

**CEO
CFO**



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Management At Naugatuck Valley Financial Is Ahead Of The Game In Understanding That In Today's Economic Environment The Focus Is Now On Capital And Asset Quality

**Financial
Savings & Loans
(NVSL-NASDAQ)**

Naugatuck Valley Financial Corp.

**333 Church Street
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Phone: 203-720-5000**



**John C. Roman
President and CEO**

BIO:

John C. Roman, President and CEO of Naugatuck Valley Financial Corporation, joined Naugatuck Valley Savings and Loan in 1998 as Senior Vice President and Chief Lending Officer. He was elected President and CEO of Naugatuck Valley Savings and Loan in September 1999 and has been President and CEO of Naugatuck Valley Financial Corporation since it was established in September 2004. Prior to NVSL Mr. Roman was employed in various lending capacities by Eagle Bank, MidConn Bank, Dime Savings Bank of Wallingford and American

Naugatuck Valley National Bank. He is a 1990 graduate of the National School of Banking and earned his MBA degree from the University of Connecticut in 1982. He earned his undergraduate degree in Economics cum laude from Central Connecticut State University in 1975.

Company Profile:

Naugatuck Valley Financial Corporation was established in 2004 as the holding company for Naugatuck Valley Savings and Loan a federally chartered savings and loan established in 1922. Naugatuck Valley Savings and Loan ("NVSL") operates 10 banking offices in the Naugatuck River Valley in Southwestern Connecticut between Waterbury and Bridgeport. The Bank is a community oriented financial institution dedicated to serving the financial needs of consumers and businesses within its market area.

Naugatuck Valley financial Corporation pursues a strategy that is focused on long-term growth by providing superior customer service and the profitable delivery of products our customers want. The successful pursuit of this strategy involves maintenance of credit quality, increases in non-interest income, branch improvement and expense control.

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

CEOCFO: Mr. Roman, we talked last about a year ago, what is the focus of Naugatuck Valley today; what has changed?

Mr. Roman: "We have not changed our customer service focus. We are operating a successful community bank offering a wide range of financial services to individuals, families, and small businesses.

We offer the traditional products, loans, and mortgages. In addition, we are now offering our customers reverse mortgages and investment advisory services. Both these services are building fee income. We are building a good portfolio of health savings accounts, and we have improved our internet banking products. Due to the economic environment we have increased our focus on capital, asset quality, and expense control."

CEOCFO: What is your situation today?

Mr. Roman: "I would have to say that so far we are making our way through the recession quite well. Our ratio of non-performing loans to total loans was 0.7% at the end of December. Delinquency throughout our various loan portfolios remains low. I believe that this is due to the conservative underwriting policies that we have maintained for a long time. The relative strength of housing in our market area is also a positive factor. We never saw in our market area a large increase in property values, so we are not seeing severe decreases in property values. Property values in our market area are down approximately 8% over the past year. We still have a collateral cushion. Our portfolio of real estate development loans is also holding up well. Our builders are still selling properties, although at a slower pace than last year. On the commercial mortgage side, occupancy rates in the properties we have financed is being maintained as that portfolio is also still holding up well."

CEOCFO: Please tell us more about the reverse mortgages and health savings accounts?

Mr. Roman: We have been offering Reverse Mortgages for three years. We take the applications, hold the applicant's

hands through the application process, and then close through Financial Freedom. Reverse mortgages are not for everyone, so we make sure, along with Financial Freedom, that the purpose and the structure of the reverse mortgage makes sense. HSA's are a good source of low cost funds for us. We have built HSA balances through referrals from insurance agencies in our market area."

CEOCFO: What else can you do for senior citizens?

Mr. Roman: "The overriding concern of Senior citizens is the safety of their deposits. So we have tried to communicate to them that their deposits are insured up to legal limits, and that we have been here for 89 years and we continue to be there for them. Beyond that, for that population we still offer passbook accounts for those who prefer to come in and see their interest credited monthly. We also offer statement savings and recently added e-statement options. So we offer a variety of options on the savings side depending upon the wishes of our customer. We stay competitive with CDs for all of our customers. That market has been very competitive rate wise. We balance the desire bring in and retain customers with attractive CD rates with the need to control our cost of funds."

CEOCFO: What is the balance between commercial and consumer, and has that changed for you?

Mr. Roman: "It has been changing gradually. Our mix is very close to 50/50 commercial and retail. Our goal is to continue to grow the commercial faster than what we are growing our residential portfolio. Historically, we have been primarily a residential portfolio lender, although we have maintained our capabilities to sell for FHLMC. Where rates are now, we will be selling current production."

