

THE RESPONDENT

A New Direction In Correspondent Banking

BANKERS' BANK
N O R T H E A S T
A New Direction In Correspondent Banking

Client Bank Profile

How Bankers' Bank Northeast benefits three client banks

While most community banks in the Northeast would like to have reported higher profits for 2009, it's clear they have their antennae up looking for ways to enhance revenue and reduce expenses to strengthen their balance sheets.



Even so, that's only part of the story. They're looking for and evaluating opportunities and wooing new customers as the mergers of larger banks continue.

That's certainly the story with three of Bankers' Bank Northeast's client institutions—National Bank of Middlebury in Vermont, Quinipiac Bank & Trust Company in Hamden, Connecticut and National Grand Bank of Marblehead in Massachusetts.

The National Bank of Middlebury is focused on managing its expansion that took place in 2007 and 2008, which gives it six full-service offices. According to Justin C. Brande, Executive Vice President & CFO, a current initiative is a concerted training program designed to make sure everyone at the bank is on the same page. "We want to be sure our message is consistent," says Brande. The training encompasses a wide range of topics, including the way the phones are answered, letters and customer inquiries.

The National Bank of Middlebury has been a BBN client since 2004, and uses a number of products and services. Since we're near Dartmouth College and Canada, we use International Wires extensively," notes Brande.

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The Role of the Bank's Relationship Managers

From the very beginning, Bankers' Bank Northeast recognized that its success was tied to its ability to deliver products and solutions to community banks that helped them compete more cost effectively and efficiently. "Having Relationship Managers staying in close touch with the area financial institutions has been essential," says Richard B. Lockwood III, Executive Vice President.

"While everyone at BBN contributes to building relationships with our clients, we've always recognized the importance of having people in the field who specialized in specific territories," notes Lockwood, who, among his responsibilities at the Bank, manages a team of Relationship Managers.

Richard J. Nurge covers New York State and Connecticut; Alan S. Anderson is responsible for Maine, New Hampshire, Vermont and North-eastern Massachusetts, and Lockwood, covers in Rhode Island and most of Massachusetts.

"On the one hand, they are our eyes and ears," says Lockwood. "They keep us informed about what's happening within each region. At the same time, they develop an in depth understanding of the individual clients."

As Lockwood points out, "This field intelligence alerts us to the products and services that can best serve the needs of our banking constituency." At the same time, each of the Relationship Managers is attuned to recommending solutions that meet the challenges of individual banks.

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President's Message



Peter J. Spósito
President & CEO

Tell the Good Story about Community Banks - Now

"There are only 10 minutes in the life of a pear when it is perfect to eat," Ralph Waldo Emerson observed. His well-known observation applies to more than a delicate pear.

Moments of opportunity are both rare and fleeting. They're gone before we know it.

This is exactly where community banks find themselves at this moment. Few times has the public been as angry at the "big banks" as it is today. The U.S. Senate hearings on the causes of the financial meltdown will further fuel the flames of outrage as they continue through the year.

The "big bank" mergers of the last 15 years changed banking; however, consumers and small businesses do not necessarily like what has happened to them. In fact, most do not understand *what* happened. They do know that they are paying higher fees and that big banks do not have their best interests in mind. They seem to associate all banks with Wall Street. As bankers, we know that most banks, including 8,000 community banks, are headquartered on Main Street. The trick is to help the banking public learn how we are different than the TBTF (Too-Big-To-Fail) banks. Our client banks are proud to be bankers. It's time we told our various publics why we are proud.

If there were ever a window of opportunity for community banks, it's now. However, if history is any indication, the window will close soon. If community banks play the "wait-and-see" game, it won't be long until we're saying, "Coulda-Woulda-Shouda."

Although the "big banks" are currently in disarray, they are at work fashioning costly campaigns aimed at overcoming the negative climate they find themselves in at the moment. Bank of America's recent national ad touting the billions of dollars that they lend every day comes to mind.

