



NBT Bancorp Inc. Announces Net Income of \$30.6 Million and Diluted Earnings Per Share of \$0.69

July 22, 2019

NORWICH, N.Y., July 22, 2019 (GLOBE NEWSWIRE) -- NBT Bancorp Inc. ("NBT" or the "Company") (NASDAQ: NBTB) reported net income and diluted earnings per share for both the three and six months ended June 30, 2019.

Net income for the three months ended June 30, 2019 was \$30.6 million, up 4.9% from \$29.1 million for the first quarter of 2019 and up 8.7% from \$28.1 million for the second quarter of 2018. Diluted earnings per share for the three months ended June 30, 2019 was \$0.69, as compared with \$0.66 for the prior quarter, an increase of 4.5%, and \$0.64 for the second quarter of 2018, an increase of 7.8%.

Net income for the six months ended June 30, 2019 was \$59.7 million, up 10.3% from \$54.1 million for the same period last year. Diluted earnings per share for the six months ended June 30, 2019 was \$1.35, as compared with \$1.23 for the same period in 2018, an increase of 9.8%.

Highlights:

- Quarterly diluted earnings per share up 4.5% from prior quarter and up 7.8% from prior year
- Quarter-to-date net income up 4.9% from prior quarter and up 8.7% from prior year
- FTE net interest margin of 3.63% for the six months ended June 30, 2019, up 6 bps from 2018
- Full cycle deposit beta of 14.7% through the quarter ending June 30, 2019¹
- Tangible equity ratio of 8.41%, up 93 bps from the second quarter of 2018

"For the first six months of 2019, we achieved double-digit year-over-year growth with earnings per share and net income up 10% over the same period in 2018," said NBT President and CEO John H. Watt, Jr. "Positive trends in net interest income and tangible capital growth demonstrate we are effectively managing our business and growing earnings while investing in our long-term strategies. Our team remains focused on building shareholder value by delivering a great customer experience. Relentless focus on process improvement and digitization will permit reinvestment of the productivity gains created into the customer experience."

Net interest income was \$78.6 million for the second quarter of 2019, up \$0.9 million, or 1.2%, from the previous quarter. The fully taxable equivalent ("FTE") net interest margin was 3.61% for the three months ended June 30, 2019, down 3 basis points ("bps") from the previous quarter, as higher funding costs on average interest-bearing liabilities were partially offset by higher average interest-earning assets. Interest income increased \$1.9 million, or 2.1%, as the yield on average interest-earning assets of 4.28% was comparable to the prior quarter, while average interest-earning assets of \$8.8 billion increased \$70 million compared with the prior quarter. Interest expense was up \$1.0 million, or 7.0%, as the cost of interest-bearing liabilities increased 4 bps to 0.96% for the quarter ended June 30, 2019, driven by interest-bearing deposit costs increasing 8 bps, partially offset by the 6 bp decrease in short-term borrowings cost.

Net interest income was \$78.6 million for the second quarter of 2019, up \$2.9 million, or 3.8%, from the second quarter of 2018. The FTE net interest margin of 3.61% was up 4 bps from the second quarter of 2018. Interest income increased \$8.5 million, or 10.0%, as the yield on average interest-earning assets increased 29 bps from the same period in 2018, and average interest-earning assets increased \$209.7 million, or 2.4%, primarily due to a \$207.6 million increase in average loans. Interest expense increased \$5.6 million, as the cost of interest-bearing liabilities increased 35 bps, driven by interest-bearing deposit costs increasing 38 bps combined with a 39 bp increase in short-term borrowing costs.

