SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Community Bancorp /VT

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001
Commission File No. 000-16435

COMMUNITY BANCORP.

(Exact name of registrant as specified in its charter)

Vermont	03-0284070
(State of Incorporation)	(IRS Employer Identification Number)
Derby Road, Derby, Vermont	05829
(Address of Principal Executive Offices)	(zip code)

Registrant's telephone number: (802) 334-7915

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
NONE	NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock - $2.50 par value per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES (X) NO ( )

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

As of March 6, 2002, the date of the latest known sale of the registrant's stock, the aggregate market value of the voting stock held by non-affiliates of the registrant, based on the per share sale price of the stock on that date, was $43,272,618. For purposes of the calculation, all directors and executive officers were deemed to be affiliates of the registrant. However, such assumption is not intended as an admission of affiliate status as to any such individual.

There were 3,563,904 shares outstanding of the issuer's class of common stock as of the close of business on March 6, 2002.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for fiscal year 2001 incorporated
 by reference to Part I, including the following financial statements
 Average Balances and Interest Rates
 Changes in Interest Income and Interest Expense
Portions of the Annual Report to Shareholders for fiscal year 2001 incorporated
 by reference to Part II., including the following financial statements
Report of Independent Public Accountants
Financial Statements:
 Consolidated Balance Sheets as of December 31, 2001 and 2000
 Consolidated Statements of Income for the fiscal years December 31, 2001,
  2000 and 1999
 Consolidated Statements of Stockholders' Equity for the fiscal years

December 31, 2001, 2000 and 1999
Consolidated Statements of Cash Flows for the fiscal years December 31, 2001, 2000 and 1999
Notes to Consolidated Financial Statements
Condensed Financial Information (Parent Company Only)
Selected Financial Data
Portions of the Proxy Statement for the Annual Meeting to be held May 7, 2002 are incorporated by reference to Part III.

Total Number of Pages: 36

Exhibit Index Begins on Page 20

FORM 10-K ANNUAL REPORT

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PART I

Item 1. The Business

Organization and Operation

Community Bancorp. (The Corporation) was organized under the laws of the State of Vermont in 1982 and became a registered bank holding company under the Bank Holding Company Act of 1956, as amended, in October 1983 when it acquired all of the voting shares of Community National Bank (the Bank). The Bank is one of two subsidiaries of the Corporation and principally all of the Corporation's business operations are presently conducted through it. Liberty Savings Bank (Liberty), a New Hampshire guaranty savings bank, was acquired by Community Bancorp. on December 31, 1997, and is presently inactive.

Community National Bank was organized in 1851 as the Peoples Bank, and was subsequently reorganized as the National Bank of Derby Line in 1865. In 1975, after 110 continuous years of operation as the National Bank of Derby Line, the Bank acquired the Island

Pond National Bank and changed its name to "Community National Bank." The Bank celebrated its 150th anniversary in 2001, with a host of activities throughout the year.

Community National Bank provides a complete range of retail banking services to the residents and businesses in northeastern Vermont. These services include checking, savings and time deposit accounts, mortgage, consumer and commercial loans, safe deposit and night deposit services, automatic teller machine (ATM) facilities, credit card services, 24 hour telephone banking and a full line of personal fiduciary services. The Bank was among the first financial institutions to offer internet banking to the Northeast Kingdom of Vermont. The Bank began offering this service to its customers near the end of the second quarter of 1999. Additionally, the Bank maintains cash machines in five different businesses located in the towns of Derby, Jay, Irasburg, St. Johnsbury and Concord, Vermont.

Prior to March 31, 2002, the Bank also operated a trust department through which it offered a full line of personal fiduciary services. As of such date, the Bank will transfer its trust operations to a newly formed Vermont-chartered nondepository trust and investment management affiliate, Community Financial Services Group, LLC, based in Newport, Vermont ("CFSG"). The Bank's ownership interest in CFSG is held indirectly, through Community Financial Services Partners, LLC, a Vermont limited liability company ("CFSP") which owns 100% of the limited liability company equity interests of CFSG. Immediately following transfer of its trust operations to CFSG, the Bank will sell a two-thirds interest in CFSP, equally to the National Bank of Middlebury, headquartered in Middlebury, Vermont and Guaranty Bancorp Inc., the bank holding company parent of Woodsville Guaranty Savings Bank, Woodsville, New Hampshire.

Competition

The Bank has five offices located in Orleans County, one office in Essex County, and one office in Caledonia County, all in northeastern Vermont. Its primary service area is in the towns of Derby and Newport, Vermont, with approximately 61% of its total deposits as of December 31, 2001 derived from that area. The Bank opened its eighth full service branch office in Washington County, in the city of Montpelier, Vermont, at the end of May, 2001. Future plans are for a loan production office in the town of Barre, Vermont.

The Bank competes in all aspects of its business with other banks and credit unions in northern and central Vermont, including two of the largest banks in the state, which maintain branch offices throughout the Bank's service area. Historically, competition in Orleans and Essex Counties has come primarily from two of the largest banks in the state, the Chittenden Trust Company and Banknorth, N.A. (formerly The Howard Bank, N.A.), both based in Burlington, Vermont. The Chittenden Trust Company maintains a branch office in Newport, and Banknorth, N.A. maintains offices in Barton, Orleans, and St. Johnsbury. The Bank also competes in Orleans County with two local financial institutions, Lyndonville Savings Bank, based in Lyndonville and Passumpsic Savings Bank, based in St. Johnsbury The Bank's primary competitors in Caledonia County are Passumpsic Savings Bank and Citizens Savings Bank, based in St. Johnsbury, Lyndonville Savings Bank and Trust Company and The Merchants Bank, based in Burlington. The Bank also competes with two local credit unions for deposits and consumer loans.

With recent changes in the regulatory framework of the banking industry, the competition for commerical bank products such as deposits and loans has broadened to include not only traditional rivals such as the mutual savings banks and stock savings banks, but also many non-traditional rivals such as insurance companies, brokerage firms, mutual funds and consumer and commercial finance and leasing companies.

CFSG, the Company's trust and investment management affiliate, maintains offices in Newport, Barre and Middlebury, Vermont and Littleton, New Hampshire. CFSG competes in all aspects of its business with banks that offer trust services directly or through their affiliates, with stand-alone trust companies and with various nonbank financial service providers. Competition in CFSG's Orleans and Caledonia County market areas (served by its Newport office) comes primarily from other commercial banks or their trust and investment management affiliates, such as Banknorth Investment Management (an affiliate of Banknorth, N.A.), Chittenden Investment Services (an affiliate of Chittenden Trust Company), Passumpsic Savings Bank and Charter Trust Company a nondepository trust company, based in New Hampshire. Major competitors in the Addison County market served by CFSG's Middlebury office include Chittenden Investment Services, Merchants Trust Company (an affiliate of Merchants Bank) and Trust Company of Vermont, a Vermont nondepository Trust Company based in Brattleboro, Vermont. CFSG competes throughout Washington County (served by its Barre office) with local banks and their trust and investment management affiliates including Banknorth Investment Management, Chittenden Investment Services and Merchants Trust Company. CFSG's Littleton, New Hampshire office, which serves Grafton County in New Hampshire and surrounding areas, competes for trust and investment management services with Charter Trust Company, Laconia Savings Bank, based in Laconia, New Hampshire, Passumpsic Savings Bank, Merchants Trust Company and Citizens Savings Bank and Trust Company. In each of its markets CFSG also competes with non-bank investment and asset management firms, including various brokerage firms, investment advisors, financial planners and insurance providers.

Employees

As of December 31, 2001, the Bank employed 105 full-time employees and 24 part-time employees. Management of the Bank considers its employee relations to be good.

Regulation and Supervision

Holding Company Regulation - As a registered bank holding company, the Corporation is subject to on-going regulation supervision and examination by the Board of Governors of the Federal Reserve System, under the Bank Holding Company Act of 1956, as amended (the "Act"). A bank holding company for example, must obtain the prior approval of the Board before it acquires all or substantially all of the assets of any bank, or acquires ownership or control of more than 5% of the voting shares of a bank. Prior Federal Reserve Board approval is also required before a bank holding company may acquire more than 5% of any outstanding class of voting securities of a company other than a bank or a more than 5% interest in its property.

The Act generally limits the activity in which the Company and its subsidiaries may engage to certain specified activities, including those activities which the Federal Reserve Board may find, by order or regulation, to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the Federal Reserve Board has determined to be closely related to banking are: (1) making, and servicing loans that could be made by mortgage, finance, credit card or factoring companies; (2) performing the functions of a trust company; (3) certain leasing of real or personal property; (4) providing certain financial, banking or economic data processing services; (5) except as otherwise prohibited by law, acting as an insurance agent or broker with respect to insurance that is directly related to the extension of credit or the provision of other financial services or, under certain circumstances, with respect to insurance that is sold in certain small communities in which the bank holding company system maintains banking offices; (6) acting as an underwriter for credit life insurance and credit health and accident insurance directly related to extensions of credit by the holding company system; (7) providing certain kinds of management consulting advice to unaffiliated banks and non-bank depository institutions; (8) performing real estate appraisals; (9) issuing and selling money order and similar instruments and travelers checks and selling U.S. Savings Bonds; (10) providing certain securities brokerage and related services for the account of bank customers; (11) underwriting and dealing in certain government obligations and other obligations such as bankers' acceptances and certificates of deposit; (12) providing consumer financial counseling; (13) providing tax planning and preparation services; (14) providing check guarantee services to merchants; (15) operating a collection agency; and (16) operating a credit bureau.

Except for trust and investment management operations conducted through CFSG, the Company does not presently engage, directly or indirectly, in any non-banking activities.

A bank holding company must also obtain prior Federal Reserve approval in order to purchase or redeem its own stock if the gross consideration to be paid, when added to the net consideration paid by the company for all purchases or redemptions by the company of its equity securities within the preceding 12 months, will equal 10% or more of the company's consolidated net worth.

The Company is required to file with the Federal Reserve Board an annual report and such additional information as the Board may require pursuant to the Act. The Board may also make examinations of the Company and any direct or indirect subsidiary of the Company.

Community Bancorp. and its wholly-owned subsidiaries, Community National Bank and Liberty Savings Bank, (CFSP) and (CFSG) are all considered "affiliates" of each other for the purposes of Section 18(j) of the Federal Deposit Insurance Act, as amended, and Sections 23A and 23B of the Federal Reserve Act, as amended. Accordingly, the Bank is subject to limitations with respect to loans and other extensions of credit to or investments in the Company or the Trust Company or in any other subsidiaries that the Company may acquire. The Company is prohibited from engaging in certain tie-in arrangements in connection with any extension of credit or lease or sale of any property of the furnishing of services. CFSP and CFSG are both also considered to be affiliates of the National Bank of Middlebury and of Guaranty Bancorp., Inc. and its wholly-owned subsidiary, Woodsville Guaranty Savings Bank by virtue of the one-third ownership interest in CFSP held by the National Bank of Middlebury and Guaranty Bancorp.

Financial Modernization. On March 11, 2000 the federal Gramm-Leach-Bliley financial modernization act ("Gramm-Leach-Bliley") became effective. Under Gramm-Leach-Bliley, eligible bank holding companies may elect to become financial holding companies and thereby affiliate with securities firms and insurance companies and engage in a broader range of activities than is otherwise permissible for bank holding companies. A bank holding company is eligible to elect to become a "financial holding company" and to engage in activities that are "financial in nature" if each of its subsidiary banks is well capitalized for regulatory capital purposes, is well managed and has at least a satisfactory rating under the Community Reinvestment Act ("CRA"). Activities which are deemed "financial in nature" under Gramm-Leach-Bliley would include activities generally permitted to bank holding companies as described above, and in addition securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; and merchant banking. Gramm-Leach-Bliley also contains similar provisions authorizing eligible national banks to engage indirectly through a "financial subsidiary" and, subject to limitations on investment, in activities that are financial in nature, other than insurance underwriting, insurance company portfolio investment, real estate development and real estate investment. In order to be considered eligible for these expanded activities, the bank must be well capitalized, well managed and have at least a satisfactory CRA rating.

As of March 31, 2002 the Company had not elected to become a financial holding company, nor had the Bank created any financial subsidiaries.

Continued implementation of Gramm-Leach-Bliley will likely result in structural changes to the financial services industry, the full effect of which cannot be predicted with any certainty.

Interstate Banking and Branching. Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, a bank holding company became able to acquire banks in states other than its home state beginning September 29, 1995, without regard to the permissibility of such acquisitions under state law, but subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, prior to or following the proposed acquisition, controls no more than 10% of the total amount of deposits of insured depository institutions in the United States and less than 30% of such deposits in that state (or such lesser or greater amount set by state law).

The Interstate Banking and Branching Act also authorizes banks to merge across state lines, subject to certain restrictions a state may choose to impose, thereby creating interstate branches, and to open new branches in a state in which it does not already have banking operations if the state enacts a law permitting such de novo branching. The states contiguous to Vermont permit interstate branching without substantial restrictions. Similarly, Vermont permits interstate branching without substantial restrictions. Interstate branching generally heightens the competitive environment for financial services and, although it is difficult to predict with any certainty, it is likely that the trend toward increasing competition will continue in the future.

Capital and Operational Requirements. The Federal Reserve Board, the OCC and other banking regulators have issued substantially similar risk-based and leverage capital guidelines applicable to U.S. banking organizations. In addition, those regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. The Federal Reserve Board risk-based guidelines define a three-tier capital framework. "Tier 1 capital" generally consists of common and qualifying preferred shareholders' equity, less certain intangibles and other adjustments. "Tier 2 capital" and "Tier 3 capital" generally consist of subordinated and other qualifying debt, preferred stock that does not qualify as Tier 1 capital and the allowance for credit losses up to 1.25% of risk-weighted assets.

The sum of Tier 1, Tier 2 and Tier 3 capital, less investments in unconsolidated subsidiaries, represents qualifying "total capital," at least 50% of which must consist of Tier 1 capital. Risk-based capital ratios are calculated by dividing Tier 1 capital and total capital by risk-weighted assets. Assets and off-balance sheet exposures are assigned to one of four categories of risk weights, based primarily on relative credit risk. The minimum Tier 1 capital ratio is 4% and the minimum total capital ratio is 8%. The "leverage ratio" requirement is determined by dividing Tier 1 capital by adjusted average total assets. Although the stated minimum ratio is 3%, most banking organizations are required to maintain ratios of at least 100 to 200 basis points above 3%.

Prompt Corrective Action. The Federal Deposit Insurance Company Improvement Act of 1991 ("FDICIA"), among other things, identifies five capital categories for insured depository institutions (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) and requires the respective U.S. federal regulatory agencies to implement systems for "prompt corrective action" for insured depository institutions that do not meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements. An "undercapitalized" bank must develop a capital restoration plan and its parent holding company must guarantee that bank's compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lesser of 5% of the bank's assets at the time it became undercapitalized or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent's general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness related generally to operations and management, asset quality and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

The various federal bank regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, a "well capitalized" institution must have a Tier 1 capital ratio of at least 6%, a total capital ratio of at least 10% and a leverage ratio of at least 5% and not be subject to a capital directive order. An "adequately capitalized" institution must have a Tier 1 capital ratio of at least 4%, a total capital ratio of at least 8% and a leverage ratio of at least 4%, or 3% in some cases.

As of December 31, 2001, both Community Bancorp. and Community National Bank were considered "well capitalized" under all applicable regulatory requirements.

Dividends. The Company derives funds for payment of dividends to its shareholders primarily from dividends received from its subsidiary, Community National Bank. The Bank is subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. The prior approval of the Comptroller of the Currency is required if the total of all dividends declared by a national bank in any calendar year will exceed the sum of such bank's net profits for that last year and its retained net profits for the preceding two calendar years, less any required transfers to surplus. Federal law also prohibits national banks from paying dividends which would be greater than the bank's undivided profits after deducting statutory bad debt in excess of the bank's allowance for loan losses.

In addition, the Company, the Bank and CFSG are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal or state banking agency is authorized to determine under certain circumstances relating to the financial condition of a bank or bank holding company that the payment of dividends would be an unsafe or unsound practice and to prohibit such payment. The federal banking agencies have indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsound and unsafe banking practice and that banking organizations should generally pay dividends only out of current operating earnings.

"Source of Strength" Policy. According to Federal Reserve Board policy, bank holding companies are expected to act as a source of financial strength to each subsidiary bank and to commit resources to support each such subsidiary. This support may be required at times when a bank holding company may not be able to provide such support. Similarly, under the cross-guarantee provisions of the Federal Deposit Insurance Act, in the event of a loss suffered or anticipated by the FDIC--either as a result of default of a banking subsidiary of a bank holding company or related to FDIC assistance provided to a subsidiary in danger of default--the other banking subsidiaries of such bank holding company may be assessed for the FDIC's loss, subject to certain exceptions.

Bank Regulation - The Bank is a national banking association and subject to the provisions of the National Bank Act and federal and state statutes and rules and regulations applicable to national banks. The primary supervisory authority for the Bank is the Comptroller of the Currency. The Comptroller's examinations are designed for the protection of the Bank's depositors and not its shareholders. The Bank is subject to periodic examination by the Comptroller and must file periodic reports with the Comptroller containing a full and accurate statement of its affairs. The deposits of the Bank are insured by the Federal Deposit Insurance Company ("FDIC"). Accordingly, the Bank is also subject to regulation by the FDIC.

Liberty is subject to similar banking regulations and provisions in the state of New Hampshire; however, it does not currently conduct any banking operations.

Trust Company Regulation

CFSG is a Vermont-chartered nondepository trust and investment management company. Its primary financial services regulator is the Vermont Department of Banking, Insurance, Securities and Health Care Administration ("Vermont Banking Department"). CFSG is subject to supervision and periodic examination by the Vermont Banking Department and is required to file periodic reports with the Department and with the FDIC. In addition, because of its affiliation with the Bank, National Bank of Middlebury and Guaranty Bancorp and Woodsville Guaranty Savings Bank, CFSG is also subject to regulation by the banking regulators of those institutions, including the Comptroller of the Currency, the Federal Reserve, and the New Hampshire Banking Department. However, those regulators generally defer to the primary regulator (the Vermont Banking Department) in the absence of a specific issue or cause for supervisory concern.

Consumer Protection and Community Reinvestment Laws

The Bank is subject to a variety of federal and state laws intended to protect borrowers, depositors and other Bank customers and to promote lending to various sectors of the economy and population. These laws include the Federal Home Mortgage Disclosure Act, the Federal Real Estate Settlement Procedures Act, the Federal Truth In Lending Act, the Federal and Vermont Equal Credit Opportunity Acts, the Federal and Vermont Fair Credit Reporting Acts, the Vermont Financial Privacy Act, the Federal Truth in Savings Act and the Federal Community Reinvestment Act ("CRA").

The CRA requires banks to define the communities they serve, identify the credit needs of those communities and adopt and implement a Community Reinvestment Act Statement to respond to those identified needs. The federal banking regulators examine the institutions they regulate for compliance with the CRA and rate the institutions as "outstanding," "satisfactory," "needs to improve" and "substantial noncompliance." As of the Bank's last CRA examination, it received a rating of "outstanding" Because it does not engage in lending, CFSG is not subject to the CRA.

Bank Secrecy Act

The Bank is subject to federal laws establishing certain record keeping, customer identification and reporting requirements with respect to large cash transactions, sales of travelers checks or other monetary instruments and the international transmission of cash or monetary instruments. In addition, under the anti-terrorism provisions of the USA Patriot Act adopted in the fall of 2001, all banks are required to establish anti-money laundering standards and are subject to due diligence requirements in opening correspondent accounts for foreign offshore banks and banks in jurisdictions that have been found to fall significantly below international anti money laundering standards. In addition, US banks are prohibited from opening correspondent accounts for off-shore shell banks (banks that have no physical offices and are not part of any bona fide banking company).

Brokered Deposits

Under FDICIA, an FDIC-insured bank is prohibited from accepting brokered deposits unless it is well capitalized under the FDICIA's prompt corrective actions guidelines. Although eligible to do so, the Bank has not accepted brokered deposits.

Effects of Government Monetary Policy

The earnings of the Company are affected by general and local economic conditions and by the policies of various governmental regulatory authorities. In particular, the Federal Reserve Board regulates money and credit conditions and interest rates in order to influence general economic conditions, primarily through open market operations and United States Government Securities, varying the discount rate on member bank borrowings, setting reserve requirements against member and nonmember bank deposits, and regulating interest rates payable by member banks on time and savings deposits. Federal Reserve Board monetary policies have had a significant effect on the operating results of commercial banks, including the Company, in the past and are expected to continue to do so in the future.

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

The following tables summarize various consolidated information and provides a three year comparison relating to the average assets, liabilities, and stockholders' equity.

