

THE RESPONDENT

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BANKERS' BANK
N O R T H E A S T

Client profile: Milbury Federal Credit Union

Bankers' Bank Northeast welcomes first credit union as client



Joseph F. Barbato, Jr.
President & CEO

With Milbury Federal Credit Union (MCU) becoming a new client, Bankers' Bank Northeast (BBN) has taken another step in expanding its services to additional community financial institutions.

"The initial impetus for us to work with BBN was the fact that it is the settlement agent for the Fiserv Clearing Network," says Joseph F. Barbato, Jr., President and CEO. He came to MCU in 1993 as President and CEO, after 15 years in commercial banking.

Based in Millbury, Mass., MCU has five offices in the Greater Worcester Area, 70 employees and 33,000 members, it is also taking advantage

of The Bank's Fed Funds as Agent program and the **STARS™** Comprehensive platform.

"Partnering with Bankers' Bank Northeast has been an excellent experience," reports John A. Reil, Vice President/MIS. "Lisa Reynolds, Senior Vice President, and the entire Operations Department are responsive, helpful and deliver the level of service that meets our expectations. It's a pleasure working with them."

Since MCU was the first credit union to work with the Bank, John Reil was breaking new ground. "We did our due diligence and spoke with several banks about their working relationship with BBN," he says. "The positive feedback gave us confidence that this was going to be a good relationship."

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BBN reaches another benchmark Two banks share 200th honors

If you think there can be only one bank that could be the 200th community financial institution to become a client of Bankers' Bank Northeast, think differently. As it turned out, two banks joined the BBN roster on the same day and at just about the same time. BBN President and CEO, Peter J. Sposito, immediately declared the birth of twins.



Richard A. Eaton
President & CEO
Newburyport
Five Cents
Savings Bank

Newburyport Five Cents Savings Bank in Newburyport, Mass. and Kennebec Savings Bank of Augusta, Maine are The Bank's 200th "twins."

As Richard A. Eaton, President and CEO of the Newburyport Bank, is quick to point out, "We've known about Bankers' Bank Northeast from its start through Gus Oliviera, who

served as the Bank's Vice President and Relationship Manager for us until he retired this past May." But it wasn't until the fall of 2008 that they became a BBN client.

"BBN has always impressed us and we like what we see as a client bank," reports Mr. Eaton, who indicates that his bank has started with two products, the Fed Funds and International Wires programs. "And we're now looking at other programs," he adds.

The Newburyport Bank has six offices, including two in Amesbury. "Our first office in the town didn't allow us to have a drive-up facility, but when Sovereign Bank closed a branch with three lanes, we bought it," says Mr. Eaton. It works out well since they are only 700 feet apart and have the same manager and an interchangeable staff. The bank has

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President's Message

"Who has faith in big banks?"



Peter J. Sposito
President & CEO

Based on a Gallup survey taken in late September 2008, an article in *Advertising Age* opened with these dramatic words:

"Who has faith in big banks? Not many consumers these days, and that's driving people into the arms of their local institutions."

The Gallup survey revealed that only 21% of consumers had confidence in U.S. banks, down from 40% in mid-July.

But the story doesn't end there. The *AdAge* article went on to note, "But not all banks are equally feeling the heat, and some local institutions are benefiting."

In fact, Gallup found consumer confidence in local banks was 66%, although the figure was down from 80% in mid-July, while the big bank figure of 21% was down from 40% during the same period.

Without question, community financial institutions are on the doorstep of an enormous opportunity. But the big question is whether they can hold on to these new customers who no longer trust the big banks.

In his new book, *Relevance*, Tim Manners tells of P&G's CEO, A. G. Lafley's "first and second moments of truth." The first occurs when the consumer chooses a P&G brand in a store, and the "second moment of truth" takes place when the consumer experiences the product at home.

While getting the right product at the right time is of critical importance, it's when it's put to the performance test that determines whether the customer will reach for it a second time.

This is exactly where local financial institutions find themselves today. New customers come through the door with a positive and trusting attitude. They want to believe we can take care of them and their money. It's our job to make sure we pass the "second moment of truth" test—that we have the products and services they want, need and expect to find.

There's no reason why we can't satisfy any customer. With Bankers' Bank Northeast at your side, you can have the products and services that make a difference to all of your customers.

It won't be long before the current unique window of opportunity will not be open quite so wide. The nation's big banks will assure their customers that all is now well. In the meantime, we can show them the difference it makes to do business with a community financial institution.

Peter J. Sposito

President & CEO

New product

Visa® TravelMoney® program now available

With the continued growth in debit card popularity, many customers will find the pre-paid, reloadable Visa® TravelMoney® Card particularly appealing. Most importantly, the card offers the security of Travelers' checks and the convenience of a Visa debit card that can be used in more than one million locations worldwide.

The cards are instant issue, do not bear the cardholder's name and can be loaded in amounts from \$10 to \$10,000. There is 24/7 emergency assistance for cardholders via an 800 number and a cardholder website.

The initial card sale load fee can be set up to \$12.95, with any

amount above \$2.50 being retained by the financial institution.