Net interest income for the first six months of 2019 was \$156.3 million, up \$7.1 million, or 4.8%, from the same period in 2018. FTE net interest margin of 3.63% for the six months ended June 30, 2019, was up from 3.57% for the same period in 2018. Average interest-earning assets were up \$261.6 million, or 3.1% for the six months ended June 30, 2019, as compared to the same period in 2018, driven by a \$250.7 million increase in loans. Interest income increased \$19.1 million, or 11.5%, due to the increase in earning assets combined with a 30 bp improvement in loan yields. Interest expense was up \$12.0 million for the six months ended June 30, 2019 as compared to the same period in 2018, as the cost of interest-bearing liabilities increased 38 bps, driven by interest-bearing deposit costs increasing 38 bps combined with a 55 bp increase in short-term borrowing costs. The Federal Reserve has raised its target fed funds rate nine times from December 2015 through June 2019 for a total increase of 225 bps. During this same cycle of increasing rates, the Company's average cost of deposits increased by 33 bps, resulting in a full cycle deposit beta of 14.7%.

Noninterest income for the three months ended June 30, 2019 was \$34.2 million, up \$0.4 million, or 1.2%, from the prior quarter and comparable with the second quarter of 2018. The increase from the prior quarter was primarily driven by higher ATM and debit card fees due to an increase in the number of accounts and usage and other noninterest income due to higher swap fee income that was partially offset by lower seasonal insurance and other financial services revenue.

Noninterest income for the six months ended June 30, 2019 was \$68.1 million, up \$2.6 million, or 4.0%, from the same period in 2018. The increase from the prior year was driven by higher retirement plan administration fees due to the acquisition of Retirement Plan Services, LLC, "RPS," in the second quarter of 2018 and higher ATM and debit card fees due to an increase in the number of accounts and usage that was partially offset by lower trust income and other noninterest income due to lower non-recurring gains recognized in the first six months of 2019.

Noninterest expense for the three months ended June 30, 2019 was \$66.2 million, down \$2.2 million, or 3.3%, from the prior quarter and up \$1.3 million, or 2.1%, from the second quarter of 2018. The decrease from the prior quarter was primarily driven by lower seasonal occupancy expenses and timing of equity-based compensation and other noninterest expense items. The increase from the second quarter of 2018 was driven by increases in salaries and employee benefits expense and equipment expense. Salaries and employee benefits expense increased from the second quarter of 2018 due to wage increases and higher incentive compensation.

Noninterest expense for the six months ended June 30, 2019 was \$134.7 million, up \$5.5 million, or 4.3%, from the same period in 2018. The increase from the prior year was driven by higher salaries and employee benefits, equipment expense and other noninterest expenses in the first half of 2019 as compared to the same period of 2018. The increase in salaries and employee benefits was primarily due to the RPS acquisition in the second quarter of 2018 and the timing of incentive compensation and wage increases.

Income tax expense for the three months ended June 30, 2019 was \$8.8 million, up \$0.7 million from the prior quarter and up \$0.7 million from the second quarter of 2018. The effective tax rate of 22.4% for the second quarter of 2019 was up from 21.8% for the first quarter of 2019 and comparable to the second quarter of 2018. The increase in income tax expense from the prior quarter and from the second quarter of 2018 was primarily due to a higher level of taxable income.

Income tax expense for the six months ended June 30, 2019 was \$16.9 million, up \$1.8 million, or 11.9%, from the same period of 2018. The effective tax rate of 22.1% for the first six months of 2019 was up from 21.8% for the same period in the prior year. The increase in income tax expense from the prior year was due to a higher level of taxable income.

Asset Quality

Net charge-offs of \$6.5 million for the three months ended June 30, 2019 were down as compared to \$6.9 million for the prior quarter and comparable to the second quarter of 2018. Provision expense was higher at \$7.3 million for the three months ended June 30, 2019 as compared with \$5.8 million for the prior quarter and down from \$8.8 million for the second quarter of 2018. Annualized net charge-offs to average loans for the second quarter of 2019 was 0.38%, down from 0.41% for the prior quarter and down from 0.39% for the second quarter of 2018.

Net charge-offs of \$13.4 million for the six months ended June 30, 2019 compared to \$13.3 million for the same period of 2018. Provision expense was \$13.1 million for the six months ended June 30, 2019 as compared with \$16.3 million for the same period of 2018. Annualized net charge-offs to average loans for the first six months of 2019 was 0.39% as compared with 0.40% for the first six months of 2018.