(Dollars in Thousands)

Year ended December 31,	**2001**		**2000**		**1999**	
ASSETS						
	Balance	%	Balance	%	Balance	%
Cash and Due from Banks						
Non-Interest Bearing	5,808	2.23%	5,279	2.15%	5,212	2.25%
Taxable Investment Securities(1)	41,240	15.83%	48,080	19.61%	49,832	21.54%
Tax-exempt Investment Securities(1)	15,693	6.03%	16,398	6.69%	13,843	5.98%
Other Securities(1)	1,204	0.46%	1,222	0.50%	1,254	0.54%
Total Investment Securities	58,137	22.32%	65,700	26.80%	64,929	28.06%
Overnight Deposits	3,732	1.43%	1,788	0.73%	2,638	1.14%
Federal Funds Sold	5,005	1.92%	1,090	0.45%	2,897	1.25%
Gross Loans	181,631	69.74%	165,176	67.37%	149,707	64.71%
Reserve for Loan Losses						
Reserve for Loan Losses and Accrued Fees	(2,864)	-1.10%	(2,713)	-1.11%	(2,579)	-1.12%
Premises and Equipment	4,720	1.81%	4,466	1.82%	4,144	1.79%
Other Real Estate Owned	196	0.08%	379	0.16%	678	0.29%
Other Assets	4,085	1.57%	3,998	1.63%	3,737	1.63%
Total Assets	260,450	100%	245,163	100%	231,363	100%
LIABILITIES						
Demand Deposits	26,218	10.07%	25,574	10.43%	23,619	10.21%
Now and Money Market Accounts	56,807	21.81%	51,296	20.92%	51,850	22.41%
Savings Accounts	31,708	12.17%	32,696	13.34%	32,748	14.15%
Time Deposits	99,418	38.17%	92,747	37.83%	94,694	40.93%
Total Deposits	214,151	82.22%	202,313	82.52%	202,911	87.70%
Other Borrowed Funds	5,647	2.17%	9,319	3.80%	4,059	1.75%
Repurchase Agreements	15,888	6.10%	9,956	4.06%	1,305	0.56%
Other Liabilities	1,672	0.64%	1,380	0.56%	1,154	0.50%
Subordinated Debentures	8	0.01%	20	0.01%	20	0.02%
Total Liabilities	237,366	91.14%	222,988	90.95%	209,449	90.54%
STOCKHOLDERS' EQUITY						

Common Stock	9,214	3.54%	8,559	3.49%	8,220	3.55%
Surplus	13,227	5.08%	11,257	4.59%	10,624	4.59%
Retained Earnings	2,117	0.81%	3,549	1.45%	3,654	1.58%
Less: Treasury Stock	(1,592)	-0.61%	(973)	-0.39%	(447)	-0.19%
Accumulated Other Comprehensive Income(1)	118	0.04%	(217)	-0.09%	(137)	-0.06%
Total Stockholders' Equity	23,084	8.86%	22,175	9.05%	21,914	9.47%
Total Liabilities and Stockholders' Equity	260,450	100%	245,163	100%	231,363	100%

(1) FASB No. 115, an accounting method in which securities classified as Held to Maturity are carried at book value and securities classified as Available for Sale are carried at fair value with the unrealized gain (loss), net of applicable income taxes, reported as a net amount in accumulated other comprehensive income. The Company does not carry, nor does it intend to carry, securities classified as Trading Securities

INVESTMENT PORTFOLIO

The following tables show the classification of the investment portfolio by type of investment security based on book value for Held to Maturity securities and fair value for Available for Sale securities on December 31 for each of the last 3 years.
(Dollars in Thousands)

	2001	2000	1999
U.S. Treasury Obligations:			
Available-for-Sale	7,203	19,146	28,982
Held-to-Maturity	2,008	5,702	6,650
U.S. Agency Obligations			
Available-for-Sale	16,060	0	0
Held-to-Maturity	17,080	22,975	11,127
Corporate Bonds - Available for Sale	9,250	0	0
Obligations of State & Political Subdivisions	21,557	13,520	12,110
Restricted Equity Securities	1,225	1,142	1,142
Total Investment Securities	74,383	62,485	60,011

The following is an analysis of the maturities and yields of investment securities as defined: (Available for Sale; fair value, Held to Maturity; book value)

December 31,	2001		2000		1999	
U.S. Treasury & Agency Obligations						
Available for Sale	Fair Value	Wtd. Ave. Rate	Fair Value	Wtd. Ave. Rate	Fair Value	Wtd. Ave. Rate

Due within 1 year	13,288	6.30%	9,028	6.37%	9,993	5.96%
Due after 1 year within 5 years	11,177	5.95%	10,118	6.21%	18,989	6.27%
Due after 5 years within 10 years	8,049	6.09%	0	0.00%	0	0.00%
Total	32,514	6.13%	19,146	6.28%	28,982	6.17%

Held to Maturity	Book Value	Wtd. Ave. Rate	Book Value	Wtd. Ave. Rate	Book Value	Wtd. Ave. Rate
Due within 1 year	2,008	6.25%	5,667	5.40%	1,000	6.38%
Due after 1 year within 5 years	4,052	4.48%	12,056	6.38%	14,824	5.30%
Due after 5 years within 10 years	13,028	6.90%	10,954	7.60%	1,953	6.93%
Total	19,088	6.32%	28,677	6.66%	17,777	5.54%

Obligations of State &
Political Subdivisions (1)

	Book Value	Wtd. Ave. Rate	Book Value	Wtd. Ave. Rate	Book Value	Wtd. Ave. Rate
Due within 1 year	18,526	3.95%	10,875	7.26%	8,738	6.40%
Due after 1 year within 5 years	1,109	4.52%	1,000	7.50%	1,507	7.18%
Due after 5 years within 10 years	806	5.25%	445	8.09%	600	7.78%
Due after 10 years	1,116	6.35%	1,200	9.92%	1,265	9.76%
Total	21,557	4.15%	13,520	7.54%	12,110	6.92%

Restricted Equity Securities

Total Restricted Equity Securities	1,225	5.65%	1,142	7.76%	1,142	6.00%

(1) Income on Obligations of State and Political Subdivisions is stated on a tax equivalent basis assuming a 34 percent tax rate. Also included are taxable industrial development bonds (VIDA) with a fair value of $26,657 as of December 31, 2001, $60,626 as of December 31, 2000, and $92,828 as of December 31, 1999 with respective yields of 2.60%, 6.09%, and 5.23%.

LOAN PORTFOLIO

The following table reflects the composition of the Company's loan portfolio for years ended December 31:

(Dollars in Thousands)	2001 TOTAL LOANS	% OF TOTAL	2000 TOTAL LOANS	% OF TOTAL	1999 TOTAL LOANS	% OF TOTAL	1998 TOTAL LOANS	% OF TOTAL	1997 TOTAL LOANS	% OF TOTAL
Real Estate Loans										
Construction & Land Development	3,365	1.74%	1,021	0.58%	1,620	1.06%	2,025	1.37%	1,091	0.73%
Farm Land	2,597	1.34%	2,939	1.66%	3,229	2.11%	2,634	1.78%	2,093	1.39%
1-4 Family Residential	116,281	60.20%	107,411	60.50%	98,439	64.22%	98,407	66.34%	98,743	65.78%
Commercial Real Estate	32,924	17.05%	29,133	16.41%	21,223	13.85%	19,555	13.18%	19,992	13.32%
Loans to Finance										

Agricultural Production	432	0.22%	646	0.36%	661	0.43%	829	0.56%	1,354	0.90%
Commercial & Industrial	13,340	6.91%	13,989	7.88%	11,527	7.52%	8,767	5.91%	7,759	5.17%
Consumer Loans	23,820	12.33%	22,223	12.52%	16,344	10.66%	16,008	10.79%	18,943	12.62%
All Other Loans	397	0.21%	164	0.09%	236	0.15%	110	0.07%	141	0.09%
Gross Loans	**193,156**	**100%**	**177,526**	**100%**	**153,279**	**100%**	**148,335**	**100%**	**150,116**	**100%**
Less:										
Reserve for Loan Losses	(2,008)	-1.04%	(1,797)	-1.01%	(1,715)	-1.12%	(1,659)	-1.12%	(1,502)	-1.00%
Deferred Loan Fees	(951)	-0.49%	(951)	-0.54%	(891)	-0.58%	(849)	-0.57%	(867)	-0.58%
Net Loans	**190,197**	**98.47%**	**174,778**	**98.45%**	**150,673**	**98.30%**	**145,827**	**98.31%**	**147,747**	**98.42%**

MATURITY OF LOANS

The following table shows the estimated maturity of loans (excluding residential properties of 1 - 4 families, consumer loans and other loans) outstanding as of December 31, 2001.

	Maturity Schedule			
Fixed Rate Loans	Within 1 Year	1 - 5 Years	After 5 years	Total
Real Estate				
Construction & Land Development	2,932	0	0	2,932
Secured by Farm Land	1	3	699	703
Commercial Real Estate	596	2,866	8,288	11,750
Loans to Finance Agricultural Production	70	49	0	119
Commercial & Industrial Loans	669	3,817	3,071	7,557
Total	**4,268**	**6,735**	**12,058**	**23,061**

Variable Rate Loans	Within 1 Year	1 - 5 Years	After 5 years	Total
Real Estate				
Construction & Land Development	433	0	0	433
Secured by Farm Land	1,620	274	0	1,894
Commercial Real Estate	12,420	4,421	4,333	21,174
Loans to Finance Agricultural Production	313	0	0	313
Commercial & Industrial Loans	4,800	983	0	5,783
Total	**19,586**	**5,678**	**4,333**	**29,597**

SUMMARY OF LOAN LOSS EXPERIENCE

The following table summarizes the Company's loan loss experience for each of the last five years.
(Thousands of Dollars)

December 31,	**2001**	**2000**	**1999**	**1998**	**1997**
Loans Outstanding End of Period	193,156	177,526	153,279	148,335	150,116
Ave. Loans Outstanding During Period	181,631	165,176	149,707	150,321	148,147
Loan Loss Reserve, Beginning of Period	**1,797**	**1,715**	**1,659**	**1,502**	**1,401**
Loans Charged Off:					
Real Estate	61	177	227	177	191

Commercial	3	15	41	41	104
Consumer	274	246	281	487	436
Total	**338**	**438**	**549**	**705**	**731**
Recoveries:					
Real Estate	5	17	10	65	12
Commercial	7	12	8	17	27
Consumer	127	107	90	120	133
Total	**139**	**136**	**108**	**202**	**172**
Net Loans Charged Off	199	302	441	503	559
Provision Charged to Income	410	384	497	660	660
Loan Loss Reserve, End of Period	**2,008**	**1,797**	**1,715**	**1,659**	**1,502**
Net Losses as a Percent of Ave. Loans	0.11%	0.18%	0.29%	0.33%	0.38%
Provision Charged to Income as a Percent of Average Loans	0.23%	0.23%	0.33%	0.44%	0.45%
At End of Period:					
Loan Loss Reserve as a Percent of Outstanding Loans	1.04%	1.01%	1.12%	1.12%	1.00%

Factors considered in the determination of the level of loan loss coverage include, but are not limited to historical loss ratios, composition of the loan portfolio, overall economic conditions as well as future potential losses.

The following table shows an allocation of the allowance for loan losses, as well as the percent to the total allowance for the last five years (the corporation has no foreign loans, therefore, allocations for this category are not necessary).

December 31,	**2001**	**%**	**2000**	**%**	**1999**	**%**	**1998**	**%**	**1997**	**%**
Domestic										
Residential Real Estate	838	42%	467	26%	421	24%	559	33%	362	24%
Commercial	595	30%	534	30%	372	22%	475	29%	645	43%
Consumer	493	24%	492	27%	356	21%	448	27%	487	32%
Unallocated	82	4%	304	17%	566	33%	177	11%	8	1%
Total	2,008	100%	1,797	100%	1,715	100%	1,659	100%	1,502	100%

NON-ACCURAL, PAST DUE, AND RESTRUCTURED LOANS

The following table summarizes the bank's past due, non-accrual, and restructured loans:
(Dollars in Thousands)

December 31,	2001	2000	1999	1998	1997
Accruing Loans Past Due 90 Days or More:					
Consumer	16	9	77	53	121
Commercial	0	7	0	119	19
Real Estate	43	34	311	246	211
Total Past Due 90 Days or More	59	50	388	418	351
Non-accrual Loans	1,571	1,415	1,758	2,228	1,486
Restructured Loans (incl. non-accrual)	0	0	0	126	136
Total Non-accrual, Past Due and Restructured Loans	1,630	1,465	2,146	2,772	1,973
Other Real Estate Owned	60	201	435	542	1,089
Total Non Performing Loans	**1,690**	**1,666**	**2,581**	**3,314**	**3,062**
Percent of Gross Loans	0.87%	0.94%	1.68%	2.23%	2.04%

Reserve Coverage of Non performing Loans	118.82%	107.86%	66.45%	50.06%	49.05%

When a loan reaches non-accrual status, it is determined that future collection of interest and principal is doubtful. At this point, the Company's policy is to reverse the accrued interest and to discontinue the accrual of interest until the borrower clearly demonstrates the ability to resume normal payments. Our portfolio of non-accrual loans for the years ended 2001, 2000, 1999, 1998, and 1997 are made up primarily of commercial real estate loans and residential real estate loans. Management does not anticipate any substantial effect to future operations if any of these loans are liquidated. Although interest is included in income only to the extent received by the borrower , deferred taxes are calculated monthly, based on the accrued interest of all non-accrual loans. This accrued interest amounted to $404,880 in 2001, $369,536 in 2000, $398,006 in 1999, $363,713 in 1998, and $216,770 in 1997. The Company had total foreign loans of less than one percent in 2001, and has no concentration in any industrial category.

DEPOSITS

The average daily amount of deposits and rates paid on such deposits is summarized for the last three years. (Dollars in Thousands)

	2001		2000		1999	
	Amount	Rate	Amount	Rate	Amount	Rate
Non-Interest Bearing Demand Deposit	26,218	0.00%	25,574	0.00%	23,619	0.00%
NOW & Money Market Funds	56,807	3.22%	51,296	3.72%	51,850	3.19%
Savings Deposits	31,708	2.01%	32,696	2.30%	32,748	2.31%
Time Deposits	99,418	5.27%	92,747	5.43%	94,694	5.14%
Total Deposits	**214,151**	**3.60%**	**202,313**	**3.81%**	**202,911**	**3.59%**

Increments of maturity of time certificates of deposit and other time deposits of $100,000 or more issued by domestic offices outstanding on December 31, 2001 are summarized as follows:

Maturity Date	Time Certificates of Deposit
3 Months or Less	1,235
Over 3 through 6 Months	6,105
Over 6 through 12 Months	5,289
Over 12 Months	5,389
Total	**18,018**

RETURN ON EQUITY AND ASSETS

The following table shows consolidated operating and capital ratios of the Company for each of the last three years

	December 31,		
	2001	2000	1999
Return on Average Assets	1.07%	0.99%	1.01%
Return on Average Equity	12.12%	10.92%	10.65%
Dividend Payout Ratio (1)	81.10%	93.65%	95.28%
Ave. Equity to Ave. Assets Ratio	8.86%	9.05%	9.47%

(1) Data for 2000 and 1999 restated to reflect 5% stock dividend paid during the first quarter of 2001.

Item 2. Properties

Community Bancorp. does not own or lease real property. The Corporation's offices are located at the main offices of the Bank. All of the Bank's offices are located in Vermont. In addition to the main office in Derby, the Bank maintains facilities located in; Cities of Newport and Montpelier, Towns of Barton and St. Johnsbury, and Villages of Island Pond, Troy and Derby Line. Due to its inactive status, Liberty Savings Bank shares the same address as the main offices as it does not maintain a facility.

The Bank's main offices are located in a 15,000 square foot, two-story brick building on U.S. Route 5 in Derby, Vermont, equipped with a drive-up facility as well as an Automated Teller Machine (ATM). Computer and similar support equipment is also located in the main office building. The building behind the main office serves as a conference center for the Bank as well as various non-profit organizations, free of charge, upon request.

The Bank owns the Derby Line office located on Main Street in a renovated bank building. The facility consists of a small banking lobby containing approximately 200 square feet. An ATM was installed in 1999, replacing the walk-up window at this office.

The Island Pond office is located in the renovated "Railroad Station" acquired by the town of Brighton in 1993. The Bank leases approximately two-thirds of the downstairs including a banking lobby, a drive-up window, and an ATM. The other portion of the downstairs is occupied by an information center, and the upstairs section houses the Island Pond Historical Society.

The Barton office is located on Church Street, in a renovated facility. This office is equipped with a banking lobby, a drive-up window, and an ATM. The facility is leased from Dean M. Comstock, who is a member of the Bank's Barton Advisory Committee. The lease was entered into in 1985 with a fifteen-year term, and was most recently renewed in 2000 for an additional 15 years.

The Bank occupies condominium space in the state office building on Main Street in Newport to house its Newport office. The Bank occupies approximately 3,084 square feet on the first floor of the building for a full service banking facility equipped with a remote drive-up facility and an ATM. In addition, the Bank owns approximately 4,400 square feet on the second floor a portion of which formerly housed the Bank's trust department and which is now occupied by CFSG. The second floor also includes an office for our public relations coordinator, with room for future expansion.

The Bank owns the Troy office located in a relatively new facility. This office is also equipped with an ATM to provide the same type of limited 24-hour accessibility as all of the other offices. The marketing department recently moved into this building in space formerly leased to another business.

The St. Johnsbury office is located at the corner of the I-91 Access Road and Route 5 in the town of St. Johnsbury. The Bank occupies approximately 2,250 square feet in the front of the Price Chopper building. Fully equipped with an ATM and a drive-up window, this office operates as a full service banking facility. This space is leased from Murphy Realty of St. Johnsbury. Peter Murphy, President of Murphy Realty, is a member of the Bank's St. Johnsbury Advisory Committee.

The Bank leases approximately 1,500 square feet of office space for the Montpelier office located at 95 State Street in Montpelier. As previously mentioned, this office opened at the end of May operating as a full service banking facility. Additional office space is leased at 99 State Street to accommodate a residential mortgage loan originator, as well as a conference room used for loan closings. A stand-alone ATM in a Kiosk building is also located at 99 State Street.

As noted above, CFSG leases space for its Newport, Vermont headquarters from the Bank. That space consists of approximately 1,400 square feet on the second floor of the Bank's condominium space in the state office building on Main Street in Newport. In addition, CFSG leases space from a nonaffiliated third party for a trust office in Barre. That location was formerly a trust office for the Bank prior to the creation of CFSG. CFSG's Middlebury office is located in space leased at the main office of the National Bank of Middlebury. CFSG's Littleton, New Hampshire office is located in space leased at a branch office of the Woodsville Guaranty Savings Bank. All such leases are on arms length terms.

Item 3. Legal Proceedings

Community National Bank has been involved in a lawsuit initially filed in March of 1998 in state court against the State of Vermont. The issue involved an OREO property that is on "filled land" on the shores of Lake Memphremagog in the City of Newport, Vermont. Community National Bank sought a court declaration that it owned the OREO property free of any public trust interest by the State in filled lands, under the public trust doctrine. The lower court ruled in favor of the State of Vermont and Community National Bank appealed to the Vermont Supreme Court. On September 7, 2001, the Vermont Supreme Court filed its opinion in the case, upholding the lower court and denying the bank's claim. The property involved was then sold during the last quarter of 2001, and the sale has been reflected in the Company's 2001 financial statements. The net loss was immaterial to the Company's financial position.

There are no other pending legal proceedings to which the Company is a party or of which any of its property is the subject, other than routine litigation incidental to its banking business.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II.

Item 5. Market for Registrant's Common Stock and Related Stockholder Matters

Common Stock Performance by Quarter

Incorporated by reference to Page 39 of the Annual Report to Shareholders for fiscal year 2001.

Item 6. Selected Financial Data

Incorporated by reference to Pages 26, 35-38 of the Annual Report to Shareholders for fiscal year 2001.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Incorporated by reference to Pages 27-34 of the Annual Report to Shareholders for fiscal year 2001.

The Company's Management's Discussion and Analysis of Results of Operations, Cash Flow and Financial Condition contains certain forward-looking statements about the results of operations, financial condition and business of the Company and its subsidiaries. When used therein, the words "believes," "expects," "anticipates," "intends," "estimates," "plans," "predicts," or similar expressions, indicate that management of the Company is making forward-looking statements.

Forward-looking statements are not guarantees of future performance. They necessarily involve risks, uncertainties and assumptions. Future results of the Company may differ materially from those expressed in these forward-looking statements. Although these statements are based on management's current expectations and estimates, many of the factors that could influence or determine actual results are unpredictable and not within the Company's control. In addition, the Company does not undertake to, and disclaims any obligation to, publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence or anticipated occurrence of events or circumstances after the date of this Report. The Company claims the protection of the safe harbor for forward-looking statements provided in the Private Securities Litigation Reform Act of 1995.

Factors that may cause actual results to differ materially from those contemplated by these forward-looking statements include, among others, the following possibilities: (1) competitive pressures increase among financial services providers in the Company's northern New England market area or in the financial services industry generally, including competitive pressures from nonbank financial service providers, from increasing consolidation and integration of financial service providers, and from changes in technology and delivery systems; (2) interest rates change in such a way as to reduce the Company's margins; (3) general economic or monetary conditions, either nationally or regionally, are less favorable than expected, resulting in a deterioration in credit quality or a diminished demand for the Company's products and services; and (4) changes in laws or government rules, or the way in which courts interpret those laws or rules, adversely affect the Company's business.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

Incorporated by reference to Pages 28-31 of the Management's Discussion and Analysis of Financial Condition and Results of Operation in the Annual Report to Shareholders for fiscal year 2001.