"With so much concern about money safety while traveling today, the Visa TravelMoney Card has a strong consumer appeal and the client bank has no liability," notes Bankers' Bank Northeast's Executive Vice President Richard B. Lockwood, III. He also points out that the Bank offers client banks solid training support along with cards and marketing materials at no cost.

"Visa TravelMoney Cards can be co-branded with your financial institution's logo," adds Mr. Lockwood.

To learn more about the Visa TravelMoney Card, please contact your BBN Relationship Manager.

Frequently Asked Question About the Visa® TravelMoney® card

Q. How does Convenient Visa TravelMoney work?

A. It's a prepaid Visa card, which means a consumer can spend up to the value placed on the card anywhere Visa debit cards are accepted. They can shop in stores, online, over the phone, and by mail order, and they can get cash at Visa ATMs worldwide. Each time they make a purchase, the amount of that purchase is automatically deducted from the card.

Q. How does a customer know the balance on their Visa TravelMoney card?

A. They can check online at convenientcards.com or by calling 1-800-486-0252. Since a merchant may not be able to tell how much money is on the card, keeping track of their balance is a sure way to know how much is available to spend.

Q. What if a card is lost or stolen?

A. They should call 1-800-486-0252 right away and have their card number available to cancel the card and to issue a new one. They should be sure to keep the card information in a secure place that is separate from the card.

Q. How do consumers use the Visa TravelMoney at an ATM?

A. Convenient Visa TravelMoney can be used at Visa ATMs around the world. ATM functionality varies among financial institutions and countries. To get cash at an ATM customers should first follow any on-screen directions. If asked which account to access, try selecting "checking", and if that does not work, use "credit."

Q. Can the card be used to get gasoline or rent a car?

A. When paying at the pump, some stations check to see if there are sufficient funds to pay for a full tank (up to \$50). If a card is declined even though it still has funds, the customer should tell the attendant how much gas they intend to buy and sign the receipt for that amount. Some rental car companies may require the use a credit card to make a reservation. A Visa TravelMoney card is always welcome for final payment.

Q. Can the card be used to make reservations at a hotel?

A. Yes, but hotels will verify that a card has sufficient funds to pay an estimated bill for the stay. That amount will be "held" in the card account, making it unavailable for other purchases. When checking out, the "hold" will be removed and the actual bill amount will be deducted. Having funds held can be avoided by using a Visa credit card at check-in. The Visa TravelMoney card is always welcome for final payment.

Q. Can consumers pay for meals with their Visa TravelMoney card?

A. Yes, but they should be aware that some restaurants will verify that the card has enough funds to cover the purchase plus a 15-20 percent tip, or they'll decline the transaction. Only the amount the customer signs for will be deducted, so a tip can be left with either the card or in cash.

Q. How can something be purchased that costs more than what is on the card?

A. Consumers can use a second payment method such as cash, check, or credit for the difference, letting the cashier know how much they will pay with each type of payment before making a purchase.

Q. What if a customer needs to return an item that has been purchased?

A. They should keep the Visa TravelMoney card even after using the funds on it. This way they will have it if they want to make a return. They will need to contact the merchant and follow the merchant's return procedures. The value of the returned merchandise will be available on their card in three to seven days after the return. Not enough available funds? If a cardholder wants to make a purchase but doesn't have enough money on their card, many merchants will allow them to make a partial payment.



'Support you can count on' is more than words

It was late in the day on Monday, well past Bankers' Bank Northeast's closing time. But that didn't stop Senior Vice President of Operations Lisa Reynolds from answering the phone.

The call was from Jay Constantino, the Vice President of IT/Operations at Stafford Savings Bank, Stafford, Conn.. His C21 image scanning equipment had gone down and he still had several hundred checks to scan. He was unsure whether or not the equipment would be repaired that night.

Since Stafford Savings and Bankers' Bank Northeast have a reciprocal disaster recovery agreement for image scanning, Jay called to see if he could activate his agreement to use our scanners to finish his cash letter for the night. He arrived with cash letter in hand and was able to complete the process and transmit his data into the OnWe® network for presentment. BBN operations staff stayed while Jay processed the checks.

As it turned out, the Stafford Bank's service tech was able to fix the broken scanner in time for the next day's processing. Jay Constantino congratulated BBN's operations staff for being there when he needed them. "It's nice to have such a great support group," he told Lisa Reynolds. "As always, it was superior service from BBN."

Continued from page 1, **Two banks share 200th honors**



Mark L. Johnston,
President & CEO

current assets of \$585,000,000.

The other 200th twin, Kennebec Savings Bank of Augusta, Maine, "arrived" just an hour after the Newburyport Bank.

When asked what it was that brought his bank on board, Kennebec Savings Bank's

President & CEO, Mark L. Johnston, said, "There's an independent school in our community with a number of foreign students. As we all know, kids need money and we had requests for wire transfers. That's when we turned to Bankers' Bank Northeast." As it turns out, both the bank and the students are pleased with the service.

The bank is looking at other BBN services to help maintain its competitive advantage.

Kennebec Savings Bank has five offices, one of which is a completely self-service electronic banking center that occupies a freestanding building, complete with a lobby. Mark reports that it was the first electronic banking center in the nation.

