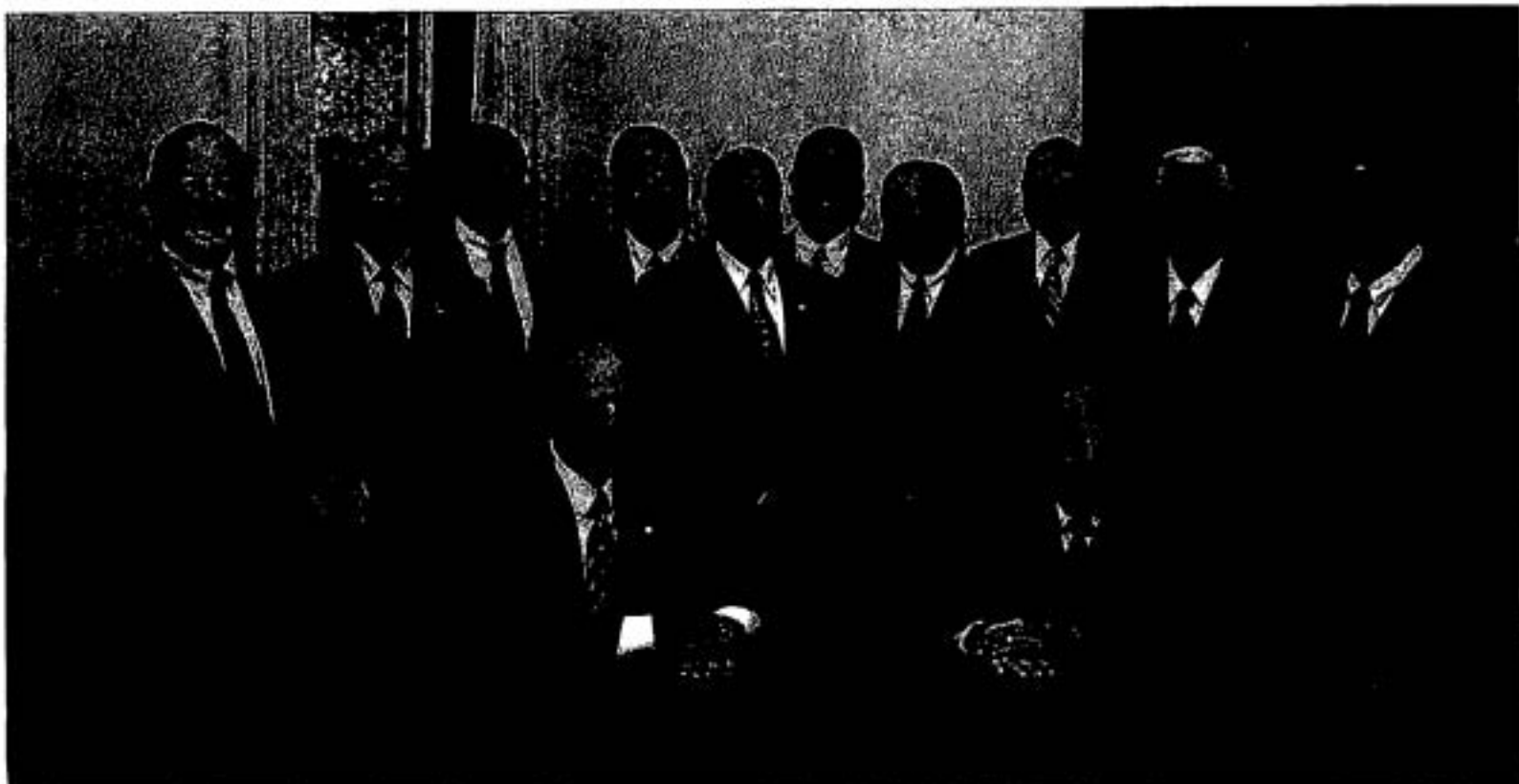
Bank Secrecy Act/Anti-Money Laundering Officer

Maria L. Whitcomb

Loan Administration Officer

Rena E. Woods

Indirect Loan Officer & Fraud Investigator



BOARD OF DIRECTORS

Guaranty Bancorp, Inc. and Woodsville Guaranty Savings Bank

Walter O. Young, Chairman of the Board
President, Newman Lumber Company, Inc.

Charles P. Butson
Commercial Developer
Butson Investment Partnership
Stoneville Investment Properties, LLC
Kilburn Ledge Properties, LLC

Francis X. Collins
Retired VP/Investments
A.G. Edwards & Sons

H. Russell Gould, Secretary
Retired Business Owner

Harold J. Graham
Retired President
Woodsville Guaranty Savings Bank

James E. Graham
President & CEO
Guaranty Bancorp, Inc. &
Woodsville Guaranty Savings Bank

Edward A. Hennessey
Chief Financial Officer/Director
Littleton Coin Company

Richard G. McDanolds
Retired Farmer
Althro Farm

Dean T. Rowden
Manager
Rowden Bros., Inc.

Stephen U. Samaha
President & Director
Samaha & Russell, PA

Andrew P. Smith
Owner/Broker, Peabody & Smith Realty

Archie H. Steenburgh
Auctioneer & Appraiser
Steenburgh & Associates
Steenburgh Associates Real Estate

LOCATIONS

Guaranty Bancorp, Inc.

H. J. Graham Operations Center
10 Pleasant Street, Woodsville, NH 03785
(603) 747-2735 • (800) 564-2735

Woodsville Guaranty Savings Bank

63 Central Street, Woodsville, NH 03785 • (603) 747-0477

4901 Dartmouth College Highway,
Woodsville, NH 03785 • (603) 747-3400

37 Route 25, Piermont, NH 03779 • (603) 272-4811

28 South Main Street, Lisbon, NH 03585 • (603) 838-6336

685 Meadow Street, Littleton, NH 03561 • (603) 444-0740

189 Cottage Street, Littleton, NH 03561 • (603) 444-5237

199 Main Street, Lancaster, NH 03584 • (603) 788-2580

7 Town West Road, Plymouth, NH 03264 • (603) 536-4908

278 Main Street, Franconia, NH 03580 • (603) 823-8199


ATM located at all banking offices and at these
off-site locations:

Littleton Regional Hospital
600 St. Johnsbury Road, Littleton, NH 03561

Aldrich General Store
Route 10, North Haverhill, NH 03774

The Cash Cow – Money on the Moove
Mobile ATM

Web-site: www.thegarantybank.com
E-mail: info@thegarantybank.com

Member FDIC • Equal Opportunity Lender • Equal Housing Lender 

Cover art based on a photograph by George Mitchell, Littleton, NH

Lewis & Daphne Cassady McGee Company Lancaster, NH

For us, dealing with WGSB is about much more than commercial loans. It's about knowing we can pick up the phone and speak with people we trust and who give us sound advice whenever we need it. The folks at WGSB are very helpful with our day-to-day needs, and just as helpful when something special comes up that we need to take advantage of right away. They've always been there for us, even as our business and personal needs changed. Today, they're even helping us help our boys learn to save with the Young Savers program. We're glad that WGSB is by our side.



Guaranty Bancorp, Inc.

2007 ANNUAL REPORT