Item 8. Financial Statements and Supplementary Data

The audited consolidated financial statements and related notes of Community Bancorp. and Subsidiaries and the report thereon the independent accounting firm of A.M. Peisch & Company, LLP, are incorporated herein by reference from the Annual Report to Shareholders for fiscal year 2001, Page 6 through Note 24 on Page 26.

Item 9. Disagreements on Accounting and Financial Disclosures

Inapplicable.

PART III.

Item 10. Directors and Executive Officers of the Registrant

The following is incorporated by reference to the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 7, 2002:

Listing of the names, ages, principal occupations and business experience of the directors under the caption "ARTICLE I - ELECTION OF DIRECTORS."

Listing of the names, ages, titles and business experience of the executive officers under the caption "EXECUTIVE OFFICERS."

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 under the caption "SHARE OWNERSHIP INFORMATION -Section 16(a) Beneficial Ownership Reporting Compliance.

Item 11A. Executive Compensation

The following is incorporated by reference to the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 7, 2002:

Information regarding compensation of directors under the captions "ARTICLE I - ELECTION OF DIRECTORS - Directors' Fee and Other Compensation" and "-Directors' Deferred Compensation Plan."
Information regarding executive compensation and benefit plans under the caption "EXECUTIVE COMPENSATION."
Information regarding management interlocks and certain transactions under the caption "ARTICLE I - ELECTION OF DIRECTORS - Compensation Committee Interlocks and Insider Participation."

Information set forth under the caption "HUMAN RESOURCES COMMITTEE REPORT."
Information set forth under the caption "STOCK PERFORMANCE GRAPH."

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following is incorporated by reference to the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 7, 2002:

Information regarding the share ownership of management and principal shareholders under the captions "SHARE OWNERSHIP INFORMATION" and "ARTICLE I - ELECTION OF DIRECTORS."

Item 13. Certain Relationships and Related Party Transactions

The following is Incorporated by reference to the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 7, 2002:

Information regarding transactions with management under the caption "ARTICLE I - ELECTION OF DIRECTORS - Transactions with Management."

PART IV.

Item 14. Financial Statement Schedules, Exhibits and Reports on Form 8-K

(a) (1) and (2) Financial Statements

Financial statements are incorporated by reference to the Annual Report to Shareholders for fiscal year 2001, filed as Exhibit 13 to this report.

(a) (3) Exhibits

The following exhibits are incorporated by reference:

Exhibit 3(i) - Restated Articles of Association filed as Exhibit 1 to the Company's current report on Form 8-K filed with the Commission on September 8, 1998.
Exhibit 3(ii) - By-laws of Community Bancorp. are incorporated by reference to Community Bancorp.'s Registration Statement dated May 20, 1983 (Registration No.2-83166).
Exhibit 4 - Indenture dated August 1, 1984 between Community Bancorp. and Community National Bank as trustee, relating to $750,000 in principal amount of 11% Convertible Subordinated Debentures due 2004 is incorporated by reference to Community Bancorp.'s Registration Statement dated July 11, 1984 (Registration No. 2-92147).
Exhibit 10(i) - Directors Deferred Compensation Plan* is incorporated by reference to pages 25-30 of the Form 10-K filed with the Commission on March 31, 2000.
Exhibit 10(iii) - Description of the Officer Incentive Plan* is incorporated by reference to the section of the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 8, 2001, under the caption "EXECUTIVE COMPENSATION - Officer Incentive Plan."

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*Denotes compensatory plan or arrangement.

The following exhibits are filed as part of this report:
Exhibit 10(ii) - Supplemental Retirement Plan*
Exhibit 11 - Computation of Per Share Earnings
Exhibit 13 - Portions of the Annual Report to Shareholders of Community Bancorp. for fiscal year 2001, specifically mentioned in this report and incorporated by reference.
Exhibit 21 - Subsidiaries of Community Bancorp.
Exhibit 23 - Consent of A.M. Peisch & Company

(b) Reports on Form 8-K

Form 8-K dated October 5, 2001 announced the earnings for Community Bancorp. for the period ending September 30, 2001.
Form 8-K dated October 25, 2001 announced the planned formation of a new trust and investment management company to be known as Community Financial Services Group, LLC.
Form 8-K dated January 8, 2002 announced the earnings for Community Bancorp. for the period ending December 31, 2001.

Exhibit 10(ii)

COMMUNITY NATIONAL BANK SUPPLEMENTAL

EMPLOYEE RETIREMENT PLAN

THIS AGREEMENT is adopted as of the 1st day of January, 1999, by COMMUNITY NATIONAL BANK (hereinafter called the "Employer").

RECITALS

A. The Employer wishes to establish a target benefit pension plan to provide additional retirement benefits for a select group of management and highly compensated employees; and

B. The Employer intends that the Plan shall at all times be administered and interpreted in such a manner as to constitute an unfunded deferred compensation plan for a select group of management or highly compensated employees, so as to qualify for all available exemptions from the provisions of ERISA.

NOW, THEREFORE, in consideration of the premises, the Employer hereby adopts the following Target Benefit Pension Plan effective (except where otherwise specifically provided herein) as of January 1, 1999.

ARTICLE ONE
DEFINITIONS

The following words used in this Agreement shall have the following meanings unless a different meaning is plainly implied by the context:

1.1 "Account" means the account maintained for a Participant under the Plan.

1.2 "Average Bonus" means the average annual bonus paid by the Employer to a Participant for the 5 calendar years, during the 10 calendar year period immediately preceding such Participant's termination of employment, for which such bonus was highest.

1.3 "Beneficiary" means the person or persons designated in writing by the Participant to receive benefits which are payable upon or after such Participant's death. If no such person is designated, or all such persons die before all such benefits have been paid, the Beneficiary shall be the Participant's Surviving Spouse, provided that such spouse is not living apart from the Participant pursuant to a written separation agreement or decree of separate maintenance at the time of the Participant's death. If no such spouse survives, or if the Participant and his or her spouse are so living apart at the time of his death, the Beneficiary shall be the Participant's descendants per stirpes, including descendants by adoption or, if no such descendant survives, the Participant's estate. Any designated Beneficiary may renounce any part or all of the benefits otherwise payable to him pursuant to such designation. If the Participant's beneficiary designation specifically provides for the possibility of a renunciation by the Beneficiary, benefits (or the portion thereof which is renounced) shall be paid to the contingent Beneficiary named by the Participant. If the said designation does not specifically provide for such a renunciation, then the benefits (or the portion thereof which has been renounced) shall be distributed as though the renouncing Beneficiary had died immediately before the Participant. A Participant's beneficiary designation shall be given effect only if, and to the extent that, to do so would not (i) contravene any law, regulation or court order by which the Plan is bound or (ii) render the Plan or Employer liable to any other person. The beneficiary designation must also, in order to be effective, be delivered to the Plan Administrator prior to the Participant's death.

1.4 "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to any section of the Code shall include any successor provision thereto.

1.5 "Declared Rate" means the rate of interest, or the investment earnings, to be credited to a Participant's Account pursuant to Section 4.2. The Declared Rate for a Plan Year shall be determined by resolution of the Board of Directors of the Employer, within 45 days after the last day of such Plan Year. Unless and until such rate is so determined, the Declared Rate shall be equal to the Declared Rate for the immediately preceding Plan Year. If and to the extent that the Employer has set aside funds, in a separate trust, to provide for the payment of benefits hereunder, then the Declared Rate with respect to such funds shall be equal to the net rate of return (including realized and unrealized appreciation or depreciation) for the year in question, as determined by the Plan Administrator.

1.6 "Disability" means a physical and/or mental incapacity of such a nature that it prevents an individual from engaging in or performing the principal duties of his or her customary employment or occupation on a continuing or sustained basis.

1.7 "Eligible Employee" means any Employee of the Employer who is selected to participate herein in accordance with the provisions of Section 2.1 hereof.

1.8 "Employee" means any director, officer or other management or highly compensated employee of the Employer.

1.9 "Employer" means Community National Bank.

1.10 "Employment Agreement" means a written employment agreement between the Employer and the Participant, as amended from time to time.

1.11 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.12 "Participant" means an Eligible Employee who is participating in the Plan.

1.13 "Plan" means the target benefit pension plan set forth in this document, as amended from time to time.

1.14 "Plan Administrator" means the Employer.

1.15 "Plan Year" means the calendar year.

1.16 "Replacement Percentage" means seventy five percent (75%) of the Participant's Average Bonus.

1.17 "Retirement" means an Eligible Employee's retirement at age 65 or such other age as is mutually agreed, in writing, between the Employer and the Eligible Employee.

1.18 "Retirement Date" means a Participant's 65th birthday.

1.19 "Surviving Spouse" means a person who (a) survives the Participant and (b) on the date of the Participant's death, is legally married to the Participant in accordance with the laws of the State in which they are domiciled.

1.20 "Years of Service" means the Participant's Years of Service as defined in the Employer's 401(k) Plan.

ARTICLE TWO
ELIGIBILITY REQUIREMENTS

2.1 Eligibility

(a) An Employee is eligible to become a Participant in the Plan if (i) such Employee is designated as a Participant by the Plan Administrator in writing and (ii) such Employee is an executive officer of the Employer. As a condition of participation, the Plan Administrator may require the Employee to execute a participation agreement in (or similar to) the form annexed hereto as Exhibit C.

(b) Once an Employee becomes a Participant, he shall remain a Participant until termination of employment with the Employer, and thereafter until all benefits to which he (or his Beneficiary) is entitled under the Plan have been paid.

ARTICLE THREE
PLAN ADMINISTRATION

3.1 Responsibility for Administration of the Plan

(a) The Plan Administrator shall be responsible for the management, operation and administration of the Plan. The Plan Administrator may employ others to render advice with regard to its responsibilities under this Plan. It may also allocate its responsibilities to others and may exercise any other powers necessary for the discharge of its duties.

(b) The primary responsibility of the Plan Administrator is to administer the Plan for the benefit of the Participants and their Beneficiaries, subject to the specific terms of the Plan. The Plan Administrator shall administer the Plan in accordance with its terms and shall have the power to determine all questions arising in connection with the administration, interpretation and application of the Plan. Any such determination shall be conclusive and binding upon all persons. The Plan Administrator shall have all powers and discretion necessary or appropriate to accomplish its duties under the Plan.

3.2 Indemnity by Employer

To the extent not insured against by any insurance company pursuant to the provisions of any applicable insurance policy, the Employer shall indemnify and hold harmless the Plan Administrator and its agents and representatives from any and all claims, demands, suits or proceedings in connection with the Plan which may be brought by any Employee, Participant, former Participant, Beneficiary or legal representative, or by any other person, corporation, entity, government or agency thereof, provided, however, that such indemnification shall not apply to any liability arising out of any such person's acts of willful misconduct in connection with the Plan.

3.3 Plan Administrator

The Plan Administrator shall be the "administrator" (as defined in Section 3(16)(A) of ERISA) of the Plan, and shall be responsible for the performance of (a) all reporting and disclosure obligations under ERISA, and (b) all other obligations required or permitted to be performed by the Plan Administrator under ERISA. The Plan Administrator may appoint one or more persons to discharge the duties of the Plan Administrator.

3.4 Information from Employer

The Employer shall supply full and timely information to the Plan Administrator on all matters as may be required properly to administer the Plan. The Plan Administrator may rely upon the correctness of all such information supplied by the Employer and shall have no duty or responsibility to verify such information. The Plan Administrator shall also be entitled to rely conclusively upon all tables, valuations, certifications, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Employer or Plan Administrator with respect to the Plan.

ARTICLE FOUR
CREDITS TO THE PARTICIPANT'S ACCOUNT

4.1 Employer Credits

(a) The Employer shall credit to a Participant's Account, for the first Plan Year for which he or she is a Participant, a dollar amount equal to the level annual deposit required to provide for such Participant an annuity for life, commencing at his or her Retirement Date and payable monthly, in an amount equal to the target benefit computed under paragraph 1 of Exhibit A hereto, and using the actuarial assumptions specified in paragraph 2 of Exhibit A hereto. For each succeeding Plan Year for which the Participant is entitled to a credit, the Employer shall credit to the Participant's Account a dollar amount equal to the level annual deposit which, if made each year from such succeeding year through and until the last Plan Year beginning before the Participant's Retirement Date, will (when added to the projected future value (at Retirement Date) of the Participant's Account, as of the first day of such year, and using the actuarial assumptions specified in paragraph 2 of Exhibit A hereto) provide the annuity described in the preceding sentence. The credit shall be made as of the last day of the Plan Year in question.

(b) The following persons shall be entitled to receive an Employer credit, pursuant to this Section 4.1:

(i) Any Participant who is still an Eligible Employee on the last day of the Plan Year in question.

(ii) Any Participant who terminated employment during the Plan Year by reason of Retirement.

(iii) Any Participant who terminated employment during the Plan Year by reason of Disability.

4.2 Interest Credits

(a) Until a Participant's Account balance becomes payable in accordance with Article Five, as of the last day of each Plan Year, an interest credit, equal to the Declared Rate multiplied by the amount standing to the credit of the Participant's Account as of the end of such year, but disregarding any Employer credit for such year pursuant to Section 4.1(a), shall be made to the Participant's Account.

(b) In addition, if the Account balance (or any portion thereof) becomes payable on a date other than the last day of a Plan Year, a prorated credit, based upon the Declared Rate for such year, the amount so paid and the number of days in the Plan Year preceding such date, shall be made to the Participant's Account. If the Declared Rate has not yet been determined for such year, then interest shall be credited at the rate of 7.5% per annum.

ARTICLE FIVE
PAYMENT OF BENEFITS

5.1 Payment of Benefits on Retirement

(a) All amounts credited to the Participant's Account shall become payable to such Participant, as of the date of such Participant's Retirement.

(b) The amount credited to the Participant's Account shall be paid to the Participant either (i) in a single sum or (ii) in substantially equal installment payments over the Participant's life expectancy, as elected in writing by the Participant on or before the later of (A) 30 days after the date on which he or she begins to participate hereunder or (B) October 31, 2000. If no such election is delivered to the Plan Administrator by such date, then the benefit shall be paid in a single sum.

Life expectancy shall be determined (as of the date on which payments begin) from the unisex tables contained in Treasury regulation 1.72-9, as amended from time to time, and shall be rounded to the nearest whole number of years. In addition to such installment payments of principal, the Employer will pay, with the second and each subsequent installment, interest on the unpaid balance of principal, in accordance with Section 4.2(b) hereof, for the 6 month period since the due date of the immediately preceding installment payment.

5.2 Payment of Benefits on Disability

If the Plan Administrator determines, on the basis of medical evidence provided by or on behalf of a Participant, that such Participant has suffered a Disability before his Retirement and that such Participant has terminated employment with the Employer on account of such Disability, the Plan Administrator shall pay to the disabled Participant his or her Account balance in the manner provided in Section 5.1 above. The Plan Administrator shall have the right to require reasonable proof of the Participant's Disability and for that purpose may require the Participant to be examined, at its expense, by a physician selected by the Plan Administrator.

5.3 Acceleration of Payments

The Plan Administrator may make payment of all or a part of the Participant's Account balance before any payments would otherwise be due, if, based on a change in the Federal tax or revenue laws, a published ruling or similar announcement issued by the Internal Revenue Service, a regulation issued by the Secretary of the Treasury, a decision by a court of competent jurisdiction involving a Participant or a Beneficiary, or a closing agreement made under Section 7121 of the Code that is approved by the Internal Revenue Service and involves a Participant, the Plan Administrator determines that a Participant has or will receive income under the Plan for Federal income tax purposes with respect to amounts that are or will be payable under the Plan, before they are to be paid to the Participant. If any such accelerated payment is determined to be necessary, all affected Participants will receive such accelerated payments in the same form of distribution.

5.4 Termination of Employment

If a Participant, who has an amount credited to his or her Account, terminates employment with the Employer, the amount credited to such Participant's Account at such termination of employment shall become payable to such Participant, beginning on the later of (1) the date of termination of employment or (2) the earliest date on which the Participant has both attained age 55 years and completed 10 Years of Service, in the manner described in Section 5.1, as though such date were the date of such Participant's Retirement.

5.5 Death Benefits

(a) If benefit payments hereunder had begun to be made to the Participant prior to his or her death, then any remaining payments shall continue to be made to the Participant's Beneficiary, in the same amount and at the same intervals as payments were made to the Participant prior to his or her death. No death benefit will be payable to the Beneficiary if the Participant had already received, prior to his or her death, all payments.

(b) If benefit payments had not begun to be made to the Participant prior to his or her death, then the amount credited to the Participant's Account shall be paid out over the life expectancy of, and to, the Beneficiary. Life expectancy shall be determined (as of the date on which the first payment is due) from the unisex tables contained in Treasury regulation section 1.72-9, as amended from time to time, and shall be rounded to the nearest whole number of years. In addition to such payments of principal, the Employer will pay, with the second and each subsequent installment, interest on the unpaid balance of principal, in accordance with Section 4.2(b) hereof, for the 6 month period since the due date of the immediately preceding installment payment.

5.6 Forfeiture of Benefits

At the discretion of the Plan Administrator, the total amount credited to a Participant's Account shall be forfeited, and the Employer will have no further obligation hereunder to such Participant, if

(i) The Participant engages in competition with the Employer in violation of any written Noncompetition Agreement between the Employer and the Employee; or

(ii) The Participant performs any act of willful malfeasance or gross negligence in a matter of material importance to the Employer, and such acts are discovered by the Employer at any time prior to the death of the Participant.

The Plan Administrator shall have sole discretion with respect to the application of the provisions of this Section 5.6 and such exercise of discretion shall be conclusive and binding upon the Participant, his or her Beneficiary and all other persons.

5.7 Vesting

In no event shall any amount previously credited to a Participant's Account be forfeited or revoked, except as provided in Sections 5.6, 8.3(b) and 9.7 hereof.

5.8 Facility of Payment

If a distribution is to be made to a minor, or to a person who is otherwise incompetent, then the Plan Administrator may, in its discretion, make such distribution (1) to the legal guardian, or if none, to a parent of a minor payee with whom the payee maintains his residence, or (2) to the conservator or committee or, if none, to the person having custody of an incompetent payee. Any such distribution shall fully discharge the Plan Administrator, Employer and Plan from further liability on account thereof.

5.9 Late Payments

If any installment of principal and/or interest (other than an amount payable under an annuity contract) is not paid in full within five days after its due date, then the unpaid amount (including interest) shall bear interest at a rate equal to 150% of the Bank of Boston prime rate in effect on the due date of such installment, compounded daily, for the period from the original due date of such installment to the date of actual payment.

ARTICLE SIX
CLAIMS PROCEDURE

The following claims procedure shall control the determination of benefit payments under this Plan.

6.1 Claim for Benefits

If a Participant or the Participant's Beneficiary ("Claimant") believes that he or she is entitled to receive benefits under this Plan, but has not received such benefits, he or she must submit a written claim for benefits to the Plan Administrator, on a form to be supplied by the Plan Administrator. The Plan Administrator's decision on the claim for benefits shall determine whether the Claimant shall be entitled to receive benefits under this Plan.

6.2 Denial of Claim

A claim for benefits under the Plan will be denied if the Plan Administrator determines that the Claimant is not entitled to receive benefits under this Plan. Notice of the denial shall be furnished to the Claimant within a reasonable period of time after receipt of the claim for benefits by the Plan Administrator.

6.3 Content of Notice

If a claim for benefits is denied, then within ninety (90) days after receipt by the Plan Administrator of such claim, the Plan Administrator will give to the Claimant a written notice setting forth, in a manner calculated to be understood by the Claimant, the following information:

(a) The specific reason or reasons for the denial;

(b) Specific reference to pertinent Plan provisions on which the denial is based;

(c) A description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and

(d) An explanation of the Plan's claims review procedure, as set forth below.

6.4 Review Procedure

The purpose of the review procedure is to provide a method by which a Claimant may have a reasonable opportunity to appeal a denial of a claim to the Plan Administrator, for a full and fair review. To accomplish that purpose, the Claimant or his duly authorized representative:

(a) May require a review upon written application to the Plan Administrator;

(b) May review pertinent Plan documents; and

(c) May submit issues and comments in writing.

The Claimant (or his or her duly authorized representative) must request a review by filing a written application for review with the Plan Administrator within sixty (60) days after receipt by the Claimant of written notice of the denial of his or her claim, pursuant to Sections 6.2 and 6.3 hereof.

6.5 Decision on Review

The decision on review of a denied claim shall be made in the following manner:

(a) The decision on review shall be made by the Plan Administrator which may, in its discretion, hold a hearing on the denied claim. Such decision shall be made promptly, and not later than sixty (60) days after receipt of the request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred and twenty (120) days after receipt of the request for review.

(b) The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the Claimant, and specific reference to the pertinent Plan provisions upon which the decision is based.

6.6 Arbitration

(a) If a Participant, former Participant or Beneficiary of either, whose claim has been reviewed pursuant to Section 6.5, is dissatisfied with the final decision made pursuant thereto, he or she shall have the additional right to appeal the matter to arbitration in accordance with (i) the provisions of the Employment Agreement or (ii) if there is no Employment Agreement, or if the Employment Agreement does not include an arbitration clause, in accordance with the rules of the American Arbitration Association, provided (in either event) that he or she submits a written request for arbitration to the Employer and to the Plan Administrator (on a form which may be obtained from the Plan Administrator) within sixty days after receipt of the final decision. The question for the arbitrator shall be whether the claim denied by the final decision should be allowed, in whole or in part.