When it comes to home mortgages, Kennebec Savings warehouses all its loans. It's line up includes a very popular "bi-weekly" mortgage. "People love it," says

Mark because most customers are paid every two weeks. Building on customer acceptance, the bank introduced "bi-weekly" consumer loans.

This past September, the bank began merger discussions with KV Federal Credit Union, which is expected to be completed in mid-2009.

In commenting on these two financial institutions becoming the "200th twins," BBN President & CEO Peter J. Sposito, expressed both surprise and pleasure at the special event. "It was a great day when we reached the 200th mark, but twice on the same day was particularly exciting for everyone. When we reach 300, we'll be looking for triplets."



New Business Profile

Between October and December 2008, Bankers' Bank Northeast added five new client banks, cross-sold a total of 50 services and approved four new loan participations, one holding company loan and one organizational loan.

New Client Banks

Maine	1
Massachusetts	4

Services Sold

Cash Letter-OnWe® Image	4
Cash Letter-Fiserv Clearing Network	4
Coin & Currency	2
Credit Card Program	1
Fed Funds as Agent	5
Fed Funds Liquidity Line	12
International Payments	6
Letters of Credit	2
Loans	
Loan Participations	4
Holding Company Loans	1
Organizational Loans	1
Shredding	1
STARS™ Comprehensive	9
Student Loan Program	4

OnWe® Network Client Banks

- Bank of Cape Cod, MA
- CheckSpring Bank, NY
- Chelsea Groton Savings Bank, CT
- Farmington Savings Bank, CT
- Fieldpoint Private Bank and Trust, CT
- Liberty Bank, CT
- Lowell Co-Operative Bank, MA
- National Bank of Middlebury, VT
- National Grand Bank of Marblehead, MA
- Putnam Bank, CT
- Simsbury Bank & Trust Company, CT
- Stafford Savings Bank, CT
- The First National Bank of Ipswich, MA
- The First National Bank of Orwell, VT

Self-contained fully electronic banking center

Continued from page 1, **Millbury Federal Credit Union**

He points out that the MCU staff has been very pleased with Bankers' Bank Northeast. "Everyone here has been impressed, starting with BBN's Senior Management," he adds.

He then notes, "We know we're a smaller institution, but everyone at BBN makes us feel we are important to them."

The Millbury Federal Credit Union opened in 1934 as the Millbury Teachers Credit Union with total assets of \$100 provided by 20

schoolteachers. Five years later, it became the Millbury Credit Union and in 1995 changed to a federal charter. It has current assets of \$260 million.

Commercial Services, LLC, an MCU-owned subsidiary, provides financial support to small businesses in central and southern Worcester County and adjacent areas of Rhode Island, including working capital lines of credit, SBA 504 loans and loan

participations with other community financial institutions. "It's a way for us to generate off balance sheet income," notes Joe Barbato.

In December 2008, Millbury Federal Credit Union took another step to expand its services with the opening of Security Mortgage Funding, LLC, a wholly-owned subsidiary, that allows it to market home mortgages in Rhode Island.

Bank strengthens internal controls



Megan L. Desso

Early in 2008, Bankers' Bank Northeast took an important step that reflected its development from a *de novo* bank to one capable of serving hundreds of community financial institutions, with the hiring of Megan L. Desso as Assistant Vice President/Products Manager and Internal Auditor.

As the Internal Auditor, she reports to the Board's Audit Committee and is responsible for making certain the Bank complies with the guidelines of the most stringent of regulators, the FDIC.

She has developed an internal audit function for the Bank—a program that she is willing to share with client banks.

BBN has implemented a Risk Council Committee that Ms. Desso chairs, which addresses internal risk management issues, as well as making certain the Bank's various vendors and programs, such as Fed Funds, meet established standards. The committee also evaluates its clients and prospect banks. "In our work with the vendors who serve our client financial institutions," she notes, "we make sure they exceed FDIC, Federal Reserve Bank and Federal Financial Institutions Examination Council expectations."

Since client banks make frequent inquiries regarding compliance issues, Ms. Desso serves as a compliance resource to Bankers' Bank Northeast's Client Services staff.

In her Products Manager role, Ms. Desso is responsible for recommending product pricing, identifying product needs and viable new partners. In making new product recommendations, she also facilitates the process so that the products become available as quickly as possible. To accomplish these tasks and to assure objectivity, she works with the Bank's Products Committee.

Bankers' Bank Calendar

Opportunities to participate

Annual Spring Seminars

Bankers' Bank Northeast will hold its annual spring seminars as follows:

- ✓ Tuesday, March 24th
Cromwell, CT
- ✓ Wednesday, March 25th
Marlborough, MA
- ✓ Thursday, March 26th
Bedford, NH
- ✓ Friday, March 27th
Brunswick, ME



Annual Meeting at BankWorld

- ✓ Tuesday, April 28th
Crowne Plaza
Cromwell, CT

7TH Annual Charitable Golf Tournament

- ✓ Monday, August 10th at
the Worcester Country Club,
Worcester, MA

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