Nonperforming loans to total loans was 0.39% at June 30, 2019, down 3 bps from 0.42% at March 31, 2019 and up 1 bp from 0.38% at June 30, 2018. Past due loans as a percentage of total loans were 0.52% at June 30, 2019, comparable to March 31, 2019 and up from 0.50% at June 30, 2018.

The allowance for loan losses totaled \$72.2 million at June 30, 2019, compared to \$71.4 million at March 31, 2019 and \$72.5 million at June 30, 2018. The allowance for loan losses as a percentage of loans was 1.04% (1.08% excluding acquired loans) at June 30, 2019, compared to 1.04% (1.09% excluding acquired loans) at March 31, 2019 and 1.06% (1.11% excluding acquired loans) at June 30, 2018.

Balance Sheet

Total assets were \$9.6 billion at June 30, 2019, comparable to December 31, 2018. Loans were \$7.0 billion at June 30, 2019, up \$75.6 million from December 31, 2018. In the first half of 2019, loan growth in commercial and commercial real estate was partially offset by run-off in our consumer portfolios. Total deposits were \$7.6 billion at June 30, 2019, up \$225.5 million, or 3.1%, from December 31, 2018, reflecting growth in core and municipal deposits. Stockholders' equity was \$1.1 billion, representing a total equity-to-total assets ratio of 11.15% at June 30, 2019, compared with \$1.0 billion or a total equity-to-total assets ratio of 10.65% at December 31, 2018.

Corporate Overview

NBT Bancorp Inc. is a financial holding company headquartered in Norwich, N.Y., with total assets of \$9.6 billion at June 30, 2019. The Company primarily operates through NBT Bank, N.A., a full-service community bank, and through two financial services companies. NBT Bank, N.A. has 149 banking locations in New York, Pennsylvania, Vermont, Massachusetts, New Hampshire and Maine. EPIC Retirement Plan Services, based in Rochester, N.Y., is a full-service 401(k) plan recordkeeping firm. NBT Insurance Agency, LLC, based in Norwich, N.Y., is a full-service insurance agency. More information about NBT and its divisions is available online at: www.nbtbancorp.com, www.nbtbank.com, www.epic1st.com and www.nbtinsurance.com.

Forward-Looking Statements

This news release contains forward-looking statements. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of the management of NBT and its subsidiaries and on the information available to management at the time that these statements were made. There are a number of factors, many of which are beyond NBT's control, which could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others: (1) competitive pressures among depository and other financial institutions may increase significantly, including as a result of competitors having greater financial resources than NBT; (2) revenues may be lower than expected; (3) changes in the interest rate environment may reduce interest margins; (4) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit; (5) legislative or regulatory changes, including changes in accounting standards and tax laws, may adversely affect business and results; (6) NBT's ability to successfully integrate acquired businesses and employees; and (7) adverse changes may occur in the securities markets or with respect to inflation. Forward-looking statements speak only as of the date they are made. Except as required by law, NBT does not update forward-looking statements to reflect subsequent circumstances or events.

Non-GAAP Measures

This press release contains financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These measures adjust GAAP measures to exclude the effects of acquisition related intangible amortization expense on earnings, equity and assets, as well as providing a FTE yield on securities and loans. Where non-GAAP disclosures are used in this press release, a reconciliation to the comparable GAAP measure is provided in the accompanying tables. Management believes that these non-GAAP measures provide useful information that is important to an understanding of the results of NBT's core business as well as provide information standard in the financial institution industry. Non-GAAP measures should not be considered a substitute for financial measures determined in accordance with GAAP and investors should consider NBT's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of NBT.