(b) All fees incurred in connection with the arbitration shall be borne by the appealing party, including the arbitrator's fee and expenses, unless the arbitrator, in his or her award, shall otherwise assess such fees and expenses. The decision of the arbitrator shall be final and binding upon the Plan Administrator, the Employer, the Plan, and the appealing party.

(c) The claims review and arbitration procedures specified in this Article shall be the sole and exclusive review and appeal procedures available to any Participant, former Participant or Beneficiary of either, who is dissatisfied with an eligibility determination, benefit award or other decision made pursuant to the provisions of this Article; provided, however, that this Article shall not be construed as eliminating the right (if any) of any such person to seek relief under ERISA, once the administrative remedies specified herein have been exhausted.

ARTICLE SEVEN
INALIENABILITY OF BENEFITS

7.1 Spendthrift Clause

The right of any Participant, former Participant or Beneficiary to any benefit or payment under the Plan, shall not be subject to voluntary or involuntary transfer, alienation, pledge or assignment and, to the fullest extent permitted by law, shall not be subject to attachment, execution, garnishment, sequestration or other legal or equitable process. If a Participant, former Participant or Beneficiary who is receiving, or is entitled to receive in the future, benefits under the Plan, attempts to assign, transfer, pledge or dispose of such right, or if an attempt is made to subject said right to such process, such assignment, transfer or disposition shall be null and void.

ARTICLE EIGHT
AMENDMENT AND TERMINATION

8.1 Right to Amend Plan

The Employer may amend the Plan at any time, and from time to time, without notice to or consent of any Employee, Participant, former Participant, Beneficiary or any other person, pursuant to written resolutions adopted by its Board of Directors. Any such amendment shall take effect as of the date specified therein and, to the extent permitted by law, may be made with retroactive effect.

8.2 Right to Terminate Plan

The Employer contemplates that the Plan will be permanent and that it will continue to be able to maintain the Plan. Nevertheless, in recognition of the fact that future conditions and circumstances cannot now be entirely foreseen, the Employer reserves the right to terminate the Plan, without notice to or consent of any other person.

8.3 Termination of Benefit

(a) In the case of a Plan termination without the establishment of a comparable replacement plan, each Participant on the termination date shall be vested in his Account balance as of the termination date. A Participant's Account shall continue to be credited with interest, pursuant to Section 4.2, until the date of payment, and shall become payable on the date specified in Article Five above. The Plan Administrator may, in its discretion, distribute all Account balances either (i) in a method described in Section 5.1 or (ii) in a lump sum, at any time after termination of the Plan. All participants under the Plan must receive the same type of distribution (i.e., in a method described in Section 5.1 or in a lump sum).

(b) In the case of a Plan termination where the Employer, within 12 months following the date of termination, establishes a comparable replacement Plan, each Participant shall, from and after the date of adoption of the comparable replacement plan, cease to have any further right to benefits hereunder and shall, instead, become entitled to benefits under the replacement plan. If no such replacement plan is established within 12 months after the date of termination of this Plan, then the provisions of Section 8.3(a) shall apply.

(c) For purposes of this Section 8.3, a comparable replacement plan is one (i) which can reasonably be expected to provide to each Participant a benefit whose present value, at the time of adoption, is at least equal to the value of the Participant's Account hereunder, at such time, and (ii) whose terms are otherwise not significantly less favorable to the Participant than the terms of this Plan.

8.4 Corporate Successors

The Plan shall not be automatically terminated by a transfer or sale of assets of the Employer, or by the merger or consolidation of the Employer into or with any other corporation or other entity, but the Plan shall be continued after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue the Plan. If the Plan is not continued by the transferee, purchaser or successor entity, then the Plan shall terminate in accordance with the provisions of Sections 8.2 and 8.3.

ARTICLE NINE
MISCELLANEOUS

9.1 Governing Law

The Plan shall be construed, regulated, interpreted and administered under and in accordance with the laws of the State of Vermont, without regard to its laws regarding choice of laws, to the extent not pre-empted by ERISA or any other federal statute.

9.2 Construction

It is the intention of the Employer that the Plan shall comply with the provisions of ERISA and the Code, and the applicable provisions of any other laws, and the provisions of this Agreement shall be construed to effectuate such intention. If any provision of this Agreement shall be prohibited under any provision of ERISA or the Code or other applicable federal law, as amended from time to time, or if any provision not contained in this Agreement shall hereafter be required to be included, the Employer shall forthwith amend this Agreement. Pending such amendment, this Agreement shall be construed as if the provision which shall be prohibited had been stricken from this Agreement, and as if any omitted provision which shall be required to be included herein had been fully set forth herein.

9.3 Receipt and Release

Before making any payment to a Participant, former Participant or Beneficiary, the Plan Administrator may require the payee to execute a receipt and release for such payment, in a form satisfactory to the Plan Administrator.

9.4 Employment Relations

The adoption and maintenance of the Plan shall not constitute a contract between the Employer and any Employee or be consideration for, or an inducement or condition of, the employment of any person. Nothing herein contained shall (i) give any Employee the right to be retained in the employ of the Employer; (ii) give the Employer the right to require any Employee to remain in its employ; (iii) affect any Employee's right to terminate his or her employment at any time; (iv) give any Employee any right not specifically conferred hereby; or (v) give any Employee the right that the Plan continue in effect, either as originally adopted or at all.

9.5 Exemption from ERISA

(a) The Plan is intended to qualify for an exemption from ERISA as a "top hat" plan maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees.

(b) THIS PLAN IS UNFUNDED. PAYMENTS TO ANY PARTICIPANT OR BENEFICIARY SHALL BE MADE FROM (I) THE GENERAL ASSETS OF THE EMPLOYER OR (II) ANY SEPARATE TRUST OR FUND ESTABLISHED BY THE EMPLOYER FOR THAT PURPOSE, WHEN SUCH PAYMENTS ARE DUE. THE RIGHTS OF THE PARTICIPANTS AND THEIR BENEFICIARIES ARE UNSECURED. NO PARTICIPANT OR BENEFICIARY HAS ANY SPECIFIC OR PREFERENTIAL RIGHT OR CLAIM TO ANY ASSET OF THE EMPLOYER . NOTHING CONTAINED IN THE PLAN SHALL CONSTITUTE A GUARANTY BY THE EMPLOYER OR ANY OTHER ENTITY OR PERSON THAT THE ASSETS OF THE EMPLOYER WILL BE SUFFICIENT TO PAY ANY BENEFIT HEREUNDER. WITH RESPECT TO ANY ENTITLEMENT TO BENEFITS HEREUNDER, A PARTICIPANT OR BENEFICIARY SHALL BE AN UNSECURED GENERAL CREDITOR OF THE EMPLOYER.

9.6 Disclosure

Each Participant, and each Beneficiary of a deceased Participant, shall be entitled to receive a copy of the Plan and the Plan Administrator will make available for inspection by any such Participant or Beneficiary a copy of any rules and regulations adopted by the Plan Administrator in administering the Plan.

9.7 Unclaimed Benefits

Each Participant, and each Beneficiary of a deceased Participant, shall keep the Plan Administrator informed of his or her current address. The Plan Administrator shall not be obligated to search for any person. If the location of a Participant or Beneficiary is not made known to the Plan Administrator within three (3) years after the date on which any payment of the Participant's Account may be made, payment may be made as though the Participant or Beneficiary had died at the end of the three year period. If, within one additional year after such three year period has elapsed, or within three years after the actual death of a Participant, whichever occurs first, the Plan Administrator is unable to locate any Beneficiary of the Participant, then the Employer shall have no further obligation to pay any benefit hereunder to such Participant or Beneficiary, or to any other person, and such benefit shall be irrevocably forfeited.

9.8 Gender and Number

Wherever appropriate, words used in the Plan in the singular shall include the plural, the plural shall include the singular, and the masculine shall include the feminine.

IN WITNESS WHEREOF, the Employer has caused this Agreement to be executed as of the day and year first above written.

COMMUNITY NATIONAL BANK- Employer
ATTEST:

By:________________________ By:________________________________

EXHIBIT A

TARGET BENEFIT FORMULA AND ACTUARIAL ASSUMPTIONS

1. Target Benefit Formula

(a) The annual target benefit for each Participant listed in Exhibit B, expressed as a single life annuity for the life of the Participant and commencing at such Participant's Retirement Date, shall be equal to the Replacement Percentage of the Participant's Average Bonus.

(b) If the Participant has less than 20 Years of Service at Retirement Date, or terminates employment before Retirement Date and would have completed less than 20 Years of Service had he continued in employment until Retirement Date, the Replacement Percentage shall be reduced pro rata for each Year of Service less than 20.

2. Actuarial Assumptions

The actuarial assumptions used for all purposes of the Plan shall be as follows:

1. The assumed rate of interest shall be 7.5% per annum pre-retirement and 6% per annum post-retirement.
2. Pre-retirement mortality shall be assumed to be zero.
3. Post-retirement mortality shall be determined by reference to the UP-1984 Mortality Table.

EXHIBIT B

PARTICIPANTS

Stephen P. Marsh

Rosemary Rowe

Alan Wing

Richard C. White

EXHIBIT C
PARTICIPATION AGREEMENT

Name of Executive:
Effective Date of Participation: JANUARY 1, 1999

The undersigned Plan Administrator has designated the undersigned Executive as a Participant in the above Plan. In consideration of his designation as a Participant, the undersigned Executive hereby agrees and acknowledges as follows:

1. That he or she has received a copy of the Plan, as currently in effect

2. That he or she agrees to be bound by all of the terms and conditions of the Plan and to perform any and all acts required from him or her thereunder.

3. That he or she acknowledges that the Plan contains an agreement to arbitrate. After signing this Agreement, the Executive and Plan Administrator understand that they will not be able to bring a lawsuit concerning any dispute that might arise which is covered by the arbitration agreement unless it involves a question of constitutional or civil rights. Instead, the parties agree to submit any such dispute to an impartial arbitrator.

4. That the Beneficiary of any benefit payable under the Plan upon or after the Executive's death shall be:

Name of Beneficiary:__________________________________

Relationship to Executive:___________________________

5. The Executive hereby elects to receive his or her benefits under the Plan (check one)

____ In a single sum

____ In installments as described in section 5.1

The Executive may not change the election of the form of payment, but may change the Beneficiary at any time by delivering a written beneficiary designation to the Plan Administrator.

______________________________ ______________________________

Executive Plan Administrator

Exhibit 11

COMMUNITY BANCORP.

PRIMARY EARNINGS PER SHARE

For The Fourth Quarter Ended December 31,	***2001***	***2000***	***1999***
Net Income	$1,013,064	$707,782	$753,167
Average Number of Common Shares Outstanding	3,558,261	3,527,477	3,526,431
Earnings Per Common Share	***$0.28***	***$0.20***	***$0.21***
For the Years Ended December 31,			
Net Income	$2,797,825	$2,422,421	$2,334,358
Average Number of Common Shares Outstanding	3,545,670	3,543,956	3,474,844
Earnings Per Common Share	***$0.79***	***$0.68***	***$0.67***

FULLY DILUTED EARNINGS PER SHARE

For The Fourth Quarter Ended December 31,	***2001***	***2000***	***1999***
Net Income	$1,013,064	$707,782	$753,167
Adjustments to Net Income(1)	0	363	363
Adjusted Net Income	$1,013,064	$708,145	$753,530
Average Number of Common Shares Outstanding	3,558,261	3,527,477	3,526,431
Increase in Shares(1)	449	8,985	8,985
Adjusted Average Number of Common Shares Outstanding	3,558,710	3,536,462	3,535,416
Earnings Per Common Share Assuming Full Dilution	***$0.28***	***$0.20***	***$0.21***
For the Years Ended December 31,			
Net Income	$2,797,825	$2,422,421	$2,334,358
Adjustments to Net Income(1)	466	1,452	1,452
Adjusted Net Income	$2,798,291	$2,423,873	$2,335,810
Average Number of Common Shares Outstanding	3,545,670	3,543,956	3,474,844
Increase in Shares(1)	3,798	8,985	8,985
Average Number of Common Shares Outstanding	3,549,468	3,552,941	3,483,829
Earnings Per Common Share Assuming Full Dilution	***$0.79***	***$0.68***	***$0.67***

(1) Assuming conversion of subordinated convertible debentures

Per share data for 2000 and 1999 restated to reflect a 5% stock dividend paid on February 1, 2001.

Exhibit 21

The wholly-owned subsidiaries of Community Bancorp. are Community National Bank, a national banking association incorporated under the Banking Laws of The United States, and Liberty Savings Bank, a New Hampshire-chartered guaranty savings bank which is currently inactive.

In addition, Community Bancorp. holds a one-third interest in Community Financial Services Partners, LLC, a Vermont limited liability company, which in turn owns 100% of Community Financial Services Group, LLC, a Vermont-chartered nondepository trust and investment management company.

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Community Bancorp. of our report dated January 7, 2002, included in the 2001 Annual Report to Shareholders of Community Bancorp.

We also consent to the incorporation by reference in the Registration Statement (Form S-3 No. 33-18535) pertaining to the Community Bancorp. Dividend Reinvestment Plan and in the Registration Statement (Form S-8 No. 33-44713) pertaining to the Community Bancorp. Retirement Savings Plan of our report dated January 7, 2002, with respect to the consolidated financial statements incorporated herein by reference of Community Bancorp. included in the Annual Report (Form 10-K) for the year ended December 31, 2001.

/s/ A.M. Peisch & Company, LLP

March 27, 2002
St. Johnsbury, Vermont
VT Reg. No. 92-0000102

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMUNITY BANCORP.

BY: /s/ Richard C. White — Date: March 29, 2002

Richard C. White, President

and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

BY: /s/ Stephen P. Marsh — Date: March 29, 2002

Stephen P. Marsh, Treasurer

and Chief Financial and Accounting Officer

COMMUNITY BANCORP. DIRECTORS

/s/ Thomas E. Adams — Date: March 29, 2002

Thomas E. Adams

/s/ Jacques R. Couture — Date: March 29, 2002

Jacques R. Couture

/s/ Elwood G. Duckless — Date: March 29, 2002

Elwood G. Duckless

/s/ Michael H. Dunn Date: March 29, 2002

Michael H. Dunn

/s/ Rosemary M. Lalime Date: March 29, 2002

Rosemary M. Lalime

/s/ Marcel Locke Date: March 29, 2002

Marcel Locke

/s/ Stephen P. Marsh Date: March 29, 2002

Stephen P. Marsh

/s/ Anne T. Moore Date: March 29, 2002

Anne T. Moore

/s/ Dale Wells Date: March 29, 2002

Dale Wells

/s/Richard C. White Date: March 29, 2002

Richard C. White

A.M. PEISCH & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
-SINCE 1920-

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Community Bancorp. and Subsidiaries
Derby, Vermont

We have audited the accompanying consolidated balance sheets of Community Bancorp. and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for the years ended December 31, 2001, 2000, and 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Bancorp. and Subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for the years ended December 31, 2001, 2000, and 1999 in conformity with U. S. generally accepted accounting principles.

/s/ A.M. Peisch & Company, LLP

January 7, 2002
St. Johnsbury, Vermont
VT Reg. No. 92-0000102

COMMUNITY BANCORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000

ASSETS	2001	2000
Cash and due from banks (Note 18)	$ 8,681,237	$ 6,110,527
Federal funds sold and overnight deposits	6,019,178	-0-
Cash and cash equivalents	14,700,415	6,110,527
Securities held-to-maturity (approximate fair value $40,967,678 and		
$42,466,587 at December 31, 2001 and 2000) (Note 2)	40,644,481	42,197,130
Securities available-for-sale (Note 2)	32,513,512	19,145,938
Restricted equity securities (Note 1)	1,224,650	1,141,650
Loans held-for-sale (Note 1)	3,113,466	710,991
Loans (Note 3)	190,042,381	176,815,408
Allowance for loan losses (Note 4)	(2,007,408)	(1,796,810)
Unearned net loan fees	(951,194)	(950,937)
Net loans	187,083,779	174,067,661
Bank premises and equipment, net (Note 5)	4,867,413	4,693,934
Accrued interest receivable	1,744,133	1,929,495
Other real estate owned, net (Note 6)	60,000	201,123
Other assets (Notes 7 and 12)	2,726,075	2,586,788
Total assets	$288,677,924	$252,785,237
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		

Deposits:

	2001	2000
Demand, non-interest bearing	$ 30,724,508	$ 25,640,868
NOW and money market accounts	76,779,687	55,776,849
Savings	33,059,937	29,810,798
Time, $100,000 and over (Note 8)	18,017,850	17,504,358
Other time (Note 8)	79,487,551	79,651,657
	238,069,533	208,384,530
Repurchase agreements (Note 10)	19,833,510	14,371,538
Borrowed funds (Note 9)	5,055,000	5,592,000
Accrued interest and other liabilities (Note 17)	2,272,055	1,886,999
Subordinated debentures (Note 11)	1,000	20,000
Total liabilities	265,231,098	230,255,067
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 5, 13, 14, 15, and 17)		
STOCKHOLDERS' EQUITY		
Common stock, $2.50 par value; 6,000,000 shares authorized,		
3,706,674 shares issued at December 31, 2001		
and 3,478,561shares issued at December 31, 2000	9,266,686	8,696,402
Additional paid-in capital	13,412,012	11,515,514
Retained earnings (Note 19)	2,459,827	3,731,098
Accumulated other comprehensive income (loss)	26,459	(23,108)
Less treasury stock, at cost (2001 - 150,065 shares; 2000 - 122,777shares)	(1,718,158)	(1,389,736)
	23,446,826	22,530,170
Total liabilities and stockholders' equity	$288,677,924	$252,785,237

See accompanying notes.

COMMUNITY BANCORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2001, 2000, and 1999

	2001	**2000**	**1999**
Interest and dividend income			
Interest and fees on loans	$15,522,741	$14,538,722	$13,036,041
Interest on debt securities			
Taxable	2,410,427	2,839,110	2,720,774
Tax-exempt	742,560	797,025	610,114
Dividends	80,352	89,130	79,540
Interest on federal funds sold and overnight deposits	288,172	170,783	276,322
	19,044,252	18,434,770	16,722,791
Interest expense			
Interest on deposits	7,705,308	7,699,756	7,277,456
Interest on borrowed funds and securities sold			
Under agreements to repurchase	880,456	1,087,178	254,884
Interest on subordinated debentures	706	2,200	2,200
	8,586,470	8,789,134	7,534,540
Net interest income	10,457,782	9,645,636	9,188,251
Provision for loan losses (Note 4)	(410,000)	(384,000)	(497,000)
Net interest income after provision for loan losses	10,047,782	9,261,636	8,691,251
Other income			
Trust Department income	438,736	362,979	247,001
Service fees	921,877	808,139	704,348
Security gains (losses) (Note 2)	170,899	(18,782)	-0-
Other (Note 24)	812,539	712,846	808,014

	2,344,051	1,865,182	1,759,363
Other expenses			
Salaries and wages	3,285,000	2,917,665	2,839,193
Pension and other employee benefits (Notes 13 and 17)	959,078	936,367	792,328
Occupancy expenses	1,499,186	1,407,505	1,284,339
Other operating expenses (Note 24)	2,975,268	2,666,900	2,413,915
	8,718,532	7,928,437	7,329,775
Income before income taxes	3,673,301	3,198,381	3,120,839
Income taxes (Note 12)	875,476	775,960	786,481
Net income	$ 2,797,825	$ 2,422,421	$ 2,334,358
Earnings per common share on weighted average	$0.79	$0.68	$0.67
Weighted average number of common shares used in computing earnings per share	3,545,670	3,543,956	3,474,844
Book value per share on shares outstanding at December 31	$6.59	$6.39	$6.29

See accompanying notes.

COMMUNITY BANCORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2001, 2000, and 1999

	---Common Stock---	
	Shares	**Amount**
Balances, December 31, 1998	3,110,960	$7,851,516
Comprehensive income, net of taxes		
Net income	-0-	-0-
Net unrealized holding losses on securities available-for-sale, net of tax, ($248,540)	-0-	-0-
Total comprehensive income		
Dividends declared	-0-	-0-
5% stock dividend	156,633	391,582
Issuance of stock	91,155	227,887
Purchase of treasury stock	(241)	-0-
Balances, December 31, 1999	3,358,507	8,470,985
Comprehensive income, net of taxes		
Net income	-0-	-0-
Net unrealized holding gains on securities available-for-sale, net of tax, ($115,383)	-0-	-0-
Total comprehensive income		
Dividends declared	-0-	-0-
Issuance of stock	90,167	225,417
Purchase of treasury stock	(92,890)	-0-
Balances, December 31, 2000	3,355,784	8,696,402
Comprehensive income, net of taxes		
Net income	-0-	-0-
Net unrealized holding gains on securities available-for-sale net of tax, ($25,535)	-0-	-0-
Total comprehensive income		

Dividends declared	-0-	-0-
5% stock dividend	167,939	419,848
Issuance of stock	60,174	150,436
Purchase of treasury stock	(27,288)	-0-
Balances, December 31, 2001	3,556,609	$9,266,686

See accompanying notes.

