

While Other Banks Have Struggled Over The Last Two Years, Hampden Bancorp Has Faired Well Because Of Their Conservative Approach To Lending And The Fact That Housing Values Have Held Up In The Springfield, Massachusetts Area

**Financial
Regional – Northeast Banks
(HBNK-NASDAQ)**

Hampden Bancorp, Inc.

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**Thomas R. Burton, CPA
President and CEO**

BIO:

Thomas Burton is President and Chief Executive Officer of Hampden Bancorp, Inc. Prior to joining the bank he was managing partner of the Springfield Office of KPMG LLP, a position he held for over five years. At KPMG he also served as an associate SEC reviewing partner and engagement partner for twenty-five financial institution clients in Massachusetts, Vermont and Connecticut ranging in size from \$100 million to over \$4 bil-

lion, as well as publicly traded technology based manufacturing companies. His experience also includes significant work in the area of mergers and acquisitions, the conversion of mutual banks to publicly traded institutions, and FDIC assisted transactions.

Mr. Burton has been actively involved in professional organizations and is a member of the American Institute of Certified Public Accountants and the Connecticut and Massachusetts Societies of Certified Public Accountants, where he served as Chairman of the Massachusetts Society Bank Accounting Committee. He has spoken at a variety of programs sponsored by America’s Community Bankers, Massachusetts Bankers Association and the Bank Administration Institute. He was previously the author of Warren Gorham & Lamont’s Bank Accounting and Auditing Report.

Mr. Burton’s numerous community activities include: Past member of the Board of Directors and past Chairman of the Affiliated Chamber of Commerce of Greater Springfield, member of the Board of Trustees and past Chairman of Western New England College, Director of the Bankers’ Bank Northeast, Director of the Depositors Insurance Fund of Massachusetts, Director and past Chairman of The Association for Community Living and member of the Board and Treasurer of the Springfield Symphony Orchestra. Mr. Burton received a Bachelor of Science degree from Western New England College and attended its Law School.

Company Profile:

Since 1852 Hampden Bank has been “brightening the days” of its customers. A

local community bank serving the families and businesses throughout Hampden County, Hampden Bank has nine branch office locations -- Springfield, Agawam, Longmeadow, West Springfield, Wilbraham, at Tower Square in downtown Springfield, Indian Orchard, and its newest location, a second Longmeadow office, on Shaker Road. In addition to offering the most up-to-date banking services, Hampden Bank offers clients a full array of insurance and financial products through it’s subsidiary, Hampden Financial, a strategic alliance created with MassMutual and Charter Oak Insurance and Financial Services.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Burton, Hampden Bancorp has a long history, what is the focus of the bank today?

Mr. Burton: Hampden Bancorp does have a long history, as it has been part of the greater Springfield community for over 158 years. In fact, there are only two other local companies that have been around as long, and they are Mass Mutual and Smith and Wesson. Our mission has always been to provide banking services to the greater Springfield community, which includes most of Hampden County. Known as “the city of homes”, Springfield has a population of about 140,000 people, so naturally we have a strong base of retail customers. In addition our commercial banking sector has grown tremendously over the past several years to the point where we now are about 50/50 between retail and commercial customers.

CEOCFO: How has your immediate area fared given the economic downturn of the last two years?

Mr. Burton: Springfield has never had a large peak or a large valley in its economy. We are fairing reasonable well through the recession and one of the benefits that we have is that we are only 90 miles away from Boston, which as had very little effect from the recession. Its housing values have held up pretty well as ours have here in Springfield. We have had some decline in housing values and we have had some investor residential housing that has deteriorated, but fortunately, we did not lend to investors outside of the market.

CEOCFO: How do you reach new customers and what is the competitive landscape like with banks of your size?