¹ The change in the Company's quarterly deposit costs from December 31, 2015 to June 30, 2019 of 0.33% divided by the change in Federal Reserve's target fed funds rate from December 2015 to June 2019 of 2.25%

NBT Bancorp Inc. and Subsidiaries

Selected Financial Data

(unaudited, dollars in thousands except per share data)

| | 2019 | | 2018 | | | |
|--|------------|------------|------------|------------|------------|---|
| | 2nd Q | 1st Q | 4th Q | 3rd Q | 2nd Q | |
| Profitability: | | | | | | |
| Diluted earnings per share | \$ 0.69 | \$ 0.66 | \$ 0.65 | \$ 0.68 | \$ 0.64 | |
| Weighted average diluted common shares outstanding | 44,120,377 | 44,081,086 | 44,059,796 | 44,050,557 | 44,016,940 | |
| Return on average assets (1) | 1.28 | % 1.24 | % 1.20 | % 1.25 | % 1.21 | % |
| Return on average equity (1) | 11.63 | % 11.52 | % 11.34 | % 11.96 | % 11.64 | % |
| Return on average tangible common equity (1)(3) | 16.38 | % 16.45 | % 16.37 | % 17.42 | % 17.08 | % |
| Net interest margin (1)(2) | 3.61 | % 3.64 | % 3.61 | % 3.57 | % 3.57 | % |

| | 6 Months ended June 30, | | |
|--|-------------------------|------------|---|
| | 2019 | 2018 | |
| Profitability: | | | |
| Diluted earnings per share | \$ 1.35 | \$ 1.23 | |
| Weighted average diluted common shares outstanding | 44,096,681 | 43,991,731 | |
| Return on average assets (1) | 1.26 | % 1.18 | % |
| Return on average equity (1) | 11.57 | % 11.32 | % |
| Return on average tangible common equity (1)(4) | 16.41 | % 16.52 | % |
| Net interest margin (1)(2) | 3.63 | % 3.57 | % |

(1) Annualized.

(2) Calculated on a FTE basis.

(3) Non-GAAP measure - excludes amortization of intangible assets (net of tax) from net income and average tangible common equity is calculated as follows:

| | 2019 | | 2018 | | |
|--|--------------|--------------|--------------|------------|------------|
| | 2nd Q | 1st Q | 4th Q | 3rd Q | 2nd Q |
| Net income | \$ 30,555 | \$ 29,127 | \$ 28,652 | \$ 29,807 | \$ 28,121 |
| Amortization of intangible assets (net of tax) | 670 | 726 | 734 | 791 | 822 |
| Net income, excluding intangibles amortization | \$ 31,225 | \$ 29,853 | \$ 29,386 | \$ 30,598 | \$ 28,943 |
| Average stockholders' equity | \$ 1,053,750 | \$ 1,025,753 | \$ 1,002,822 | \$ 988,551 | \$ 969,029 |
| Less: average goodwill and other intangibles | 288,930 | 289,913 | 290,854 | 291,814 | 289,250 |
| Average tangible common equity | \$ 764,820 | \$ 735,840 | \$ 711,968 | \$ 696,737 | \$ 679,779 |

(4) Non-GAAP measure - excludes amortization of intangible assets (net of tax) from net income and average tangible common equity is calculated as follows:

| | 6 Months ended June 30, | | |
|--|-------------------------|------------|--|
| | 2019 | 2018 | |
| Net income | \$ 59,682 | \$ 54,107 | |
| Amortization of intangible assets (net of tax) | 1,396 | 1,508 | |
| Net income, excluding intangibles amortization | \$ 61,078 | \$ 55,615 | |
| Average stockholders' equity | \$ 1,039,829 | \$ 964,064 | |
| Less: average goodwill and other intangibles | 289,419 | 285,161 | |
| Average tangible common equity | \$ 750,410 | \$ 678,903 | |

Note: Year-to-date EPS may not equal sum of quarters due to differences in outstanding shares.