Additional Paid-in Capital	Retained Earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity
$ 8,756,453	$5,604,096	$ 235,375	($ 445,381)	$22,002,059
-0-	2,334,358	-0-	-0-	2,334,358
-0-	-0-	(482,461)	-0-	(482,461)
				1,851,897
-0-	(2,624,150)	-0-	-0-	(2,624,150)
1,459,756	(1,851,338)	-0-	-0-	-0-
726,301	-0-	-0-	-0-	954,188
-0-	-0-	-0-	(2,840)	(2,840)
10,942,510	3,462,966	(47,086)	(448,221)	22,181,154
-0-	2,422,421	-0-	-0-	2,422,421
-0-	-0-	223,978	-0-	223,978
				2,646,399
-0-	(2,154,289)	-0-	-0-	(2,154,289)
573,004	-0-	-0-	-0-	798,421
-0-	-0-	-0-	(941,515)	(941,515)
11,515,514	3,731,098	(23,108)	(1,389,736)	22,530,170
-0-	2,797,825	-0-	-0-	2,797,825
-0-	-0-	49,567	-0-	49,567
				2,847,392
-0-	(2,265,934)	-0-	-0-	(2,265,934)
1,383,314	(1,803,162)	-0-	-0-	-0-
513,184	-0-	-0-	-0-	663,620
-0-	-0-	-0-	(328,422)	(328,422)
$13,412,012	$ 2,459,827	$ 26,459	($ 1,718,158)	$23,446,826

COMMUNITY BANCORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999

CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 2,797,825	$ 2,422,421	$ 2,334,358
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	588,862	599,487	516,824
Provision for possible loan losses	410,000	384,000	497,000
Provision (credit) for deferred income taxes	1,509	(26,119)	21,068
(Gain) loss on sale of securities	(170,899)	18,782	-0-
Gain on sale of loans	(152,469)	(50,863)	(108,389)
Losses on sales of fixed assets	4,075	-0-	1,675
Gains on sales of OREO	(36,858)	(58,405)	(96,318)
OREO writedowns	44,824	23,343	19,590
Amortization of bond premium, net	139,244	174,685	270,141
Proceeds from sales of loans held for sale	14,887,568	3,886,000	10,790,620
Originations of loans held for sale	(17,137,574)	(3,885,705)	(10,310,457)
Decrease (increase) in interest receivable	185,362	(445,303)	(23,521)
(Increase) decrease in mortgage servicing rights	(20,532)	22,892	(31,114)
Decrease (increase) in other assets	55,193	(191,227)	158,157
Increase in unamortized loan fees	257	59,823	42,151
Increase (decrease) in taxes payable	34,819	123,041	(41,049)
(Decrease) increase in interest payable	(141,707)	107,381	(38,366)
Increase (decrease) in accrued expenses	36,667	(40,418)	55,097
Increase in other liabilities	120,188	221,637	103,265
Net cash provided by operating activities	1,646,354	3,345,452	4,160,732
CASH FLOWS FROM INVESTING ACTIVITIES			
Securities held-to-maturity			
Maturities and paydowns	38,229,271	21,842,506	31,875,523
Purchases	(43,634,788)	(34,157,564)	(31,987,612)
Securities available-for-sale			
Sales and maturities	13,147,578	9,987,892	-0-
Purchases	(19,450,231)	-0-	(9,291,211)
Purchase of restricted equity securities	(83,000)	-0-	-0-
Increase in loans, net	(13,884,200)	(25,025,922)	(6,589,397)
Capital expenditures, net	(743,572)	(947,879)	(1,808,310)
Investments in limited partnership, net	79,123	24,740	(324,258)
Proceeds from sales of other real estate owned	452,162	659,648	908,399
Recoveries of loans charged off	138,820	136,422	108,004
Net cash used in investing activities	(25,748,837)	(27,480,157)	(17,108,862)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in demand, NOW, savings, and money market accounts	29,335,617	551,589	8,482,469
Net increase (decrease) in certificates of deposit	349,386	5,990,061	(4,436,883)
Net increase in short-term borrowings and repurchase agreements	5,461,972	11,748,256	2,335,041
Net (decrease) increase in borrowed funds	(537,000)	1,537,000	(5,000)
Payments to acquire treasury stock	(328,422)	(941,515)	(2,840)
Dividends paid	(1,577,182)	(1,356,303)	(1,132,601)
Debentures converted to cash	(12,000)	-0-	-0-
Net cash provided by financing activities	32,692,371	17,529,088	5,240,186
Net increase (decrease) in cash and cash equivalents	8,589,888	(6,605,617)	(7,707,944)
Cash and cash equivalents			
Beginning	6,110,527	12,716,144	20,424,088

Ending	$14,700,415	$ 6,110,527	$12,716,144
SUPPLEMENTAL SCHEDULE OF CASH PAID DURING THE YEAR			
Interest	$ 8,728,177	$ 8,681,753	$ 7,572,906
Income taxes	$ 839,149	$ 679,038	$ 806,462
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Unrealized gain (loss) on securities available-for-sale	$ 75,101	$ 339,361	($ 731,001)
Other real estate owned acquired in settlement of loans	$ 319,005	$ 391,015	$ 724,462
Investments in limited partnership			
(Increase) decrease in limited partnerships	($ 304,163)	$ 24,740	($ 324,258)
Increase in contributions payable	383,286	-0-	-0-
	$ 79,123	$ 24,740	($ 324,258)
Debentures:			
Decrease in subordinated debentures	$ 19,000	$ -0-	$ -0-
Debentures converted to common stock	(7,000)	-0-	-0-
Debentures redeemed for cash	$ 12,000	$ -0-	$ -0-
Stock dividends	$ 1,803,162	$ -0-	$ 1,851,338
Dividends paid:			
Dividends declared	$ 2,265,934	$ 2,154,289	$ 2,624,150
(Increase) decrease in dividends payable	(32,132)	435	(537,361)
Dividends reinvested	(656,620)	(798,421)	(954,188)
	$ 1,577,182	$ 1,356,303	$ 1,132,601

See accompanying notes.

COMMUNITY BANCORP. & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

The accounting policies of Community Bancorp. and Subsidiaries ("Company") are in conformity with U. S. generally accepted accounting principles and general practices within the banking industry. The following is a description of the more significant policies.

Basis of presentation and consolidation

The consolidated financial statements include the accounts of Community Bancorp. and its wholly-owned subsidiaries, Community National Bank (Community) and Liberty Savings Bank (Liberty). All significant intercompany accounts and transactions have been eliminated.

Nature of operations

The Company provides a variety of financial services to individuals and corporate customers through its branches in northeastern and central Vermont, which is primarily a small business and agricultural area. The Company's primary deposit products are checking and savings accounts and certificates-of-deposit. Its primary lending products are commercial, real estate, and consumer loans.

Concentration of risk

The Company's operations are affected by various risk factors, including interest-rate risk, credit risk, and risk from geographic concentration of lending activities. Management attempts to manage interest rate risk through various asset/liability management techniques designed to match maturities of assets and liabilities. Loan policies and administration are designed to provide assurance that loans will only be granted to credit-worthy borrowers, although credit losses are expected to occur because of subjective factors and factors beyond the control of the Company. Although the Company has a diversified loan portfolio and economic conditions are stable, most of its lending activities are conducted within the geographic area where it is located. As a result, the Company and its borrowers may be especially vulnerable to the consequences of changes in the local economy. Note 2 discusses the types of securities the Bank invests in, and Note 3 discusses the types of lending in which the Bank engages. In addition, a substantial portion of the Company's loans are secured by real estate.

Use of estimates

The preparation of consolidated financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans and deferred tax assets. In connection with the determination of the allowances for losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties. Accordingly, the ultimate collectibility of a substantial portion of the Company's loan portfolio and the recovery of a substantial portion of the carrying amount of foreclosed real estate are susceptible to changes in local market conditions. The amount of the change that is reasonably possible cannot be estimated.

While management uses available information to recognize losses on loans and foreclosed real estate, future additions to the allowances may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowances for losses on loans and foreclosed real estate. Such agencies may require the Company to recognize additions to the allowances based on their judgments about information available to them at the time of their examination.

Presentation of cash flows

For purposes of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, amounts due from banks (including cash items in process of clearing), federal funds sold (generally purchased and sold for one day periods), and overnight deposits.

Trust assets

Assets of the Trust Department, other than trust cash on deposit at the Company, are not included in these consolidated financial statements because they are not assets of the Company.

Investment securities

Investment securities purchased and held primarily for resale in the near future are classified as trading. Trading securities are carried at fair value with unrealized gains and losses included in earnings. Debt securities the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. Debt and equity securities not classified as either held-to-maturity or trading are classified as available-for-sale. Investments classified as available-for-sale are carried at fair value with unrealized gains and losses net of tax and reclassification adjustment reported as a net amount in other comprehensive income. The specific identification method is used to determine realized gains and losses on sales of securities available-for-sale. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Restricted equity securities

Restricted equity securities are comprised of Federal Reserve Bank stock and Federal Home Loan Bank stock. These securities are carried at cost. As a member of the Federal Reserve Bank (FRB), the Company is required to invest in FRB stock in an amount equal to 3% of Community National Bank's capital stock and surplus.

As a member of the Federal Home Loan Bank, the Company is required to invest in $100 par value stock of the Federal Home Loan Bank. The stock is nonmarketable, and when redeemed, the Company would receive from the Federal Home Loan Bank an amount equal to the par value of the stock.

Loans held for sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. All sales are made without recourse. Net unrealized losses are recognized through a valuation allowance by charges to income.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

Loan interest income is accrued daily on the outstanding balances. The accrual of interest is discontinued when a loan is specifically determined to be impaired or management believes, after considering collection efforts and other factors, that the borrower's financial condition is such that collection of interest is doubtful. Any unpaid interest previously accrued on those loans is reversed from income. Interest income is generally not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are generally applied as a reduction of the loan principal balance. Interest income on other nonaccrual loans is recognized only to the extent of interest payments received.

Loan origination and commitment fees and certain direct loan origination costs are being deferred and the net amount amortized as an adjustment of the related loan's yield. The Company is generally amortizing these amounts over the contractual life.

Allowance for loan losses

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's periodic evaluation of the collectibility of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, and economic conditions. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries.

Bank premises and equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally by the straight-line method over their estimated useful lives. The cost of assets sold or otherwise disposed of, and the related allowance for depreciation, is eliminated from the accounts and the resulting gains or losses are reflected in the income statement. Maintenance and repairs are charged to current expense as incurred and the cost of major renewals and betterments are capitalized.

Other real estate owned

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the lower of the Company's carrying amount or fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Note 1. Significant Accounting Policies (Continued)

Income taxes

The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for the temporary differences between the accounting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. Adjustments to the Company's deferred tax assets are recognized as deferred income tax expense or benefit based on management's judgments relating to the realizability of such asset.

Foreign currency transactions

Foreign currency (principally Canadian) amounts are translated to U.S. dollars. The U.S. dollar is the functional currency and therefore translation adjustments are recognized in income. Total translation adjustments, including adjustments on foreign currency transactions, are immaterial.

Mortgage servicing

Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying the rights by predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

Pension costs

Pension costs are charged to salaries and employee benefits expense and are funded as accrued.

Advertising costs

The Company expenses advertising costs as incurred.

Comprehensive income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

The components of other comprehensive income and related tax effects at December 31 are as follows:

	2001	2000	1999
Change in unrealized holding (losses) gains			
on available-for-sale securities	($ 95,798)	$358,143	($731,001)
Reclassification adjustment for gains (losses)			
realized in income	170,899	(18,782)	-0-
Net unrealized gains (losses)	75,101	339,361	(731,001)
Tax effect	(25,534)	(115,383)	248,540
Net of tax amount	$ 49,567	$223,978	($482,461)

Earnings per common share

Earnings per common share amounts are computed based on the weighted average number of shares of common stock outstanding during the period (retroactively adjusted for stock splits and stock dividends) and reduced for shares held in treasury. The assumed conversion of subordinated debentures does not result in material dilution.

Off-balance-sheet financial instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

Fair values of financial instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the balance sheet for cash and cash equivalents approximate those assets' fair values.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Restricted equity securities: The carrying amounts of these securities approximate their fair values.

Loans and loans held for sale: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for other loans (for example, fixed rate residential, commercial real estate, and rental property mortgage loans, and commercial and industrial loans) are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. The carrying amounts reported in the balance sheet for loans that are held for sale approximate their market values. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Deposits and borrowed funds: The fair values disclosed for demand deposits (for example, checking and savings accounts) are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair values for certificates of deposit and debt are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates and debt to a schedule of aggregated contractual maturities on such time deposits and debt.

Short-term borrowings: The carrying amounts reported in the balance sheets for federal funds purchased approximate their fair values. These borrowings are short-term and due on demand.

Other liabilities: Commitments to extend credit were evaluated and fair value was estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates.

Accrued interest: The carrying amounts of accrued interest approximates their fair values.

Transfers of financial assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the

Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Recent accounting pronouncements

The FASB issued Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by FAS Nos. 137 and 138, which became effective for years beginning after June 15, 2000. This Statement establishes new accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those derivatives at fair value. The accounting for the gains or losses resulting in the changes of value of those derivatives will depend on the intended use of the derivatives and whether it qualifies for hedge accounting.

Concurrent with the adoption of the Statement and as permitted by its provisions, on March 27, 2001, debt securities classified as held-to-maturity with a carrying value of $7,043,461 and fair value of $7,127,400 were reclassified as securities available-for-sale. As of December 31, 2001, some of these securities have been sold with resulting realized net gains of $80,864 included in the income statement caption "Security gains and (losses)".

In 2001, the FASB issued Statement No. 142, *Goodwill and Other Intangible Assets*, which is effective for fiscal years beginning after December 15, 2001. This Statement establishes guidelines on how intangible assets that are acquired individually or with a group of other assets (other than those acquired in a business combination) are accounted for in financial statements. Goodwill and intangible assets that have indefinite lives will not be amortized but rather will be evaluated at least annually for impairment by comparing the fair value of those assets with their recorded amounts. Management is currently evaluating the impact of this statement on the Company's financial statements but does not anticipate a material impact. Unamortized goodwill amounted to $251,286 as of December 31, 2001 (see Note 21).

Reclassification

Certain amounts in the 2000 and 1999 financial statements have been reclassified to conform to the current year presentation.

Note 2. Investment Securities

Securities available-for-sale (AFS) and held-to-maturity (HTM) consist of the following:

Securities AFS	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
December 31, 2001				
U. S. Government and agency securities	$23,129,935	$ 276,095	$ 142,818	$23,263,212
Corporate debt securities	9,343,488	32,424	125,612	9,250,300
	$32,473,423	$ 308,519	$ 268,430	$32,513,512
December 31, 2000				
U. S. Government and agency securities	$19,180,950	$ 1,606	$ 36,618	$19,145,938
	$19,180,950	$ 1,606	$ 36,618	$19,145,938
Securities HTM				
December 31, 2001				
U. S. Government and agency securities	$19,087,603	$ 504,798	$ 181,601	$19,410,800
States and political subdivisions	21,556,878	-0-	-0-	21,556,878
	$40,644,481	$ 504,798	$ 181,601	$40,967,678
December 31, 2000				
U. S. Government and agency securities	$28,676,667	$ 373,580	$ 104,123	$28,946,124
States and political subdivisions	13,520,463	-0-	-0-	13,520,463
	$42,197,130	$ 373,580	$ 104,123	$42,466,587

Investment securities with a carrying amount of $34,207,566 and $28,021,023 and a fair value of $34,740,513 and $28,296,137 at December 31, 2001 and 2000, respectively, were pledged as collateral on public deposits and for other purposes as required or permitted by law.

Proceeds from the sale of securities available-for-sale amounted to $13,147,578 in 2001, $9,987,892 in 2000, and $-0- in 1999. Realized gains from sales of investments available-for-sale were $120,190 in 2001, $1,391 in 2000, and $-0- in 1999. Realized losses were $783 in 2001, $20,173 in 2000, and $-0- in 1999. Realized gains of $51,492 were recognized in 2001 on securities held-to-maturity due to call features exercised prior to maturity on certain debt securities.

The carrying amount and estimated fair value of securities by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The scheduled maturities of securities available-for-sale at December 31, 2001 were as follows:

	Amortized Cost	Fair Value
Due in one year or less	$13,056,545	$13,287,912
Due from one to five years	11,314,559	11,176,700
Due from five to ten years	8,102,319	8,048,900
	$32,473,423	$32,513,512

The maturities of securities held-to-maturity at December 31, 2001 were as follows:

	Amortized Cost	Fair Value
Due in one year or less	$20,534,034	$20,565,335
Due from one to five years	5,160,956	5,106,556
Due from five to ten years	13,833,593	14,179,889
Due after ten years	1,115,898	1,115,898
	$40,644,481	$40,967,678

Note 2. Investment Securities (Continued)

Included in the caption "States and Political Subdivisions" are securities of local municipalities carried at $21,530,221 and $13,459,837 at December 31, 2001 and 2000, respectively, which are attributable to private financing transactions arranged by the Company. There is no established trading market for these securities and, accordingly, the carrying amount of these securities has been reflected as their fair value. The Company anticipates no losses on these securities and expects to hold them until their maturity.

Note 3. Loans

The composition of net loans at December 31 is as follows:

	2001	2000
Commercial	$ 13,771,308	$ 14,635,161
Real estate - Construction	3,365,082	1,021,113
Real estate - Mortgage	148,689,042	138,771,429
Installment and other	24,216,949	22,387,705
	190,042,381	176,815,408
Deduct:		
Allowance for loan losses	2,007,408	1,796,810
Unearned net loan fees	951,194	950,937
	2,958,602	2,747,747
	$187,083,779	$174,067,661

Total unamortized premiums on purchased loans totaled $66,979 and $71,082 at December 31, 2001 and 2000, respectively, and are included in the "Installment and other" caption.

Commercial and mortgage loans serviced for others are not included in the accompanying balance sheets. The unpaid principal balances of commercial and mortgage loans serviced for others were $57,675,883, $51,351,638, and $50,638,724 at December 31, 2001, 2000, and 1999, respectively. Mortgage servicing rights of $89,913, $25,672, and $77,926 were capitalized in 2001, 2000, and 1999, respectively. Amortization of mortgage servicing rights was $69,381, $48,564, and $46,762 in 2001, 2000, and 1999, respectively.

The total recorded investment in impaired loans as determined in accordance with FASB Statements No. 114 and No. 118 approximated $334,157 and $399,450 at December 31, 2001 and 2000, respectively. These loans were subject to allowances for loan losses of approximately $16,429 and $8,732 which represented the total allowance for loan losses related to impaired loans at December 31, 2001 and 2000, respectively. The average recorded investment in impaired loans amounted to approximately $277,551, $470,107, and $895,365 for the years ended December 31, 2001, 2000, and 1999, respectively. Cash receipts on impaired loans amounted to $185,404, $151,110, and $444,327 in 2001, 2000, and 1999, respectively, of which $185,404, $125,268, and $384,860 were applied to the principal balances of the loans.

Note 3. Loans (Continued)

In addition, the Company had other nonaccrual loans of approximately $1,237,102 and $1,015,433 at December 31, 2001 and 2000, respectively, for which impairment had not been recognized. If interest on these loans had been recognized at the original interest rates, interest income would have increased approximately $150,720, $117,954, and $102,900 for the years ended December 31, 2001, 2000, and 1999, respectively.

The Company is not committed to lend additional funds to debtors with impaired, nonaccrual or modified loans.

Note 4. Allowance for Loan Losses

Changes in the allowance for loan losses for the years ended December 31 are as follows:

	2001	2000	1999
Balance, beginning	$1,796,810	$1,714,763	$1,658,967
Provision for loan losses	410,000	384,000	497,000
Recoveries of Amounts Charged off	138,820	136,422	108,004
	2,345,630	2,235,185	2,263,971
Amounts charged off	(338,222)	(438,375)	(549,208)
Balance, ending	$2,007,408	$1,796,810	$1,714,763

Note 5. Bank Premises and Equipment

The major classes of bank premises and equipment and accumulated depreciation at December 31 are as follows:

	2001	2000
Land	$ 100,612	$ 80,747
Buildings and improvements	3,795,496	3,794,658
Furniture and equipment	5,878,101	5,453,261
Leasehold improvements	697,516	418,916
	10,471,725	9,747,582
Less accumulated depreciation	(5,604,312)	(5,053,648)
	$ 4,867,413	$ 4,693,934

Depreciation included in occupancy and equipment expense amounted to $566,018, $576,642, and $493,979 for the years ended December 31, 2001, 2000, and 1999, respectively.

The Company occupies leased quarters at five branch office locations under operating leases expiring in various years through 2013 with options to renew.

Note 5. Bank Premises and Equipment (Continued)

Minimum future rental payments under non-cancelable operating leases having original terms in excess of one year as of December 31, 2001 for each of the next five years and in aggregate are:

2002	$130,753
2003	131,882
2004	133,045
2005	110,189
2006	60,368
Subsequent to 2006	280,409
	$846,646

Total rental expense amounted to $139,307, $102,327, and $150,865 for the years ended December 31, 2001, 2000, and 1999, respectively.