To those who believe community banks are no match for the banking Goliaths, we disagree. An incensed public can be a game-changer if we take advantage of the opportunity. Here are some initial observations and suggestions:

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- It's dangerous to assume that consumers (including your customers) have a clear understanding of how your bank differs from the "big bank" competitors. Unless you make that message clear and repeat it regularly, most people won't get it and you won't get them as customers.
- Obtain testimonials from customers (including name and town) who are thrilled to have found your bank and why. Use them in all your messaging, including posting on your website and in statement stuffers.
- Communicate with your various constituencies. All customers do not have the same needs or interests. Pay particular attention to the younger clients—who are being charged outrageous fees many times by the "big banks" and who don't even know you exist. It's time for Twitter. Among your young employees, there are several who can help develop "followers." Make an effort to obtain email addresses for regular eBulletins. Give special attention to top customers, too. And don't forget the legislators, most of whom tell us that community banks are "the good guys." We need them to remember the distinction when they vote.
- Hold a "Big Bank Challenge." Let customers tell you why they like your community bank. Direct them to your website so they can email their submissions. Use the result in your marketing (and please share samples with me).
- Broaden your advertising horizons. Too many community banks continue running the same ads in the same publications as they have for years. Look for niches, both electronic and print. Offer a message that focuses on how you deliver for your customers. People want to know "what's in it for them."

These are just a few possibilities that illustrate the value of stepping up communication with a focus on how you meet the expectations of today's customers—combined with a high level of personal attention and care.

Bankers' Bank Northeast isn't standing on the sidelines waiting for others to act. We are actively looking for cartoons that differentiate community banks. We intend to be your resource for community banking industry advocacy. It's being written into our 2010 Strategic Plan. If you would like to know more, please contact me. Paul Volcker, the former head of the Federal Reserve, said recently, "The most important financial innovation that I have seen the past 20 years is the automatic teller machine." It's quite possible that consumers may feel the same way about community banks simply because we have not told them otherwise.

It's also a good idea to remember a pear is only perfectly ripe for a few minutes.



Peter J. Sposito
President & CEO

When Lockwood started with BBN 10 years ago, he was responsible for community banks in Massachusetts and RI. Today, he describes his responsibilities with the Relationship Management team as managerial and mentoring. Along with ongoing training, he is available for joint calls and serving as a resource for Nurge and Anderson. "It's a good system," comments Lockwood.

Discussing the issues in his region, Alan Anderson says, "Without question, cost reduction is a priority for banks in my region, as well as elsewhere. Currently, the OnWe® Network is attracting substantial interest. My bankers see the benefit of an electronic exchange of items from other community banks in the area. It speeds up settlement and gives them per item savings." On top of that BBN is responsible for handling adjustments, which frees an employee for other tasks.

Since much of Anderson's region abuts Canada, the use of BBN's International Wires continues to grow.

"Community bankers are busy people," notes Anderson, "particularly with staffing running quite lean." As a Relationship Manager, his approach is to keep them informed on ways BBN can help them accomplish their objectives. "We try to be totally professional, but persistent. We want to be ready to move forward when they get ready," he adds.



Vice President Richard J. Nurge (left) and Vice President Alan S. Anderson (right) are the Bank's Relationship Managers. Nurge serves CT and NY, while Anderson is responsible for Northeastern MA, ME, NH and VT.

When asked what community banks are looking for today, Richard J. Nurge, Vice President/Relationship Manager for Connecticut and New York State, is quick to respond. "They want a high level of service at a reasonable cost," he says. "And that's what we deliver at Bankers' Bank Northeast. Frankly, we out service the competition."

He points out that banks are looking to "increase revenue, reduce costs or, more often, both." Both Alan Anderson and Richard Nurge report that bankers are willing to listen because of Bankers' Bank Northeast's "stellar service and proven products," as Nurge expresses it. "They know they can count on us and that's a major plus in today's market," he says.