NBT Bancorp Inc. and Subsidiaries

Selected Financial Data

(unaudited, dollars in thousands except per share data)

| | 2019 2nd Q | 1st Q | 2018 4th Q | 3rd Q | 2nd Q | |
|--|---------------|------------|---------------|--------------|--------------|---|
| Balance sheet data: | | | | | | |
| Securities available for sale | \$ 979,696 | \$ 951,859 | \$ 998,496 | \$ 1,101,074 | \$ 1,192,939 | |
| Securities held to maturity | 744,601 | 780,565 | 783,599 | 659,949 | 544,163 | |
| Net loans | 6,891,108 | 6,818,907 | 6,815,204 | 6,814,457 | 6,785,721 | |
| Total assets | 9,635,718 | 9,533,510 | 9,556,363 | 9,547,284 | 9,467,138 | |
| Total deposits | 7,593,706 | 7,617,659 | 7,368,211 | 7,441,290 | 7,344,449 | |
| Total borrowings | 794,829 | 719,775 | 1,046,616 | 986,656 | 1,028,971 | |
| Total liabilities | 8,560,895 | 8,499,455 | 8,538,454 | 8,553,129 | 8,488,209 | |
| Stockholders' equity | 1,074,823 | 1,034,055 | 1,017,909 | 994,155 | 978,929 | |
| Asset quality: | | | | | | |
| Nonaccrual loans | \$ 24,669 | \$ 25,632 | \$ 25,487 | \$ 23,301 | \$ 24,006 | |
| 90 days past due and still accruing | 2,387 | 3,335 | 5,085 | 4,734 | 2,209 | |
| Total nonperforming loans | 27,056 | 28,967 | 30,572 | 28,035 | 26,215 | |
| Other real estate owned | 2,203 | 2,222 | 2,441 | 3,271 | 4,349 | |
| Total nonperforming assets | 29,259 | 31,189 | 33,013 | 31,306 | 30,564 | |
| Allowance for loan losses | 72,165 | 71,405 | 72,505 | 72,805 | 72,450 | |
| Asset quality ratios (total): | | | | | | |
| Allowance for loan losses to total loans | 1.04 | % 1.04 | % 1.05 | % 1.06 | % 1.06 | % |
| Total nonperforming loans to total loans | 0.39 | % 0.42 | % 0.44 | % 0.41 | % 0.38 | % |
| Total nonperforming assets to total assets | 0.30 | % 0.33 | % 0.35 | % 0.33 | % 0.32 | % |
| Allowance for loan losses to total nonperforming loans | 266.72 | % 246.50 | % 237.16 | % 259.69 | % 276.37 | % |
| Past due loans to total loans | 0.52 | % 0.52 | % 0.55 | % 0.53 | % 0.50 | % |
| Net charge-offs to average loans (1) | 0.38 | % 0.41 | % 0.39 | % 0.33 | % 0.39 | % |
| Asset quality ratios (originated) (2): | | | | | | |
| Allowance for loan losses to loans | 1.08 | % 1.09 | % 1.10 | % 1.11 | % 1.11 | % |
| Nonperforming loans to loans | 0.38 | % 0.41 | % 0.43 | % 0.39 | % 0.36 | % |
| Allowance for loan losses to nonperforming loans | 287.67 | % 265.63 | % 254.92 | % 285.86 | % 306.08 | % |
| Past due loans to loans | 0.52 | % 0.52 | % 0.56 | % 0.53 | % 0.50 | % |
| Capital: | | | | | | |
| Equity to assets | 11.15 | % 10.85 | % 10.65 | % 10.41 | % 10.34 | % |
| Tangible equity ratio (3) | 8.41 | % 8.06 | % 7.85 | % 7.59 | % 7.48 | % |
| Book value per share | \$ 24.56 | \$ 23.64 | \$ 23.31 | \$ 22.77 | \$ 22.43 | |
| Tangible book value per share (4) | \$ 17.97 | \$ 17.02 | \$ 16.66 | \$ 16.10 | \$ 15.73 | |
| Tier 1 leverage ratio | 9.88 | % 9.62 | % 9.52 | % 9.36 | % 9.25 | % |
| Common equity tier 1 capital ratio | 10.95 | % 10.69 | % 10.49 | % 10.28 | % 10.04 | % |
| Tier 1 capital ratio | 12.24 | % 11.99 | % 11.79 | % 11.58 | % 11.35 | % |
| Total risk-based capital ratio | 13.21 | % 12.98 | % 12.78 | % 12.58 | % 12.34 | % |
| Common stock price (end of period) | \$ 37.51 | \$ 36.01 | \$ 34.59 | \$ 38.38 | \$ 38.15 | |

(1) Annualized.