Note 6. Other Real Estate Owned

A summary of foreclosed real estate at December 31 is as follows:

	2001	2000
Other real estate owned	$ 60,000	$464,129
Less allowance for losses on OREO	-0-	(263,006)
Other real estate owned, net	$ 60,000	$201,123

Changes in the allowance for losses on OREO for the years ended December 31 were as follows:

	2001	2000	1999
Balance, beginning	$263,006	$251,546	$251,546
Provision for losses	44,824	23,343	19,590
Charge-offs, net	(307,830)	(11,883)	(19,590)
Balance, ending	$ -0-	$263,006	$251,546

Note 7. Investments Carried at Equity

The Company purchased various partnership interests in limited partnerships. These partnerships were established to acquire, own and rent residential housing for low and moderate income Vermonters located in northeastern Vermont. The investments are accounted for under the equity method of accounting. These equity investments, which are included in other assets, are recorded at cost and adjusted for the Company's proportionate share of the partnership's undistributed earnings or losses. The carrying values of these investments were $905,618 and $601,454 at December 31, 2001 and 2000, respectively. The provision for undistributed net losses of the partnerships charged to earnings were $127,758, $86,141, and $28,992 for 2001, 2000, and 1999, respectively.

Note 8. Deposits

The following is a maturity distribution of time certificates of deposit at December 31, 2001:

Maturing in 2002	$67,109,123
Maturing in 2003	10,082,664
Maturing in 2004	12,577,646
Maturing in 2005	479,718
Maturing in 2006 and thereafter	7,256,250
	$97,505,401

A maturity distribution of time certificates of deposit in denominations of $100,000 or more at December 31, 2001 is as follows:

Three months or less	$ 1,234,824
Over three months through six months	6,105,449
Over six months through twelve months	5,288,945
Over twelve months	5,388,632
	$18,017,850

Note 9. Borrowed Funds

Borrowings from the Federal Home Loan Bank of Boston (FHLB) for the years ended December 31 were as follows:

	2001	2000
FHLB term borrowing, 4.78% fixed rate, Payable, January 18, 2011	$5,000,000	$ -0-
FHLB term borrowing, 6.69% fixed rate, Payable March 1, 2001	-0-	5,000,000
Community Investment Program borrowings, Fixed rate (vary 7.16% to 7.67%), payable Payable at various maturities Through November, 2012	55,000	55,000
	$5,055,000	$5,055,000

Principal maturities of borrowed funds as of December 31, 2001 are as follows:

2002	$ 15,000
2003	-0-
2004	-0-
2005	-0-
2006	-0-

Thereafter	5,040,000
	$5,055,000

Note 9. Borrowed Funds (Continued)

The Company also maintains a $4,301,000 IDEAL Way Line of Credit with the Federal Home Loan Bank of Boston. Outstanding advances under this line were $-0- and $537,000 at December 31, 2001 and 2000, respectively. Interest on these borrowings is chargeable at a rate determined daily by the Federal Home Loan Bank and payable monthly.

Collateral on these borrowings consists of all funds placed in deposit with the Federal Home Loan Bank, qualified first mortgages held by the Company, and any additional holdings which may be pledged as security.

The Bank also maintains a line of credit with Fleet Bank for the purchase of overnight Federal Funds. As of December 31, 2001, the total amount of this line approximated $2,000,000 with outstanding borrowings of $-0-. Interest on this borrowing is chargeable at the Federal Funds rate at the time of the borrowing and payable daily.

Under a separate agreement, the Bank has the authority to collateralize public unit deposits, up to their borrowing capacity, with letters of credit issued by the Federal Home Loan Bank. As of December 31, 2001, the Bank's potential borrowing capacity is approximately $103 million, reduced by outstanding advances. At December 31, 2001, $8,965,000 was pledged as collateral for these deposits. Interest is charged to the Bank quarterly based on the average daily balance outstanding at a rate of 20 basis points.

Note 10. Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase amounted to $19,833,510 and $14,371,538 as of December 31, 2001 and 2000, respectively. These agreements are collateralized by U. S. government and agency securities and U. S. Treasury notes with a carrying value of $28,206,581 and $21,998,106 and a fair value of $28,567,613 and $22,227,651 at December 31, 2001 and 2000, respectively. These securities pay interest at rates between 3.65 % and 7.76% and mature at varying dates through 2011.

The average daily balance of these repurchase agreements approximated $15,888,258 and $9,956,407 during 2001 and 2000, respectively. The maximum borrowings outstanding on these agreements at any month-end reporting period of the Bank were $23,287,776 and $19,754,560 in 2001 and 2000, respectively. These repurchase agreements mature daily and carry interest rates ranging from 2.26% to 3.26%. The securities underlying these agreements are held in safekeeping by the Institution.

Note 11. Subordinated Debentures

On September 1, 1984, the Company issued $750,000 of 11% convertible debentures due August 1, 2004. The notes are subordinated to all other indebtedness of the Company. At December 31, 2001 and 2000, $1,000 and $20,000, respectively, remained outstanding.

These debentures are convertible prior to maturity in whole or in part, at the option of the holder, into common stock of the Company at a conversion price of $2.23 per share.

The debentures are redeemable, in whole or in any part, at the option of the Company at any time after July 31, 1996, and prior to maturity, on not less than 30 days prior notice to holders. The redemption price shall be equal to the percentage set forth below:

August 1, 2000 - July 31, 2002	102%
August 1, 2002 - July 31, 2004	101%

Note 12. Income Taxes

The Company prepares its federal income tax return on a consolidated basis (see Note 1). Federal income taxes are allocated to members of the consolidated group based on taxable income.

Federal income tax expense for the years ended December 31 was as follows:

	2001	2000	1999
Currently paid or payable	$ 873,967	$ 802,079	$ 765,413
Deferred	1,509	(26,119)	21,068
	$ 875,476	$ 775,960	$ 786,481

Total income tax expense differed from the amounts computed at the statutory federal income tax rate of 34 percent primarily due to the following at December 31:

	2001	2000	1999
Computed "expected tax expense	$1,248,922	$1,087,449	$1,061,085
Tax exempt interest	(252,470)	(270,988)	(207,439)

Disallowed interest	35,124	40,229	30,736
Partnership tax credits	(169,990)	(93,169)	(109,749)
Other	13,890	12,439	11,848
	$ 875,476	$ 775,960	$ 786,481

Note 12. Income Taxes (Continued)

The deferred income tax provision consisted of the following items for the years ended December 31:

	2001	2000	1999
Depreciation	$ 27,406	$ 4,026	($ 23,241)
Loan fees	27,143	14,573	25,175
Mortgage servicing	6,981	(7,783)	10,579
Deferred compensation	(36,429)	(45,489)	(42,985)
Bad debts	(66,398)	(19,629)	4,566
Limited partnerships	77,312	32,649	47,344
Nonaccrual loan interest	(12,020)	9,680	(11,660)
OREO	89,422	(3,896)	-0-
Other	(111,908)	(10,250)	11,290
	$ 1,509	($ 26,119)	$ 21,068

Listed below are the significant components of the net deferred tax asset at December 31:

	2001	2000
Components of the deferred tax asset:		
Bad debts	$508,343	$441,945
Unearned loan fees	35,563	62,706
Nonaccrual loan interest	137,662	125,642
OREO writedowns	-0-	89,422
Deferred compensation	199,635	163,206
Other	49,257	23,156
Unrealized loss on securities available-for-sale	-0-	11,904
Total deferred tax asset	930,460	917,981
Valuation allowance	-0-	-0-
Total deferred tax asset, net of valuation allowance	930,460	917,981
Components of the deferred tax liability:		
Depreciation	165,419	138,013
Limited partnerships	281,511	204,199
Mortgage servicing right	73,377	66,396
Unrealized gain on securities available-for-sale	13,630	-0-
Total deferred tax liability	533,937	408,608
Net deferred tax asset	$396,523	$509,373

FASB Statement No. 109 allows for recognition and measurement of deductible temporary differences (including general valuation allowances) to the extent that it is more likely than not that the deferred tax asset will be realized.

Net deferred tax assets are included in the caption "Other assets" on the balance sheets at December 31, 2001 and 2000, respectively.

Note 13. Pension Plan

The Company has a discretionary defined contribution plan covering all employees who meet certain age and service requirements. Due to the nature of the plan, defined contribution, there is no unfunded past service liability. The provisions for pension expense were $285,105, $284,596, and $280,650 for 2001, 2000, and 1999, respectively.

Note 14. Financial Instruments with Off-Balance-Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees, interest rate caps and floors written on adjustable rate loans, and commitments to sell loans. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. For interest rate caps and floors written on adjustable rate loans, the contract or notional amounts do not represent exposure to credit loss. The Company controls the credit risk of their interest rate cap agreements through credit approvals, limits, and monitoring procedures.

The Company generally requires collateral or other security to support financial instruments with credit risk.

	Contract or ----Notional Amount----	
	2001	2000
Financial instruments whose contract amount represent credit risk:		
Commitments to extend credit	$19,495,158	$16,600,962
Standby letters of credit and commercial letters of credit	$ 65,000	$ 51,362
Credit card arrangements	$ 6,585,013	$ 6,071,739

Note 14. Financial Instruments with Off-Balance-Sheet Risk (Continued)

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the counter-party. Collateral held varies but may include real estate, accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit and financial guarantees written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

The Company enters into a variety of interest rate contracts, including interest rate caps and floors written on adjustable rate loans in managing its interest rate exposure. Interest rate caps and floors on loans written by the Company enable customers to transfer, modify, or reduce their interest rate risk.

Note 15. Commitments and Contingencies

The Company has entered into an agreement to invest in a limited liability company which will offer trust and brokerage services. The initial investment is anticipated to be $530,000, which will purchase one third ownership in the limited liability company. The Company has also entered into an agreement to sell its Trust Department and related services to this limited liability company and anticipates a gain on this transaction of approximately $567,000 ($374,000 net of tax) to be recognized in 2002.

In the normal course of business, the Company is involved in various claims and legal proceedings. In the opinion of the Company's management, after consulting with the Company's legal counsel, any liabilities resulting from such proceedings would not have a material adverse effect on the Company's financial statements.

Note 16. Transactions with Related Parties

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties), all of which have been, in the opinion of management, on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others.

Aggregate loan transactions with related parties as of December 31 were as follows:

	2001	2000
Balance, beginning	$415,665	$396,339
New loans	607,501	335,386
Repayments	(391,702)	(316,060)

Balance, ending	$631,464	$415,665

Total deposits with related parties approximated $815,015 and $745,476 at December 31, 2001 and 2000, respectively.

Note 17. Deferred Compensation Plans

The Company has a deferred compensation and retirement program for directors and key employees of the Company. These employees and directors are general creditors of the Company with respect to these benefits. The benefits accrued under these plans aggregated $588,732 and $480,016 at December 31, 2001 and 2000, respectively. The expense associated with these deferred compensation plans was $120,415, $142,093, and $131,426 for the years ended December 31, 2001, 2000, and 1999, respectively.

Note 18. Restrictions on Cash and Due From Banks

The Company is required to maintain reserve balances in cash with Federal Reserve Banks. The totals of those reserve balances were approximately $1,755,000 and $1,052,000 at December 31, 2001 and 2000, respectively.

The nature of the Bank's business requires that it maintain amounts due from banks which, at times, may exceed federally insured limits. The balance in these accounts at December 31 is as follows:

	2001	2000
Noninterest-bearing accounts	$ 678,132	$ 408,026
Federal Reserve Bank	5,781,998	4,365,530
Federal funds sold	6,019,178	-0-

No losses have been experienced in these accounts. In addition, the Company was required to maintain contracted clearing balances of $275,000 at December 31, 2001 and 2000.

Note 19. Regulatory Matters

The Bank (Community National Bank) is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2001, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2001, the most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios (000's omitted) are also presented in the table.

			Minimum For Capital Adequacy Purposes:		**Minimum To be Well Capitalized Under Prompt Corrective Action Provisions:**	
	Amount	**Actual Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2001:						
Total capital (to risk weighted assets)	$23,975	15.59%	$12,305	8.0%	$15,381	10.0%
Tier I capital (to risk weighted assets)	$22,051	14.34%	$ 6,153	4.0%	$ 9,229	6.0%
Tier I capital (to average assets)	$22,051	7.92%	$11,133	4.0%	$13,916	5.0%
As of December 31, 2000:						
Total capital (to risk weighted assets)	$22,513	17.08%	$10,543	8.0%	$13,178	10.0%

Tier I capital (to risk weighted assets)	$20,864	15.83%	$ 5,272	4.0%	$ 7,907	6.0%
Tier I capital (to average assets)	$20,864	8.06%	$10,359	4.0%	$12,949	5.0%

The Bank is restricted as to the amount of dividends which can be paid. Dividends declared by national banks that exceed net income for the current and preceding two years must be approved by the OCC. Regardless of formal regulatory restrictions, the Bank may not pay dividends that would result in its capital levels being reduced below the minimum requirements shown above.

Note 20. Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments are as follows:

	December 31, 2001	
	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	$ 14,700,415	$ 14,700,415
Securities held-to-maturity	40,644,481	40,967,678
Securities available-for-sale	32,513,512	32,513,512
Restricted equity securities	1,224,650	1,224,650
Loans and loans held-for-sale, net	190,197,245	191,561,882
Accrued interest receivable	1,744,133	1,744,133
Financial liabilities:		
Deposits	238,069,533	239,548,863
Repurchase agreements	19,833,510	19,833,510
Borrowed funds	5,056,000	4,605,000
Accrued interest payable	252,431	252,431

	December 31, 2000	
	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	$ 6,110,527	$ 6,110,527
Securities held-to-maturity	42,197,130	42,466,587
Securities available-for-sale	19,145,938	19,145,938
Restricted equity securities	1,141,650	1,141,650
Loans and loans held-for-sale, net	174,778,652	173,969,010
Accrued interest receivable	1,929,495	1,929,495
Financial liabilities:		
Deposits	208,384,530	208,910,182
Repurchase agreements	14,371,538	14,371,538
Borrowed funds	5,612,000	5,612,000
Accrued interest payable	394,138	394,138

The estimated fair values of deferred fees on commitments to extend credit and letters of credit were immaterial at December 31, 2001 and 2000.

The carrying amounts in the preceding table are included in the balance sheet under the applicable captions, except for borrowed funds which consist of long-term debt and subordinated debentures.

Note 21. Intangibles

Pursuant to the Company's purchase of 100% of the stock of Liberty Savings Bank, a New Hampshire guaranty savings bank, the excess of the purchase price paid over the assets acquired is being amortized on a straight-line basis over 15 years. Unamortized goodwill amounted to $251,286 and $274,130 as of December 31, 2001 and 2000, respectively, and is included in "Other Assets" on the balance sheet. Amortization expense was $22,844 for the years ended December 31, 2001, 2000, and 1999.

Note 22. Condensed financial Information (Parent Company Only)

The following financial statements are for Community Bancorp. (Parent Company Only), and should be read in conjunction with the consolidated financial statements of Community Bancorp. and Subsidiaries.

COMMUNITY BANCORP. (PARENT COMPANY ONLY)
CONDENSED BALANCE SHEETS
DECEMBER 31, 2001 and 2000

ASSETS	2001	2000
Cash	$ 4,895	$ 334,696
Investment in Subsidiary - Community National Bank	22,099,537	20,860,217
Investment in Subsidiary - Liberty Savings Bank	1,889,083	1,860,860
Other assets	37,169	31,690
Total assets	$24,030,684	$23,087,463
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Other liabilities	$ 13,800	$ 367
Dividends payable	569,058	536,926
Subordinated convertible debentures	1,000	20,000
Total liabilities	583,858	557,293
Stockholders' equity		
Common stock, $2.50 par value;6,000,000 share authorized, 3,706,674 shares issued at December 31, 2001 and 3,478,561 shares issued at December 31, 2000	9,266,686	8,696,402
Additional paid-in capital	13,412,012	11,515,514
Retained earnings (Note 19)	2,459,827	3,731,098
Accumulated other comprehensive income (loss)	26,459	(23,108)
Less treasury stock, at cost (2001 - 150,065 shares; 2000 - 122,777 shares)	(1,718,158)	(1,389,736)
Total stockholders' equity	23,446,826	22,530,170
Total liabilities and stockholders' equity	$24,030,684	$23,087,463

The investment in the subsidiary banks is carried under the equity method of accounting. The investment and cash, which is on deposit with the Bank, has been eliminated in consolidation.

COMMUNITY BANCORP. (PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF INCOME
Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Revenues			
Dividends			
Bank subsidiary - Community National Bank	$1,652,000	$2,653,000	$ 942,200
Total revenues	1,652,000	2,653,000	942,200
Expenses			
Interest on long-term debt	706	2,200	2,200
Administrative and other	108,614	91,007	49,560
Total expenses	109,320	93,207	51,760
Income before applicable income tax and equity in undistributed net income of subsidiaries	1,542,680	2,559,793	890,440
Applicable income tax (benefit)	(37,169)	(31,690)	(17,599)
Income before equity (deficit) in undistributed net income of subsidiaries	1,579,849	2,591,483	908,039
Equity (deficit) in undistributed net income - Subsidiaries	1,217,976	(169,062)	1,426,319

Net income	$2,797,825	$2,422,421	$2,334,358

Note 22. Condensed Financial Information (Parent Company Only) (Continued)

COMMUNITY BANCORP. (PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$2,797,825	$2,422,421	$2,334,358
Adjustments to reconcile net income to net cash provided by operating activities			
(Equity) deficit in undistributed net income of subsidiaries	(1,217,976)	169,062	(1,426,319)
(Increase) decrease in income taxes receivable	(5,479)	(14,091)	5,890
Increase in other liabilities	13,433	-0-	-0-
Net cash provided by operating activities	1,587,803	2,577,392	913,929
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of treasury stock	(328,422)	(941,515)	(2,840)
Debentures redeemed for cash	(12,000)	-0-	-0-
Dividends paid	(1,577,182)	(1,356,303)	(1,132,601)
Net cash used for financing activities	(1,917,604)	(2,297,818)	(1,135,441)
Net (decrease) increase in cash	(329,801)	279,574	(221,512)
Cash			
Beginning	334,696	55,122	276,634
Ending	$ 4,895	$ 334,696	$ 55,122
SUPPLEMENTAL SCHEDULE OF CASH PAID (RECEIVED) DURING THE YEAR			
Interest	$ 1,073	$ 2,200	$ 2,200
Income taxes	($ 31,690)	($ 17,599)	($ 23,489)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Unrealized gain (loss) on securities available-for-sale	$ 75,101	$ 339,361	($ 731,001)
Debentures			
Decrease in subordinated debentures payable	$ 19,000	$ -0-	$ -0-
Debentures converted to common stock	(7,000)	-0-	-0-
Debentures redeemed for cash	$ 12,000	$ -0-	$ -0-
Stock dividends	$1,803,162	$ -0-	$1,851,338
Dividends paid			
Dividends declared	$2,265,934	$2,154,289	$2,624,150
(Increase) decrease in dividends payable	(32,132)	435	(537,361)
Dividends reinvested	(656,620)	(798,421)	(954,188)
	$1,577,182	$1,356,303	$1,132,601

Note 23. Quarterly Financial Data (Unaudited)

A summary of financial data for the four quarters of 2001, 2000, and 1999 is presented below:

COMMUNITY BANCORP. AND SUBSIDIARIES

	Quarters in 2001 ended			
	March 31,	June 30,	Sept. 30,	Dec. 31,
Interest income	$4,769,266	$4,750,476	$4,733,901	$4,790,609
Interest expense	2,367,798	2,220,408	2,085,309	1,912,955
Provision for loan losses	90,000	90,000	60,000	170,000
Securities gains (loss)	29,644	124,795	10,095	6,365
Other operating expenses	2,190,350	2,241,075	2,276,735	2,010,372
Net income	488,917	640,976	654,867	1,013,065
Earnings per common share	0.14	0.18	0.18	0.29

	Quarters in 2000 ended			
	March 31,	June 30,	Sept. 30,	Dec. 31,
Interest income	$4,177,223	$4,457,402	$4,814,499	$4,985,646
Interest expense	1,830,627	2,012,649	2,394,506	2,551,352
Provision for loan losses	162,000	96,000	63,000	63,000
Securities gains (loss)	(11,507)	-0-	(7,275)	-0-
Other operating expenses	2,008,774	1,971,934	1,976,764	1,970,965
Net income	433,625	648,664	632,348	707,784
Earnings per common share	0.12	0.18	0.18	0.20

	Quarters in 1999 ended			
	March 31,	June 30,	Sept. 30,	Dec. 31,
Interest income	$4,050,380	$4,203,280	$4,247,655	$4,221,476
Interest expense	1,872,028	1,889,484	1,897,260	1,875,768
Provision for loan losses	150,000	150,000	115,000	82,000
Securities gains (loss)	-0-	-0-	-0-	-0-
Other operating expenses	1,847,475	1,828,715	1,826,272	1,827,313
Net income	410,797	566,489	603,906	753,166
Earnings per common share	0.12	0.16	0.17	0.22

Note 24. Other Income and Other Expenses

The components of other income and other expenses which are in excess of one percent of total revenues in any of the three years disclosed are as follows:

	2001	2000	1999
Income			
Other	$ 812,539	$ 712,846	$ 808,014
Expenses			
Printing and supplies	$ 235,160	$ 216,966	$ 204,707
State deposit tax	228,400	243,333	230,000
Other	2,511,708	2,206,601	1,979,208
	$2,975,268	$2,666,900	$2,413,915

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
THE RESULTS OF OPERATIONS

For the Year Ended December 31, 2001

Community Bancorp. is a holding company whose subsidiaries include Community National Bank ("The Bank") and Liberty Savings Bank ("Liberty"). Community National Bank is a full service institution operating in the state of Vermont. On May 29, 2001, Community National Bank expanded its servicing area by opening a branch office in Montpelier, Vermont. This office operates as a full service institution, serving the Barre-Montpelier area. This brings the total number of branch offices to eight, serving four counties in northern and central Vermont. This office has performed better than anticipated with average deposits totaling $2.5 million and average loans reported at $5.9 million as of December 31, 2001. The Bank also leases space in Barre for a trust office to serve the needs of clients in that area. Liberty Savings Bank is a New Hampshire guaranty savings bank acquired by Community Bancorp. on December 31, 1997. Presently, this bank is inactive, and shares the mailing address of Community Bancorp.