Both Nurge and Anderson take a "solutions approach" to working with client banks. They don't waste any banker's time. "When we have identified a need, that's when we request a meeting. Our value to a bank is solving a problem and that's either helping them save money, improve operations or enhance revenue," they say.

He points out that safekeeping of securities has served the bank well, as has the Investment Advisory Service, the **STARS**® platform, Fed Funds as Agent, Fed Funds Liquidity, Safekeeping and the OnWe® Network, as well as International Services.

While the BBN products serve the bank well, it's the service that pleases Brande. "How Bankers' Bank Northeast services our account is second-to-none. It's excellent," he reports. "You would never know we're up near the Canadian border."

National Grand Bank When National Grand Bank of Marblehead's president James E. Nye talks about the ways his bank helps the community, those aren't just words, because that's the bank's heritage.

"When the Marblehead fishermen of the Grand Banks needed credit and couldn't obtain it, our bank was founded to help keep the fishing industry strong," says Jim Nye. "The year was 1831 and the bank took the name of The Grand Bank of Marblehead." Almost a century later, it obtained a national charter.

It's this same community commitment that National Grand continues today. As the 10th

oldest bank in the nation, it hasn't had a foreclosure since 1991.

National Grand has been a BBN client bank since 2001 and has migrated over the years to more and more BBN services, including the **STARS**® settlement platform, the OnWe® Network, International Services, Investment Advisory Service, Letters of Credit, Safekeeping, Fed Funds as Agent and Fed Funds Liquidity Line.

"Bankers' Bank Northeast has proven itself to us," says National Grand's CFO Michael Spencer. "It's simply easy to work with them. When you call with a question, you get an answer you can count on." He points out that the bank's employees are empowered to go straight to BBN when they need help."

"Taken together," he says, "it's a combination of ease of use, quality service and reasonable costs." Then, Michael Spencer adds, "That doesn't happen very often."

Then there's the de novo Quinncipiac Bank & Trust Company in Hamden, Connecticut, which began operations in March 2008. "We have been working with Bankers' Bank Northeast since the beginning," says Ken Innocenzi, Vice President of Operations and Compliance. Quinncipiac is also one of BBN's

investor banks. "We did so," says Innocenzi to take advantage of the higher earning credit and Fed Funds rates—and, of course, the dividends.

QUINNCIPIAC BANK & TRUST COMPANY Although Quinncipiac & Trust Company uses a number of BBN services, "We feel the **STARS**® system has been particularly beneficial to us in providing a timely and cost effective delivery of service to our customers," notes Innocenzi. "It also provides the ability to utilize a number of services through a single, secure source."


The bank is also pleased with BBN's level of service. "In some cases, it exceeds the capabilities of other providers," he adds.

In summarizing Quinncipiac's relationship with BBN, Innocenzi says, "We have found Bankers' Bank Northeast to be a very good partner, with all seasoned bankers who know our business very well. BBN makes it possible for a small bank to have a variety of services that we would not otherwise be able to deliver effectively."

This last statement may be an accurate summary of how BBN benefits all of its client financial institutions.

New BBN alliance partnership with retirement benefit plan leader

Bankers' Bank Northeast announces its alliance partnership with Savings Banks Employees Retirement Association (SBERA), a non-profit association that has been providing superior results for retirement plan sponsors for over 60 years.

 SBERA's exceptional fiduciary oversight, complete plan administration, high-profile

investment management, professional legal and compliance review and full access to account information via the plan sponsor and participant website serve to underscore the quality of its service. It currently manages more than 135 plans with over \$750 million in assets and 20,000 participants.

SBERA is an acknowledged leader in the retirement benefit plan market. For more information, please contact your Relationship Manager, visit www.sbera.com or call Joan Wheeler, Vice President of SBERA at 781-970-5018.

2009 SALES ACTIVITY

Over the year, the three Relationship Managers held 284 on-site meetings with prospects and clients. During this same period, they submitted a total of 562 service and product proposals to 290 clients and prospects.