Mr. Burton: It is a very competitive landscape. There are plenty of banks, but I think that is probably true throughout Massachusetts and Connecticut. I like to say that we have more banking offices than we have package stores, which is not necessarily a good thing from a banking standpoint. We reach new customers through consistent and aggressive marketing, and by delivering through on our promise of providing extraordinary customer service. From there word-of-mouth

takes over and typically once we gain a new customer, they rarely leave us. Quite often our opportunities include targeting those customers of the larger banks, particularly in the areas of municipalities and non-profits, as well as medium size businesses that recently have been hit with higher fees from some of the larger banks. We have been targeting non-profits as one industry. Non-profits often deal with the larger banks, essentially because they were with local banks that were bought out by the larger banks over the past 15 or 20 years. So many non-profits are now dealing with large banks, like Bank of America, and with the new fees these banks have instituted, we feel there is a good opportunity for a community bank like Hampden to gain market share within this segment.

CEOCFO: Are there other potential clients that you target as well?

Mr. Burton: Yes. We are also looking at municipalities and have consistently targeted middle markets. We have been promoting the fact that deposits that are made here stay right here in the community. It is very important our depositors know that their funds are being reinvested back into their community. It is a compelling argument.

CEOCFO: 'Brighter ideas' is your slogan; would you give us an example of this?

Mr. Burton: 'Brighter ideas' primarily revolves around our people and how they create positive experiences for our customers. We spend a lot of time training our people, not simply to make sure they know our products and services inside

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and out, but to fully understand why we are here in the first place – *to brighten our customers' days*. This is our 'mantra'. With respect to our people, we hire primarily for personality because we know we can teach banking. We know that if they are bright, have good personalities and care about other people, they will be extraordinary employees who will help us fulfill our mission.

CEOCFO: Do you find that many of your customers take advantage of the variety of services that you offer, such as business customers doing their personal banking as well?

Mr. Burton: We always try to ensure our customers take advantage of all of our products. The important point is to know your customers well enough to know the products they currently use, then anticipate the products they will need in the

future. This is critical for account retention and expansion.

CEOCFO: Are there products and/or services that you would like to add to the mix?

Mr. Burton: We are always looking at new products and new channels of delivery, and new ways to differentiate ourselves from the competition. Currently we don't offer mobile banking but we intend to have that in place before the end of the year. There are also some products that we are looking at to enhance the customer's security. Quite frankly, our products and services are very extensive and can compete very well against whatever the larger institutions may offer.

CEOCFO: How many locations do you have?

Mr. Burton: We currently have 9 locations.

CEOCFO: Are you looking at expansion?

Mr. Burton: We have plans for an additional location in the coming months. Basically we look to build our franchise throughout greater Springfield and in Hampden County before looking outside the market. The most important consideration is building a network that offers our customers convenience while making sure we

can become profitable in the shortest amount of time. There are a number of terrific locations we are considering, and we will continue to seek opportunities when and where they exist.

CEOCFO: Would you tell us about community involvement for Hampden Bank?

Mr. Burton: We have many dedicated employees who are very involved in the communities we serve. Last year we completed a survey of employees to learn how much time they spend giving back and working in their communities, either on bank time or on their own time. We found that out of 104 employees we cumulatively contributed well over 8000 hours of community service. I consider that outstanding for a bank our size. Speaking of "outstanding", we also

earned an outstanding CRA rating by the Massachusetts Department of Banking and the FDIC, which we are very proud of. We have achieved this for a number of examinations and we feel that as a community bank, we have a responsibility to give back to our community. We believe we have fulfilled that mission very well. Additionally we have two charitable foundations. Eight years ago, on our 150th anniversary, we formed a foundation by donating \$1 million and establishing the Hampden Savings Foundation, Inc. Then in 2007, when we went public, we formed the Hampden Bank Charitable Foundation, Inc. with an additional \$3.5 million. Between the two foundations, we have over \$4 million of funds available to support the many needs of our community. We currently contribute over \$250,000 per year from both of those foundations.

CEOCFO: Do you think that your customers realize the community emphasis and is that a factor for them in choosing Hampden?

Mr. Burton: We try to make certain they do. We consistently run advertising that lists all of the community organizations our foundations support. It's important we remind customers that we're involved, not just in terms of the money we provide, but also in terms of our active, hands on involvement. Because we have many customers who are associated with the organizations we support, the word does get out.