(2) Non-GAAP measure - Excludes acquired loans.

(3) Non-GAAP measure - Stockholders' equity less goodwill and intangible assets divided by total assets less goodwill and intangible assets.

(4) Non-GAAP measure - Stockholders' equity less goodwill and intangible assets divided by common shares outstanding.

NBT Bancorp Inc. and Subsidiaries

Consolidated Balance Sheets

(unaudited, dollars in thousands)

| | June 30, 2019 | December 31, 2018 |
|--|------------------|----------------------|
| Assets | | |
| Cash and due from banks | \$ 150,154 | \$ 175,550 |
| Short-term interest bearing accounts | 39,278 | 5,405 |
| Equity securities, at fair value | 26,298 | 23,053 |
| Securities available for sale, at fair value | 979,696 | 998,496 |

| | | |
|--|---------------------|---------------------|
| Securities held to maturity (fair value \$754,995 and \$778,675, respectively) | 744,601 | 783,599 |
| Federal Reserve and Federal Home Loan Bank stock | 45,996 | 53,229 |
| Loans held for sale | 15,662 | 6,943 |
| Loans | 6,963,273 | 6,887,709 |
| Less allowance for loan losses | 72,165 | 72,505 |
| Net loans | \$ 6,891,108 | \$ 6,815,204 |
| Premises and equipment, net | 76,652 | 78,970 |
| Goodwill | 274,769 | 274,769 |
| Intangible assets, net | 13,738 | 15,599 |
| Bank owned life insurance | 180,042 | 177,479 |
| Other assets | 197,724 | 148,067 |
| Total assets | \$ 9,635,718 | \$ 9,556,363 |
| <i>Liabilities and stockholders' equity</i> | | |
| Demand (noninterest bearing) | \$ 2,336,776 | \$ 2,361,099 |
| Savings, NOW and money market | 4,280,363 | 4,076,434 |
| Time | 976,567 | 930,678 |
| Total deposits | \$ 7,593,706 | \$ 7,368,211 |
| Short-term borrowings | 609,366 | 871,696 |
| Long-term debt | 84,267 | 73,724 |
| Junior subordinated debt | 101,196 | 101,196 |
| Other liabilities | 172,360 | 123,627 |
| Total liabilities | \$ 8,560,895 | \$ 8,538,454 |
| Total stockholders' equity | \$ 1,074,823 | \$ 1,017,909 |
| Total liabilities and stockholders' equity | \$ 9,635,718 | \$ 9,556,363 |