In a recent press release, the Company announced plans to establish a new trust and investment company to be known as Community Financial Services Group. This new venture is formed jointly with the National Bank of Middlebury in Vermont and Woodsville Guaranty Savings Bank in New Hampshire. Each institution will house an office staffed with full-time professional advisors offering trust, investment management, estate, tax and retirement planning services to individuals, non-profits and businesses. Subject to regulatory approval, the business will be fully operational during the first quarter of 2002. The Company anticipates recognition of a gain on this transaction of approximately $567,000 ($374,000 net of tax), resulting from the sale of the Company's trust operations to the new entity.

Most of the Bancorp's business is conducted through the Community National Bank; therefore, the following narrative is based primarily on this Bank's operations. The financial information disclosed in various spreadsheets in this section are consolidated figures for Community Bancorp. and subsidiaries.

RESULTS OF OPERATION

The calendar year of 2001 ended with a 15.5% increase in earnings over the calendar year of 2000, and almost 20% over the calendar year of 1999. Total earnings of $2.8 million were reported for 2001 compared to $2.4 million in 2000, and $2.3 million for 1999. The results of these figures are earnings per share of $0.79, $0.68, and $0.67, respectively. A cash dividend of $0.16 per share was paid in each of the four quarters of 2001 with the most recent paid on November 1, 2001 to shareholders of record as of October 15, 2001. These dividends of $0.16 per share for the quarter and $0.64 for the year are equal to the cash dividends paid in 2000 and 1999. A 5% stock dividend was declared in 2001, payable on February 1, 2001 to shareholders of record as of January 16, 2001. As a result of this stock dividend, all per share data for the previous years have been restated.

INTEREST INCOME VERSUS INTEREST EXPENSE

(NET INTEREST INCOME)

Net interest income represents the difference between interest earned on loans and investments versus the interest paid on deposits and other sources of funds (i.e. other borrowings). Changes in net interest income result from changes in the level and mix of earning assets, and sources of funds (volume) and from changes in the yield earned and costs paid (rate). Table A and B at the end of this narrative provides a visual analysis for the comparison of interest income versus interest expense. These figures, which include earnings on tax-exempt investment securities, are stated on a tax equivalent basis with an assumed rate of 34%.

Net interest income was $10.8 million, $10.1 million, and $9.5 million, respectively for the years-ended 2001, 2000, and 1999. Net interest spread, the difference between the yield on interest earning assets versus interest bearing liabilities, at the end of 2001 was 3.69% versus 3.58% for 2000 and 3.66% for 1999. Interest differential, defined as net interest income divided by average earning assets, for the years ended 2001, 2000 and 1999, was reported at 4.33%, 4.30%, and 4.32%, respectively.

Interest income increased from $17.04 million for 1999, to $18.85 million for 2000, and then to $19.35 million as of the end of 2001, an increase of 10.6% and 2.7%, respectively. Income from loans accounts for the biggest portion of interest income as well as the biggest increase, reporting $13.04 million for 1999, $14.54 million for 2000, and $15.52 million for 2001, with average yields of 8.71%, 8.80%, and 8.55%, respectively. An increase in the average volume of loans clearly supports the steady increase in interest earned throughout the comparison period.

Interest expense increased from $7.5 million at the end of 1999 to $8.8 million as of year-end 2000, and then decreased to $8.6 million as of December 31, 2001. This translates to an increase of 16.7% for 1999 versus 2000 and a decrease of 2.3% for 2000 versus 2001. Interest expense on time deposits accounts for the biggest portion of interest expense with figures for the comparison period totaling $4.9 million for 1999, $5.0 million for 2000, and $5.2 million for 2001, with average yields of 5.14%, 5.43%, and 5.27%, respectively.

CHANGES IN FINANCIAL CONDITION

The Company had total average assets of $279 million as of December 31, 2001 and $246 million as of December 30, 2000. Average earning assets were reported at $249 million at the end of 2001, including average loans of $182 million and average investment securities of $58 million. Average earning assets of $234 million were reported at the end of 2000, including average loans of $165 million and average investments of $66 million. The decrease in interest rates throughout 2001 contributes to the increase in volume for the loan portfolio.

Average interest-bearing liabilities at December 31, 2001 were almost $210 million, with $99 million in average time deposits and $57 million in average NOW and money market funds. At December 31, 2000, average interest bearing liabilities of $196 million were reported, including average time deposits of $93 million and average NOW and money market funds of $51 million. A new NOW account product, geared toward municipalities, is a contributing factor to the increase in those funds. Although the average volume of time deposits indicates growth, this resulted from a substantial increase in the outstanding balances during the first part of 2001, however as deposit rates declined with the change in prime lending rates, end of year balances on time deposits shows only a moderate increase of approximately $350 thousand over the prior year end.

Repurchase agreements have increased from an average volume of $1.3 million at the end of 1999, to almost $10 million at the end of 2000, and then increased almost $6 million to an average volume of $15.9 million at the end of 2001. These accounts have been well received since they were introduced in 1998, and have been successful in retaining current business customers and attracting new ones.

RISK MANAGEMENT

Liquidity Risk - Liquidity management refers to the ability of the Company to adequately cover fluctuations in assets and liabilities. Meeting loan demand (assets) and covering the withdrawal of deposit funds (liabilities) are two key components of the liquidity management process. The repayment of loans and growth in deposits are two of the major sources of liquidity. Our time deposits greater than $100,000 increased from $17.5 million at the end of 2000, to just over $18 million as of December 31, 2001. Other time deposits decreased from $79.7 million to $79.5 million for the same time period. A review of these deposits indicates that any changes are generated locally and regionally, and by established customers of the Company. The Company has no brokered deposits.

Our gross loan portfolio increased $13.2 million or by 7.5% to end the 2001 calendar year at $190 million compared to $176.8 million a year ago. The Company's portfolio of Available for Sale securities increased $13.5 million in one year, from $19 million to $32.5 million as of year-end 2001. Additionally, as of December 31, 2001, the Company held in its investment portfolio treasuries and agencies classified as Held to Maturity with a book value of $41 million, compared to $42.2 million a year ago. Both of these types of investments mature at monthly intervals as shown on the gap analysis enclosed in this discussion. Securities classified as "Restricted Equity Securities" are made up of equity securities the Company is required to maintain in the form of Federal Home Loan Bank of Boston (FHLB) and Federal Reserve Bank stock. These securities ended the year at a balance of $1.22 million compared to $1.14 million as of December 31, 2000.

The Company has two credit lines with available balances totaling $6.3 million and additional borrowing capacity of approximately $103 million through the Federal Home Loan Bank of Boston, which is secured by the Company's qualifying loan and investment portfolio. As of December 31, 2001, the Company had an advance of just over $5 million against the $103 million line at FHLB. Under a separate agreement, the Bank has the authority to collateralize public unit deposits, up to their borrowing capacity, $103 million less outstanding advances, with letters of credit issued by the Federal Home Loan Bank. At December 31, 2001, approximately $9 million was pledged as collateral for these deposits. Interest is charged to the Bank quarterly based on the average daily balance outstanding at a rate of 20 basis points.

Credit Risk - Management believes that the policies and procedures established for the underwriting of its loan portfolio are both accurate and up-to-date helping to alleviate many of the problems that could exist within the portfolio in a changing environment. Loans are typically reviewed on a loan-by-loan basis with more emphasis placed on larger loans and loans that have the potential for a higher level of risk. These measures also help to ensure the adequacy of the allowance for loan losses. The Executive Officers and Board of Directors perform periodic reviews of the loan portfolio. Among the topics discussed during their review are potential exposures that exist within the loan portfolio. Factors considered include, but are not limited to, historical loss ratios, each borrower's financial condition, the industry or sector of the economy in which the borrower operates, and overall economic conditions. Existing or potential problems are noted and reviewed by senior management to ensure that adequate loan-to-value ratios exist to help cover any cost associated with these loans. The Company employs a full-time loan review and credit administration officer staffed with a department whose duties include, but are not limited to, a review of the loan portfolio including delinquent and non-accrual loans. Also on staff are personnel whose primary duties are to monitor non-performing loans. Included in the duties of this department are the tracking of payments by delinquent loan customers, and management of the Company's OREO portfolio. A quick review of the OREO portfolio, as well as the portfolio of loans past due 90 days or more, shows positive results since this department was established. Results from both departments mentioned are reported to senior management for further review and additional action if necessary.

Specific allocations are made in situations management feels are at a greater risk for loss. A quarterly review of certain qualitative factors, which include "Levels of, and Trends in, Delinquencies and Non-Accruals" and "National and Local Economic Trends and Conditions", helps to ensure that areas with potential risk are noted and coverage adjusted to reflect current trends in delinquencies and non-accruals. First mortgage loans make up the largest part of the loan portfolio and have the lowest historical loss ratio helping to alleviate overall risk.

Allowance for Loan Losses and Provisions - The valuation allowance for loan losses as of December 31, 2001 of $2 million constitutes 1.04% of the total loan portfolio compared to $1.8 million or 1.01% a year ago. In management's opinion, this is both adequate and reasonable in view of the fact that $155 million of the total loan portfolio, or 80.3% consists of real estate mortgage loans. Of this total for 2001, $116.3 million or 60.2% are loans secured by 1-4 family residences. A primary concern of management is to reduce the exposure of credit loss within the portfolio. This volume of home loans, together with the low historic loan loss experience, helps to support our basis for loan loss coverage. Additionally, in management's opinion, a loan portfolio consisting of 80.3% in residential and commercial real estate secured mortgage loans is more stable and less vulnerable than a portfolio with a higher concentration of unsecured commercial and industrial loans or personal loans.

A comparison of non-performing assets for 2001 and 2000 reveals an increase of $23,945 or 1.44% from a figure of $1.67 million to $1.69 million. Non-accruing loans increased $156,375 or by 11%, loans past due 90 days or more increased $8,693 or by 17.2%, while the Company's OREO portfolio decreased $141,123 or by 70%.

Non-performing assets as of December 31, were made up of the following:

	2001	2000
Non-accruing loans	$1,571,258	$1,414,883
Loans past due 90 days or more and still accruing	59,255	50,562
Other real estate owned	60,000	201,123
Total	$1,690,513	$1,666,568

Management continues to monitor the allowance for loan losses very carefully with the reserve currently approximating one percent of total eligible loans. The Northeast Kingdom is known for being on the lower end of the economic scale, and as such sees a direct impact in times of economic uncertainty. In view of this, the Company will always maintain its conservative approach to the review process for reserve requirements and adjust accordingly for any changes.

Management considered the events of September11, 2001, in determining its reserve for loan losses. Although the Company has not endured any hardship from this tragic event, there has been a negative impact to the local economy. In consideration of this qualitative factor, management has decided to increase the provision for loan losses in the first quarter of 2002.

Other Real Estate Owned consists of properties that the Company has acquired in lieu of foreclosure or through normal foreclosure proceedings. The policy of the Company is to value property in other real estate owned at the lesser of appraised value or book value. An appraisal is necessary to determine the value of the property. If the appraised value of the property is less than the book value, a "write-down" is necessary to bring the loan balance to a level equal to the appraised value prior to including it in OREO. Any such write-down is charged to the reserve for loan losses. Once the property is in OREO, any additional write-downs are charged to earnings.

Market Risk and Asset and Liability Management - Market risk is the risk of loss in a financial instrument arising from adverse changes in market prices and rates, foreign currency exchange rates, commodity prices and equity prices. The Company's market risk arises primarily from interest rate risk inherent in its lending and deposit taking activities. To that end, management actively monitors and manages its interest rate risk exposure. The Company does not have any market risk sensitive instruments acquired for trading purposes. The Company attempts to structure its balance sheet to maximize net interest income while controlling its exposure to interest rate risk. The Company's Asset/Liability Committee formulates strategies to manage interest rate risk by evaluating the impact on earnings and capital of such factors as current interest rate forecasts and economic indicators, potential changes in such forecasts and indicators, liquidity, and various business strategies. The Asset/Liability Committee's methods for evaluating interest rate risk include an analysis of the Company's interest rate sensitivity "gap", which provides a static analysis of the maturity and repricing characteristics of the entire balance sheet, and a simulation analysis which calculates projected net interest income based on alternative balance sheet and interest rate scenarios, including "rate shock" scenarios involving immediate substantial increases or decreases in market rates of interest.

Interest Rate Sensitivity "Gap" Analysis - An interest rate sensitivity "gap" is defined as the difference between the interest-earning assets and interest-bearing liabilities maturing or repricing within a given time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income, while a positive gap would tend to result in an increase in net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to affect net interest income adversely. Because different types of assets and liabilities with the same or similar maturities may react differently to changes in overall market interest rates or conditions, changes in interest rates may affect net interest income positively or negatively even if an institution were perfectly matched in each maturity category.

The following tables set forth the estimated maturity or repricing of the Company's interest-earning assets and interest-bearing liabilities at December 31, 2001, and December 31, 2000. The Company prepares its interest rate sensitivity "gap" analysis by scheduling assets and liabilities into periods based upon the next date on which such assets and liabilities could mature or reprice. The amounts of assets and liabilities shown within a particular period were determined in accordance with the contractual term of the assets and liabilities, except that:

Adjustable rate loans and certificates of deposit are included in the period when they are first scheduled to adjust and not in the period in which they mature;

Fixed rate loans reflect scheduled contractual amortization, with no estimated prepayments; and

NOW, money markets, and savings deposits, which do not have contractual maturities, reflect estimated levels of attrition, which are based on detailed studies by the Company of the sensitivity of each such category of deposit, to changes in interest rates.

Management believes that these assumptions approximate actual experience and considers them reasonable. However, the interest rate sensitivity of the Company's assets and liabilities in the tables could vary substantially if different assumptions were used or actual experience differs from the historical experiences on which the assumptions are based.

GAP ANALYSIS

Community Bancorp. & Subsidiaries

December 31, 2001

Dollars in thousands, by repricing date

Cumulative repriced within:	3 Months or less	4 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Interest sensitive assets:						
Federal funds sold	4,800	0	0	0	0	4,800
Overnight deposits	1,219	0	0	0	0	1,219
Investments -						
Available for Sale(1)	3,032	10,256	5,181	5,996	8,049	32,514
Held to Maturity	2,227	18,307	3,458	1,703	14,949	40,644

Restricted equity securities	0	0	0	0	1,225	1,225
Loans(2)	33,333	51,484	44,345	18,306	44,117	191,585
Total interest sensitive assets	44,611	80,047	52,984	26,005	68,340	271,987
Interest sensitive liabilities:						
Certificates of deposit	16,296	58,002	15,574	7,633	0	97,505
Money markets	1,167	31,594	0	0	20,000	52,761
Regular savings	0	5,060	0	0	28,000	33,060
NOW and super NOW accounts	0	0	0	0	24,018	24,018
Borrowed funds	0	15	0	30	5,010	5,055
Repurchase agreements	19,834	0	0	0	0	19,834
Total interest sensitive liabilities	37,297	94,671	15,574	7,663	77,028	232,233
Net interest rate sensitivity gap	7,314	(14,624)	37,410	18,342	(8,688)	
Cumulative net interest rate sensitivity gap	7,314	(7,310)	30,100	48,442	39,754	
Cumulative net interest rate sensitivity gap as a percentage of total assets	2.53%	-2.53%	10.43%	16.78%	13.77%	
Cumulative interest sensitivity gap as a percentage of total interest-earning assets	2.69%	-2.69%	11.07%	17.81%	14.62%	
Cumulative interest earning assets as a percentage of cumulative interest-bearing liabilities	119.61%	94.46%	120.40%	131.21%	117.12%	

(1) The Company may sell investments available for sale with a fair value of $32,513,512 at any time.

(2) Loan totals exclude non-accruing loans amounting to $1,571,258.

GAP ANALYSIS

Community Bancorp. & Subsidiaries

December 31, 2000

Dollars in thousands, by repricing date

Cumulative repriced within:	3 Months or less	4 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Interest sensitive assets:						
Federal funds sold	0	0	0	0	0	0
Overnight deposits	0	0	0	0	0	0
Investments -						
Available for Sale(1)	2,998	6,030	10,118	0	0	19,146
Held to Maturity	2,145	14,395	9,540	3,517	12,599	42,196
Restricted equity securities	0	0	0	0	1,142	1,142
Loans(2)	22,657	51,985	48,031	17,286	36,152	176,111
Total interest sensitive assets	27,800	72,410	67,689	20,803	49,893	238,595
Interest sensitive liabilities:						
Certificates of deposit	15,066	75,095	6,369	626	0	97,156
Money markets	5,340	6,370	0	0	20,000	31,710
Regular savings	0	1,811	0	0	28,000	29,811
NOW and super NOW accounts	0	0	0	0	24,067	24,067
Borrowed funds	5,537	0	15	0	40	5,592
Repurchase agreements	14,372	0	0	0	0	14,372
Subordinated debentures	0	0	0	20	0	20
Total interest sensitive liabilities	40,315	83,276	6,384	646	72,107	202,728
Net interest rate sensitivity gap	(12,515)	(10,866)	61,305	20,157	(22,214)	
Cumulative net interest rate sensitivity gap	(12,515)	(23,381)	37,924	58,081	35,867	
Cumulative net interest rate						
sensitivity gap as a						

percentage of total assets	-4.95%	-9.25%	15.00%	22.98%	14.19%
Cumulative interest sensitivity gap as a percentage of total interest-earning assets	-5.25%	-9.80%	15.89%	24.34%	15.03%
Cumulative interest earning assets as a percentage of cumulative interest-bearing liabilities	68.96%	81.08%	129.18%	144.47%	117.69%

(1) The Company may sell investments available for sale with a fair value of $19,145,938 at any time.

(2) Loan totals exclude non-accruing loans amounting to $1,414,883.

INVESTMENT SECURITIES

Accounting standards require banks to recognize all appreciation or depreciation of the investment portfolio either on the balance sheet or through the income statement even though a gain or loss had not been realized. These changes require securities classified as "trading securities" to be marked to market with any gain or loss charged to income. The Company does not have any trading securities. Securities classified as "available-for-sale" are marked to market with any gain or loss after taxes charged to the equity portion of the balance sheet. Securities classified as "held-to-maturity" are to be held at book value.

The Company had $1.22 million and $1.14 million in restricted equity securities for the 2001 and 2000 comparison periods, respectively. In addition, at December 31, 2001, the Company had $32.5 million in investments classified as available-for-sale comprising of $16 million of U.S. Government Agencies, $7.2 million of U.S. Treasuries, and $9.3 million in Corporate Bonds, compared to $19.2 million, which consist only of U.S. Treasuries at December 31, 2000. These securities have been marked to market, with a resulting unrealized gain after taxes of $26,459 for 2001 compared to an unrealized loss of $23,108 for 2000. These figures are presented in the equity section of our financial statement as "accumulated other comprehensive income". As adjusted for this item, our investment portfolios at the respective years' ends were as follows:

December 31, 2001:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government & agency securities				
Available-for-sale	$23,129,935	$276,095	$142,818	$23,263,212
Held-to-maturity	19,087,603	504,798	181,601	19,410,800
Corporate Bonds				
Available-for-sale	9,343,488	32,424	125,612	9,250,300
States & political subdivisions				
Held-to-maturity	21,556,878	0	0	21,556,878
Restricted equity securities				
Available-for-sale	1,224,650	0	0	1,224,650
	$74,342,554	$813,317	$450,031	$74,705,840

December 31, 2000:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government & agency securities				
Available-for-sale	$19,180,950	$ 1,606	$ 36,618	$19,145,938
Held-to-maturity(1)	28,676,667	373,580	104,123	28,946,124
States & political subdivisions				
Held-to-Maturity	13,520,463	0	0	13,520,463
Restricted equity securities				
Available-for-Sale	1,141,650	0	0	1,141,650
	$62,519,730	$375,186	$140,741	$62,754,175

1. Included in this portfolio is the U.S. Treasury Strip for Liberty Savings Bank with an amortized cost of $1,657,625 and fair value of $1,655,298 as of December 31, 2000. This investment matured on November 15, 2001.