CEOCFO: How do you reassure your customers given what has happened with banks and the economy in general over the past two years?

Mr. Burton: First we make sure we educate our people on the issues. This is critical. For example, customers everywhere are concerned about the safety of their bank and want assurances. Like every bank we provide FDIC deposit insurance, however in addition we also provide insurance from the Deposit Insurance Fund of Massachusetts. This fund insures that all deposits in excess of the \$250,000 FDIC limit are fully protected. In other words, all deposits in Hampden Bank are insured in full either by the FDIC or by DIF. Our people are well versed about this significant advantage and make sure both our current and po-

tential customers understand the value of this additional level of protection. This is especially important since many our competitors do not offer DIF. (The Deposit Insurance Fund of Massachusetts was formed during the depression and actually substituted for the FDIC insurance and was the only insurance that mutual savings banks had in Massachusetts. However, that changed in the 1980's, when the mutual savings banks joined the FDIC. Then the role of the Deposit Insurance Fund of Massachusetts became simply to insure excess deposits.)

A second way we continue to reassure our customers is through advertising. We've created a number of print and television ads that speak directly to the issues and concerns people have. Throughout this financial crisis we feel it is vital that the president of the bank be up front, visible, and accessible, which is why I've been featured in this campaign. Not all our competitors have this advantage, especially our larger competitors. Often their president and top management team is located out-of-state, out-of-the-region, and in a few cases, even out-of the country. I can speak directly to people, as does our top management team, about the strength of Hampden Bank, its strong capital position along with any other concerns they may have. All along they know that we're right here with them, 'just down the street' if they have questions or concerns. We have received very positive feedback with this upfront approach. And speaking of accessibility, my office is located right on the floor of our main office so I am very accessible to our customers, many of whom stop in and ask me questions from time-to-time.

CEOCFO: You recently announced a stock repurchase plan; would you tell us about that?

Mr. Burton: This is our third stock repurchase program and each one has been 5% of the outstanding shares. We feel that buying back our stock, particularly now, is very advantageous to our shareholders. We have been fortunate in this third buyback to be able, in some instances, to purchase the stock for less than \$10 per share, which was the amount that we sold it at originally back in 2007. Our stock is selling at a signifi-

cant discount to book value, so repurchase is very accretive to existing shareholders. We believe this is a window of opportunity with the stock price as low as it is right now. Of course, having a strong capital position allows us to take full advantage of this situation.

CEOCFO: How is business these days?

Mr. Burton: Business is good. This past year we have had one of the best years we have seen in deposit growth. To a great extent I believe it has had much to do with the flight to safety issue, however we've also been proactive with the right products, services, and people in place, and with the right message, as well. Loan growth has been good on the residential side, and of course, part of that is due to government incentives that have been put in place for home ownership. Those have expired now so we probably will see a slower summer than we saw this past winter. The commercial loan side has been good. We brought in a number of new customers but loan demand is a little weak, essentially because many of our stronger customers are reluctant to borrow money and make major moves at this time. Commercial lending is not as robust as we would like it to be but it still continues to grow at a steady pace.

CEOCFO: Address potential investors; there are many banks to choose from, why look at Hampden?

Mr. Burton: Number one is that our core earnings, before provisions for loan losses, are very good. We had a large provision for loan losses in the last couple of quarters, but we believe we have been fairly conservative. At the end of the March 31 quarter, our allowance for loan losses equaled about 1.5% of outstanding loans. This is a very strong statistic. Additionally, the allowance for loan losses was equal to just about 100% of our non-performing loans, again another very strong, and I believe, conservative statistic. As we move into the next few quarters we tend to see the loan issues subsiding somewhat, however, concerns about the economy still remain.

CEOCFO: Final thoughts, what should people remember most about Hampden Bank?

Mr. Burton: Both from an investor and a customer standpoint we represent very steady, positive growth in a very competitive market. We are a bank that has been

around for many years, is run in a conservative manor and will be around for many years to come. We are very well managed and are fortunate to have been

able to acquire some good people over the past few years.



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