The state-by-state breakdown is as follows:

STATE	NO. OF BANKS/ CREDIT UNIONS	NO. OF PROPOSALS	NO. OF TARGET BANKS
CT	63	93	57
MA	132	278	173
ME	24	61	27
NH	25	47	25
NYS	33	61	195
RI	3	5	11
VT	10	17	142
Totals	290	562	502

Upcoming International Services enhancement

Bankers' Bank Northeast will soon add an enhancement to its well-received International Services product, when eZforex.com opens the way for clients and/or their customers to order foreign currency directly online.

In addition, there is an opportunity for BBN's clients to participate in the revenue share on the exchange, thus generating a new source of fee income.

For more information please contact Client Services at 888-627-5226 or Lora Prior, EFT Services Supervisor at 860-266-2353 or email her at llp@bankersbanknortheast.com.

Training makes a difference

Bankers' Bank readies for video-based training

Training is an integral part of client support at Bankers' Bank Northeast (BBN). Senior Vice President Susan W. Salecky documented the importance and need in her thesis project for the ABA's Stonier Graduate School of Banking. As a result, BBN implemented a comprehensive training program in early 2009 with Rob Toffey managing the process.

BBN broadened the on-site and telephone training to include on-line web based scheduled programs. And, by the end of the first quarter in 2010, the Bank expects to roll out a series of video-based on-line training programs that can be viewed at the client's convenience.

"Our objective is to deliver training programs when the client has an immediate need and is available to get the information they want," says Toffey. "We feel these short 10 -15 minute video-based on-line vignettes will do the trick. We offered the video-based format when we upgraded the look of the **STARS**® platform and the response was excellent. We are in the process of modifying some of our current instructor lead modules including Disaster Recovery, International Services, **STARS**® Reporting Functions and **STARS**® Overview into this shorter

self-paced format." We plan to add new modules to all of our training programs. "Training is a work-in-progress. It's never finished," says Toffey, who sees the Bank's training programs being expanded into the sales arena for its clients. "We want to be a training resource for our clients and welcome suggestions for new courses," he adds.

On-site product and services training

As a growing organization, Cape Cod Co-operative Bank recognizes the need to make sure its branch and back office employees stay current with all the nuances of processing international transactions. BBN provides this service to Cape Cod Co-operative, which encompasses purchasing and selling international currency, wires (inbound and outbound in USD or foreign exchange), check collection, purchase of drafts and forward contracts.

"We wanted those employees who interface with customers to have a refresher course," says Janet Merlet, the bank's Deposit Services Manager. "We can be more effective if we answer customer questions accurately. Customer service is extremely important in our organization and we need the proper tools to be successful."

Merlet took the idea of having a training session for branch managers, assistant branch managers, CSRs and personnel from the finance and operations department to Rob Toffey, Training Development

Coordinator at Bankers' Bank Northeast. "These are the people who share in the delivery of wire transfers," noted Merlet. Together, they developed a training plan that would best suit the needs of all bank participants.

With Toffey and Lora Prior, BBN's EFT Services Supervisor, serving as the trainers, the event was just what Merlet wanted. "It was very interactive," she says. "I urged our people to bring questions—and they did. The participation was excellent."

Have there been visible benefits from the training? "Yes," reports Merlet. "We are all much more aware of the questions we need to be asking customers when they ask about wire transfers or any other international related service," she says. "That alone has improved the quality of our customer service."

Will there be more training sessions at the bank? "I hope we can have this type of program every other year," Merlet says.

"Training is an integral service component for community banks and we want our clients to know that we are here to help and respond accordingly," notes Toffey. Cape Cod Co-operative Bank's training experience points out how Bankers Bank Northeast can develop a training module to fit the special needs of its clients.

For more information on specialized training programs, please contact Rob Toffey at rt@bankersbanknortheast.com.

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