Gross realized gains and gross realized losses on actual sales of securities were:

Gross realized gains:	2001	2000	1999
Available-for-sale			
U.S. Government & agency securities	$120,190	$ 1,391	$ 0
Other Securities	0	0	0
	$120,190	$ 1,391	$ 0
Held-to-maturity(1)			
U.S. Government & agency securities	$ 51,492	$ 0	$ 0
Other Securities	0	0	0
	$ 51,492	$ 0	$ 0

Gross realized losses:	2001	2000	1999

U.S. Government & agency securities	$ 783	$20,173	$ 0
Other Securities	0	0	0
	$ 783	$20,173	$ 0

1. Various Government Agency securities with "First Call" options were exercised.

BANK PREMISES AND EQUIPMENT

Major classes of bank premises and equipment and the total accumulated depreciation are as follows:

	December 31,	
	2001	2000
Land	$ 100,612	$ 80,747
Buildings and improvements	3,795,496	3,794,658
Furniture and equipment	5,878,101	5,453,261
Leasehold improvements	697,516	418,916
	10,471,725	9,747,582
Less accumulated depreciation	(5,604,312)	(5,053,648)
	$ 4,867,413	$ 4,693,934

Depreciation included in occupancy and equipment expense amounted to $566,018, $576,642, and $493,979 for the years ended December 31, 2001, 2000 and 1999, respectively.

The Company currently leases five of the eight buildings it occupies. These leased offices are in Island Pond, Newport, Barton, St. Johnsbury, and Montpelier, Vermont. The Montpelier office is located on State Street in Montpelier in an historic building of which the Bank occupies approximately 1,500 square feet. The operating leases for the four other locations expire in various years through 2013 with options to renew.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year, as of December 31, 2001, for each of the next five years and in aggregate are:

2002	$130,753
2003	131,882
2004	133,045
2005	110,189
2006	60,368
Subsequent to 2006	280,409
Total	$846,646

EFFECTS OF INFLATION

Rates of inflation affect the reported financial condition and results of operations of all industries, including the banking industry. The effect of monetary inflation is generally magnified in bank financial and operating statements because, as costs and prices rise, cash and credit demands of individuals and businesses increase, and the purchasing power of net monetary assets declines.

The Company's ability to preserve its purchasing power depends primarily on its ability to manage net interest income. The Company's net interest income improved during the last three years, despite the fluctuation in the spread from 1999 to 2001.

OTHER OPERATING INCOME AND EXPENSES

Other operating income for the fourth quarter was reported at $628,817 for 2001, $494,018 for 2000, and $531,184 for 1999. Other income accounts for most of the increase for 2001 compared to 2000, as well as the decrease for 2000 compared to 1999, with income of $250,275 for 2001, $171,001 for 2000 and $267,458 for 1999. The heavy volume of loans sold on the secondary market helped to boost earnings during the fourth quarter of 2001, while a gain of $108,605 on the sale of an OREO property helped to boost other income for the fourth quarter of 1999. Other operating income of $2.34 million for the 12 months of 2001 is an increase of 25.7% over the $1.87 million for the 12 months of 2000, which is an increase of 6% over the 1999 figure of $1.76 million. Security gains of $170,899 accounts for the biggest portion of the increase for 2001, while trust department income reported the biggest increase for the 2000 versus 1999 period with figures of $362,979 for 2000 versus $247,001 for 1999. In addition to tremendous growth, the trust department acquired the assets of Northfield Savings Bank during the 2000 calendar year, contributing to the increase in income.

Other operating expenses for the fourth quarter of 2001 was reported at just over $2 million, an increase of 2% over the 2000 expense figure of $1.97 million, which increased 7.9% over the 1999 figure of $1.83 million. Salaries and wages increased accordingly with the opening of the Montpelier office, followed by an increase of $41,408 in trust department expenses. An increase of $39,348 is noted in the fourth quarter comparisons for losses on limited partnerships for 2000 versus 1999 due to a $17,107 reversal of an anticipated loss in 1999 and the booked loss of $22,241 during the same quarter of 2000. Occupancy expense for the fourth quarter of 1999 was higher than both the 2001 and 2000 fourth quarters due to higher depreciation amounts on furniture and equipment. Total other operating expenses ended the 2001 fiscal year at $8.7 million, an increase of $790,095 or 10% over the 2000 fiscal year of $7.9 million, which increased $598,662 or 8.2% over the 1999 fiscal year of $7.3 million. Salaries and wages tops the increases for the 2001 versus 2000 comparison period, with an increase of $367,335 or 12.6%, primarily resulting from the opening of the Montpelier office, while other expenses tallied the biggest increase for 2000 versus 1999 with an increase of $252,985 or 10.5%.

Many of the components of other operating expenses are estimated on a yearly basis and accrued in monthly installments. In an attempt to present accurate figures on the statement of income for any interim period, these expenses are reviewed quarterly by senior management to ensure that monthly accruals are accurate, and any necessary adjustments are made at that time.

APPLICABLE INCOME TAXES

Income before taxes of $1.3 million are reported for the fourth quarter of 2001 compared to $894,344 for the fourth quarter of 2000 and $967,579 for the fourth quarter of 1999. This translates to an increase of $431,755 or 48.3% for 2001 versus 2000 and a decrease of $73,235 or 7.6% for 2000 versus 1999. As a result, provisions for income taxes for the fourth quarters ended 2001, 2000, and 1999 are reported at $313,035, $186,562, and $214,412, respectively. Year-end figures presented are $3.7 million for 2001, leading to an increase of $474,920 or 14.9% over the 2000 figure of $3.2 million, resulting in an increase of $77,542 or 2.5% over the 1999 figure of $3.1 million. Provisions for income taxes for each fiscal year are reported at $875,476, $775,960, and $786,481, respectively 2001, 2000, and 1999.

Return on average assets (ROA), which measures how effectively a corporation uses its assets to produce earnings, ended the fiscal years at 1.08% for 2001 compared to 1.00% for 2000 and 1.02% for 1999. Return on average equity (ROE), which is the ratio of income earned to average shareholders' equity was 12.04% for 2001, 10.70% for 2000, and 10.54% for 1999.

CAPITAL RESOURCES

Stockholders' equity at December 31, 2000, was $22,530,170, with a book value of $6.39 per share. It increased through earnings of $2,797,825, the sale of common stock of $663,620 through our dividend reinvestment program and debenture conversions, and $49,567 through adjustments for the valuation allowance of securities. It decreased through purchases of treasury stock of $3,169; dividends paid totaling $2,233,822, and the repurchase of stock through the Stock Buyback Plan of $325,253. Additionally, the Company declared a dividend in December of 2001, payable in February of 2002. As a result, an accrual for the dividend was necessary, decreasing stockholders' equity by $569,057 as of December 31, 2001. The same event occurred in December of 2000 announcing a dividend of $536,925 payable in February of 2001. As of December 31, 2001, stockholders' equity was $23,446,826 with a book value of $6.59 per share. All stockholders' equity is unrestricted. Additionally, it is noted that as the maturity date on securities classified as available for sale draws near, the market price on these securities becomes more favorable.

On April 11, 2000, the Company issued a press release announcing plans to buy up to 6% or 205,000 shares of its outstanding common stock at current market prices. Total shares bought back through the end of year 2001 totaled 119,772 and the repurchase price paid for these shares ranged from $9.75 per share in May of 2000 to $13.95 per share in November of 2001.

The Bank, as a National Bank, is subject to the dividend restrictions set forth by the Comptroller of the Currency. Under such restrictions, the Bank may not, without the prior approval of the Comptroller of the Currency, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years.

The Bank is required to maintain minimum amounts of capital to total "risk weighted" assets, as defined by the banking regulators. At December 31, 2001, the Bank is required to have minimum Tier I and Total Capital ratios of 4.00% and 8.00%, respectively. The Company's consolidated risk weighted assets were reported at $154 million with reported ratios, at December 31, 2001, of approximately 15% for Tier I capital and 16% for Total capital. The report labeled "Capital Ratios" provides a better understanding of the components of each the Tier I and Tier II capital ratios as well as a three-year comparison of the growth of these ratios.

The Company intends to continue the past policy of maintaining a strong capital resource position to support its asset size and level of operations. Consistent with that policy, management will continue to anticipate the Company's future capital needs.

From time to time the Company may make contributions to the capital of either of its subsidiaries, Community National Bank or Liberty Savings Bank. At present, regulatory authorities have made no demand on the Company to make additional capital contributions to either the Bank's or Liberty's capital.

RECENT ACCOUNTING DEVELOPMENTS

Community Bancorp. Adopted Statement of Financial Accounting Standards (SFAF) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAF Nos. 137 and 138, which became effective as of January 1, 2001. Concurrent with adoption of the Standard, and as permitted by its provisions; approximately $7 million of debt securities classified as held to maturity were reclassified as securities available for sale. Through the year ended December 31, 2001, some of the debt securities have been subsequently sold with resulting realized net gains of $80,864 included in the income statement caption "Security gains (losses)".

FORWARD-LOOKING STATEMENTS

When used in this report, the terms "expect, plan, anticipate, believe" or similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements.

The Company has included certain forward-looking statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations. These statements are based on current expectations, estimates and projections about the industries in which the Company operates management's beliefs and various assumptions made by management which are difficult to predict. Among the factors that could affect the outcome of the statements are general industry and market conditions and growth rates. Therefore, actual outcomes and their impact on the Company may differ materially from what is expressed or forecasted. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Table A

AVERAGE BALANCES AND INTEREST RATES

The table below presents the following information: average earning assets (including non-accrual loans) and average interest-bearing liabilities supporting earning assets; and interest income and interest expense as a rate/yield.

(Dollars in Thousands)	2001 Average Balance	2001 Income/ Expense	2001 Rate/ Yield	2000 Average Balance	2000 Income/ Expense	2000 Rate/ Yield	1999 Average Balance	1999 Income/ Expense	1999 Rate/ Yield
EARNING ASSETS									
Loans (1)	181,631	15,523	8.55%	165,176	14,539	8.80%	149,707	13,036	8.71%
Taxable Investment Securities	41,240	2,330	5.65%	48,080	2,835	5.90%	49,832	2,715	5.45%
Tax-exempt Investment Securities (2)	15,693	1,125	7.17%	16,398	1,208	7.37%	13,843	924	6.67%
Federal Funds Sold	5,005	166	3.32%	1,090	67	6.15%	2,897	143	4.94%
Overnight Deposits	3,732	122	3.27%	1,788	104	5.82%	2,638	133	5.04%
Other Securities (3)	1,204	83	6.89%	1,222	92	7.53%	1,254	85	6.78%
TOTAL	248,505	19,349	7.79%	233,754	18,845	8.06%	220,171	17,036	7.74%

INTEREST-BEARING LIABILITIES

Savings Deposits	31,708	637	2.01%	32,696	752	2.30%	32,748	756	2.31%
NOW and Money Market Funds	56,807	1,832	3.22%	51,296	1,907	3.72%	51,850	1,656	3.19%
Time Deposits	99,418	5,236	5.27%	92,747	5,040	5.43%	94,694	4,865	5.14%
Other Borrowed Funds	5,647	280	4.96%	9,319	601	6.45%	4,059	203	5.00%
Repurchase Agreements	15,888	601	3.78%	9,956	487	4.89%	1,305	52	3.98%
Subordinated Debentures	8	1	8.75%	20	2	11.00%	20	2	11.00%
TOTAL	209,476	8,587	4.10%	196,034	8,789	4.48%	184,676	7,534	4.08%
Net Interest Income		10,762			10,056			9,502	
Net Interest Spread(4)			3.69%			3.58%			3.66%
Interest Differential(5)			4.33%			4.30%			4.32%

(1) Included in gross loans are non-accrual loans with an average balance of $1,420,468 for 2001, $1,344.971 for 2000, and $1,894,097 for 1999.
(2) Income on investment securities of state and political subdivisions is state on a tax equivalent basis (assuming a 34% rate). The amount of adjustment was $382,531 for 2001, $410,588 for 2000, and $314,301 for 1999.
(3) Included in other securities are taxable industrial development bonds (VIDA), with income of $2,611 for 2001, $4,377 for 2000, and $5,443 for 1999.
(4) Net interest spread is the difference between the yield on earning assets and the rate paid on interest-bearing liabilities.
(5) Interest differential is net interest income divided by average earning assets.

Table B

CHANGES IN INTEREST INCOME AND INTEREST EXPENSE

The following table summarizes the variances in income for the years 2001, 2000, 1999, and 1998 resulting from volume changes in assets and liabilities and fluctuations in rates earned and paid.

(Dollars in Thousands)

RATE VOLUME	2001 vs. 2000 Variance(1)			2000 vs. 1999 Variance(1)			1999 vs. 1998 Variance(1)		
	Due to Rate	Volume	Total Variance	Due to Rate	Volume	Total Variance	Due to Rate	Volume	Total Variance
Income-Earning Assets									
Loans(2)	(464)	1,448	984	156	1,347	1,503	(669)	(53)	(722)
Taxable Investment Securities	(119)	(386)	(505)	223	(103)	120	(107)	626	519
Tax-exempt Investment Securities (3)	(32)	(51)	(83)	113	171	284	(62)	56	(6)
Federal Funds Sold	(142)	241	99	35	(111)	(76)	6	(100)	(94)
Overnight Deposits	(95)	113	18	20	(49)	(29)	(17)	(35)	(52)
Other Securities	(8)	(1)	(9)	9	(2)	7	4	(1)	3
Total Interest Earnings	(860)	1,364	504	556	1,253	1,809	(845)	493	(352)

Interest-Bearing Liabilities

Savings Deposits	(95)	(20)	(115)	(3)	(1)	(4)	(101)	50	(51)
NOW and Money Market Funds	(280)	205	(75)	272	(21)	251	(151)	242	91
Time Deposits	(167)	363	196	281	(106)	175	(452)	(179)	(631)
Other Borrowed Funds	(139)	(182)	(321)	135	263	398	5	0	5
Repurchase Agreements	(176)	290	114	90	345	435	(4)	52	48
Subordinated Debentures	(1)	(1)	(2)	0	0	0	0	(3)	(3)
Total Interest Expense	(858)	655	(203)	775	480	1,255	(703)	162	(541)

(1) Items which have shown a year-to-year increase in volume have variances allocated as follows:

Variance due to rate = Change in rate x new volume

Variance due to volume = Change in volume x old rate

Items which have shown a year-to-year decrease in volume have variances allocated as follows:

Variance due to rate = Change in rate x old volume

Variance due to volume = Change in volume x new rate

(2) Total loans are stated before deduction of unearned discount and allowance for loan losses. Interest on non-accrual loans is excluded from income. The principal balances of non-accrual loans are included in calculations of the yield on loans.

(3) Income on tax-exempt securities is stated on a tax equivalent basis. The assumed rate is 34%.

SELECTED FINANCIAL DATA

(Not covered by Report of Independent Public Accountants)
(Dollars in thousands, except per share data)

Year Ended December 31,	**2001**	**2000**	**1999**	**1998**	**1997**
Total Interest Income	19,044	18,435	16,723	17,072	16,817
Less:					
Total Interest Expense	8,586	8,789	7,535	8,077	7,834
Net Interest Income	10,458	9,646	9,188	8,995	8,983
Less:					
Provision for Loan Losses	410	384	497	660	660
Other Operating Income	2,344	1,865	1,759	1,586	1,336
Less:					
Other Operating Expense	8,719	7,929	7,330	7,021	6,759
Income Before Income Taxes	3,673	3,198	3,120	2,900	2,900
Less:					
Applicable Income Taxes (1)	875	776	786	710	755
Net Income	**2,798**	**2,422**	**2,334**	**2,190**	**2,145**
Per Share Data: (2)					
Earnings per Share	0.79	0.68	0.67	0.65	0.65
Cash Dividends Declared	0.64	0.64	0.64	0.60	0.56
Weighted Average Number of					

Common Shares Outstanding	3,545,670	3,543,956	3,474,844	3,391,187	3,281,534
Number of Common Shares Outstanding	3,556,609	3,523,573	3,526,432	3,429,833	3,324,112
Balance Sheet Data:					
Net Loans	190,197	174,779	150,673	145,827	147,747
Total Assets	288,678	252,785	232,216	225,051	213,001
Total Deposits	238,070	208,385	201,843	197,797	187,580
Total Liabilities	265,231	230,255	210,035	203,049	192,521
Borrowed Funds	5,055	5,592	4,075	4,080	4,164
Total Shareholders' Equity	23,447	22,530	22,181	22,002	20,480

(1) Applicable Income Taxes above includes the income tax effect, assuming a 34% tax rate, on securities Gains (losses), which totaled $58,106 in 2001, $(6,386) in 2000, and $0 in each 1999, 1998, 1997.
(2) All per share data for calendar years prior to 2001 have been restated to reflect a 5% stock dividend paid in the first quarter of 2001. Per share data for calendar years prior to 1999 have been restated to reflect a 5% dividend paid in the first quarter of 1999. Additionally, a 100% stock dividend was paid on June 1, 1998, requiring restatement of per share data for the 1997 calendar year.

CAPITAL RATIOS

(Dollars in Thousands)				**ANNUAL GROWTH RATE**	
At December 31,	**2001**	**2000**	**1999**	**2001 / 2000**	**2000 / 1999**
Total Assets	288,678	252,785	232,216		
LESS: Goodwill (1)	251	274	297		
Allowance for Possible Loan Losses	2,008	1,797	1,715		
Total Adjusted Assets	**290,435**	**254,308**	**233,634**	**14.21%**	**8.85%**
Gross Risk-Adjusted Assets	153,922	132,204	111,995		
Allowance for Loan Loss over limit (2)	84	144	315		
Total Risk-Adjusted Assets	**153,838**	**132,060**	**111,680**	**16.49%**	**18.25%**
Shareholders' Equity	23,447	22,530	22,181		
LESS:					
Valuation Allowance for Securities	26	(23)	(247)		
Intangible Assets(1)	273	293	319		
Total Adjusted Tier 1 Capital (3)	**23,148**	**22,260**	**22,109**	**3.99%**	**0.68%**
Eligible Discounted Subordinated Debt	0	12	16		
Max. Allowance for Possible Loan Losses (2)	1,924	1,653	1,400		
Total Capital (Tier II)	**25,072**	**23,925**	**23,525**	**4.79%**	**1.70%**

	2001	**2000**	**1999**
Tier I Capital / Total Adjusted Assets	**7.97%**	**8.75%**	**9.46%**
Tier II Capital / Total Adjusted Assets	**8.63%**	**9.41%**	**10.07%**
Tier I Capital / Total Risk-Adjusted Assets	**15.05%**	**16.86%**	**19.80%**
Tier II Capital / Total Risk-Adjusted Assets	**16.30%**	**18.12%**	**21.06%**

(1) Included in the 2001, 2000, and 1999 balances of intangible assets are $251,286, $274,130 and $296,974, respectively, in goodwill associated with the acquisition of Liberty Savings Bank. Excess mortgage servicing rights totaling $21,581, $19,528 and $21,817 for 2001, 2000, and 1999, respectively, comprise the balance of intangible assets.

(2) Net unrealized holding gains and losses on available-for-sale securities are excluded from common stockholders' equity for regulatory capital purposes. However, National Banks continue to deduct unrealized losses on equity securities in their computation of Tier I Capital.

(3) The maximum allowance for possible loan losses used in calculating primary (TierII) capital is the lower of the period end allowance for possible loan losses or 1.25% of gross risk-adjusted assets, as implemented by regulatory capital guidelines.

COMMON STOCK PERFORMANCE BY QUARTER

	2001			
	First	Second	Third	Fourth
Trade price				
High	\$11.75	\$13.00	\$14.00	\$15.00
Low	\$10.25	\$10.50	\$12.75	\$13.05
Cash Dividends				
Declared	\$0.16	\$0.16	\$0.16	\$0.16

	2000			
	First	Second	Third	Fourth
Trade price				
High	\$9.25	\$10.50	\$10.75	\$12.00
Low	\$8.63	\$ 8.13	\$ 9.00	\$ 9.75
Cash Dividends				
Declared	\$0.16	\$0.16	\$0.16	\$0.16

Form 10-K

A copy of the Form 10-K Report filed with the Securities and Exchange Commission may be obtained without charge upon written request to:

Stephen P. Marsh, Executive Vice President & CFO
Community Bancorp.
P.O. Box 259
Derby, Vermont 05829

Shareholder Services

For shareholder services or information contact:

Chris Bumps, Corporate Secretary
Community National Bank
P.O. Box 259
Derby, Vermont 05829
(802) 334-7915

Annual Shareholders Meeting

The 2002 Annual Shareholders Meeting will be held at 5:30 p.m., May 7, 2002, at the Elks Club in Derby. We hope to see many of our shareholders there.

Community Bancorp. Stock

As of February 1, 2002, the Corporation's common stock (\$2.50 par value) was owned by approximately 850 shareholders of record. Although there is no established public trading market in the Corporation's common stock, several brokerage firms follow the stock and maintain a minor market in it. Trading in the Corporation's stock, however, is not active. You can contact these firms at the following addresses:

First Albany Corp.
P.O. Box 387
Burlington, Vermont 05402
(800) 451-3249

A.G. Edwards
1184 Main Street, Suite 1
St. Johnsbury, Vermont 05819
(800) 457-1002

Salomon Smith Barney
P.O. Box 1095
Burlington, Vermont 05402
(800) 446-0193

Winslow, Evans & Crocker
33 Broad Street
Boston, Massachusetts 02109
(800) 556-8600