NBT Bancorp Inc. and Subsidiaries

Consolidated Statements of Income

(unaudited, dollars in thousands except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------|------------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| <i>Interest, fee and dividend income</i> | | | | |
| Interest and fees on loans | \$ 81,271 | \$ 74,172 | \$ 160,592 | \$ 144,615 |
| Securities available for sale | 6,031 | 7,003 | 11,953 | 13,929 |
| Securities held to maturity | 5,089 | 2,811 | 10,306 | 5,436 |
| Other | 842 | 781 | 1,726 | 1,547 |
| Total interest, fee and dividend income | \$ 93,233 | \$ 84,767 | \$ 184,577 | \$ 165,527 |
| <i>Interest expense</i> | | | | |
| Deposits | \$ 10,234 | \$ 5,079 | \$ 19,060 | \$ 9,010 |
| Short-term borrowings | 2,760 | 2,455 | 5,997 | 4,421 |
| Long-term debt | 471 | 452 | 893 | 928 |
| Junior subordinated debt | 1,141 | 1,040 | 2,309 | 1,941 |
| Total interest expense | \$ 14,606 | \$ 9,026 | \$ 28,259 | \$ 16,300 |
| Net interest income | \$ 78,627 | \$ 75,741 | \$ 156,318 | \$ 149,227 |
| Provision for loan losses | 7,277 | 8,778 | 13,084 | 16,274 |
| Net interest income after provision for loan losses | \$ 71,350 | \$ 66,963 | \$ 143,234 | \$ 132,953 |
| <i>Noninterest income</i> | | | | |
| Insurance and other financial services revenue | \$ 5,938 | \$ 5,826 | \$ 12,694 | \$ 12,330 |
| Service charges on deposit accounts | 4,224 | 4,246 | 8,460 | 8,218 |
| ATM and debit card fees | 6,156 | 5,816 | 11,681 | 11,089 |
| Retirement plan administration fees | 7,836 | 7,296 | 15,570 | 12,635 |
| Trust | 4,731 | 5,265 | 9,282 | 10,143 |
| Bank owned life insurance income | 1,186 | 1,217 | 2,563 | 2,564 |
| Net securities (losses) gains | (69) |) 91 | (12) |) 163 |
| Other | 4,239 | 4,401 | 7,824 | 8,293 |
| Total noninterest income | \$ 34,241 | \$ 34,158 | \$ 68,062 | \$ 65,435 |

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Noninterest expense | | | | |
| Salaries and employee benefits | \$ 38,567 | \$ 37,726 | \$ 77,923 | \$ 74,293 |
| Occupancy | 5,443 | 5,535 | 11,718 | 11,654 |
| Data processing and communications | 4,693 | 4,508 | 9,107 | 8,787 |
| Professional fees and outside services | 3,359 | 3,336 | 7,027 | 6,828 |
| Equipment | 4,518 | 4,151 | 9,275 | 8,189 |
| Office supplies and postage | 1,577 | 1,504 | 3,168 | 3,077 |
| FDIC expense | 949 | 1,092 | 1,966 | 2,293 |
| Advertising | 641 | 700 | 1,144 | 1,037 |
| Amortization of intangible assets | 893 | 1,096 | 1,861 | 2,010 |
| Loan collection and other real estate owned, net | 961 | 908 | 1,746 | 2,245 |
| Other | 4,630 | 4,332 | 9,756 | 8,747 |
| Total noninterest expense | \$ 66,231 | \$ 64,888 | \$ 134,691 | \$ 129,160 |
| Income before income tax expense | \$ 39,360 | \$ 36,233 | \$ 76,605 | \$ 69,228 |
| Income tax expense | 8,805 | 8,112 | 16,923 | 15,121 |
| Net income | \$ 30,555 | \$ 28,121 | \$ 59,682 | \$ 54,107 |
| Earnings Per Share | | | | |
| Basic | \$ 0.70 | \$ 0.64 | \$ 1.36 | \$ 1.24 |
| Diluted | \$ 0.69 | \$ 0.64 | \$ 1.35 | \$ 1.23 |

NBT Bancorp Inc. and Subsidiaries

Quarterly Consolidated Statements of Income

(unaudited, dollars in thousands except per share data)