CEOCFO: Do you find people coming to you for reassurance these days, and how do you reassure them?

Mr. Roman: "Yes, we hear from our branch managers that people come in and asking how we are doing and asking if

their money is safe. We have made it a point to emphasize that their deposits are federally insured up to legal limits and that we are a community bank that has been through cycles in the past. We also try to point out that we were not involved in sub-prime lending, our capital ratios are strong, and we are confident in our ability to make our way through the recession and come out the other side just as strong and be there to support our customers. These are tough times but now more than ever our customers and our communities need our support. We need to support our customers through tough times so that they will still be our customers when the good times return. Community needs are increasing and we need to be there for those agencies work-

"For the next few years it will be capital, capital, capital, and asset quality, asset quality, asset quality. We are facing a couple of challenging years for us and our industry and our customers. At the same time, we are confident in our ability to make our way through the recession and come out stronger. As I said earlier, we are projecting a return to banking the way it was in the 1960's and 1970's, where community banks will play a larger role than they have in the past and I believe we have the talent and the know-how to build shareholder value as we move forward." - John C. Roman

ing hard to offer social services to those in need."

CEOCFO: Are your customers making a lot of changes now, or are they standing pat?

Mr. Roman: "People are standing pat. We are seeing the residential mortgage customers coming in to refinance their mortgages, where it is to their advantage. We have seen an uptick in mortgage activity. Beyond that, our investment service area has slowed down a bit. People are moving out of non-insured investments and more into bank CDs, and other insured bank products. We have not seen a lot of shifting around; people are hunkering down to some extent making their way through the cycle."

CEOCFO: Your many, many years make a difference to people!

Mr. Roman: "Yes it does. Our customers know that we have been through cycles before and we have demonstrated the strength to work with them. We are confident in our future and we are here to help our customers through the recession."

CEOCFO: Has your competitive landscape changed?

Mr. Roman: "I cannot say that our competitive landscape has drastically changed. We are still competing with community banks in our marketplace that are generally larger than us; Peoples of Bridgeport, New Alliance Bank, Webster Bank, TD Bank North and Naugatuck Savings Bank. We believe we all have the strength to work through this recession.

Where we have seen a drop-off in competition is on the mortgage brokerage side. We are taking mortgage applications that would have gone to mortgage brokers in the past. Moving forward we believe banking will be much to the way it had been in the 1960's and 1970's. It was much more locally focused with less securitization. Loans were written by a bank, and held by a bank. We know how to operate successfully in that environment so that shift back to core banking will work to our favor."

CEOCFO: What are the intangible qualities that you look for in your people?

Mr. Roman: "Our employees have been through economic cycles and have a feel for what our customers are looking for. We have been successful with a soft sell culture. Our approach is 'this product could work for you, think about it, and hopefully you will agree with us that it is a product you can use.' We look for opportunities, read the signals and try to determine what our customers might need and make sure that they understand that we have products and services that can help them with those needs. We are patient with the process our customers go through in deciding to move into or take advantage of our products."

CEOCFO: 'Banking the way you expect it' - what does that mean?

Mr. Roman: “That is one of our tag lines. It is our way of saying, ‘when you come in to see us, you are going to see the same people that you saw a few weeks ago in our branches.’ Our customers are going to get to talk to the same loan officers and other bank officers that you have talked to before. They can expect the same people to be there, expect consistently superior customer service, and consistently favorable rates on your loans and favorable rates on your deposits.”

CEO CFO: What is ahead for Naugatuck Valley?

Mr. Roman: “For the next few years it will be capital, capital, capital, and asset quality, asset quality, asset quality. We

are facing a couple of challenging years for us and our industry and our customers. At the same time, we are confident in our ability to make our way through the recession and come out stronger. As I said earlier, we are projecting a return to banking the way it was in the 1960’s and 1970’s, where community banks will play a larger role than they have in the past and I believe we have the talent and the know-how to build shareholder value as we move forward.”

CEO CFO: You are ready!

Mr. Roman: “We believe we are well positioned for what we are facing. Our asset quality has remained good. Our capital levels are strong. We are manag-

ing our assets and liabilities to put us in the best position to take advantage of the recovery. Coming out of the recession, we are confident we are going to be well positioned to compete as a community bank.”

CEO CFO: In closing, investors are putting companies on their radar screen; why should people be considering Naugatuck Valley?

Mr. Roman: “We are well positioned due to our capital, our asset quality, and the relative strength of our market area and we have a number of paths we can take depending upon how external factors play out over the next few years.”



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