| | 2019 2nd Q | 1st Q | 2018 4th Q | 3rd Q | 2nd Q |
|---|---------------|-----------|---------------|-----------|-----------|
| Interest, fee and dividend income | | | | | |
| Interest and fees on loans | \$ 81,271 | \$ 79,321 | \$ 78,963 | \$ 77,249 | \$ 74,172 |
| Securities available for sale | 6,031 | 5,922 | 6,332 | 6,659 | 7,003 |
| Securities held to maturity | 5,089 | 5,217 | 4,344 | 3,462 | 2,811 |
| Other | 842 | 884 | 885 | 834 | 781 |
| Total interest, fee and dividend income | \$ 93,233 | \$ 91,344 | \$ 90,524 | \$ 88,204 | \$ 84,767 |
| Interest expense | | | | | |
| Deposits | \$ 10,234 | \$ 8,826 | \$ 6,977 | \$ 6,157 | \$ 5,079 |
| Short-term borrowings | 2,760 | 3,237 | 3,131 | 3,000 | 2,455 |
| Long-term debt | 471 | 422 | 431 | 431 | 452 |
| Junior subordinated debt | 1,141 | 1,168 | 1,110 | 1,089 | 1,040 |
| Total interest expense | \$ 14,606 | \$ 13,653 | \$ 11,649 | \$ 10,677 | \$ 9,026 |
| Net interest income | \$ 78,627 | \$ 77,691 | \$ 78,875 | \$ 77,527 | \$ 75,741 |
| Provision for loan losses | 7,277 | 5,807 | 6,528 | 6,026 | 8,778 |
| Net interest income after provision for loan losses | \$ 71,350 | \$ 71,884 | \$ 72,347 | \$ 71,501 | \$ 66,963 |
| Noninterest income | | | | | |
| Insurance and other financial services revenue | \$ 5,938 | \$ 6,756 | \$ 5,843 | \$ 6,172 | \$ 5,826 |
| Service charges on deposit accounts | 4,224 | 4,236 | 4,503 | 4,503 | 4,246 |
| ATM and debit card fees | 6,156 | 5,525 | 5,704 | 5,906 | 5,816 |
| Retirement plan administration fees | 7,836 | 7,734 | 7,113 | 7,244 | 7,296 |
| Trust | 4,731 | 4,551 | 4,573 | 4,808 | 5,265 |
| Bank owned life insurance income | 1,186 | 1,377 | 1,239 | 1,288 | 1,217 |
| Net securities (losses) gains | (69) | 57 | (6,916) | 412 | 91 |
| Other | 4,239 | 3,585 | 3,887 | 3,048 | 4,401 |
| Total noninterest income | \$ 34,241 | \$ 33,821 | \$ 25,946 | \$ 33,381 | \$ 34,158 |
| Noninterest expense | | | | | |
| Salaries and employee benefits | \$ 38,567 | \$ 39,356 | \$ 38,998 | \$ 38,394 | \$ 37,726 |
| Occupancy | 5,443 | 6,275 | 5,284 | 5,380 | 5,535 |
| Data processing and communications | 4,693 | 4,414 | 4,431 | 4,434 | 4,508 |
| Professional fees and outside services | 3,359 | 3,668 | 3,968 | 3,580 | 3,336 |
| Equipment | 4,518 | 4,757 | 4,529 | 4,319 | 4,151 |
| Office supplies and postage | 1,577 | 1,591 | 1,564 | 1,563 | 1,504 |
| FDIC expense | 949 | 1,017 | 1,135 | 1,223 | 1,092 |

| | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| Advertising | 641 | 503 | 1,006 | 739 | 700 |
| Amortization of intangible assets | 893 | 968 | 978 | 1,054 | 1,096 |
| Loan collection and other real estate owned, net | 961 | 785 | 738 | 1,234 | 908 |
| Other | 4,630 | 5,126 | 6,273 | 4,577 | 4,332 |
| Total noninterest expense | \$ 66,231 | \$ 68,460 | \$ 68,904 | \$ 66,497 | \$ 64,888 |
| Income before income tax expense | \$ 39,360 | \$ 37,245 | \$ 29,389 | \$ 38,385 | \$ 36,233 |
| Income tax expense | 8,805 | 8,118 | 737 | 8,578 | 8,112 |
| Net income | \$ 30,555 | \$ 29,127 | \$ 28,652 | \$ 29,807 | \$ 28,121 |
| Earnings Per Share | | | | | |
| Basic | \$ 0.70 | \$ 0.67 | \$ 0.66 | \$ 0.68 | \$ 0.64 |
| Diluted | \$ 0.69 | \$ 0.66 | \$ 0.65 | \$ 0.68 | \$ 0.64 |

NBT Bancorp Inc. and Subsidiaries

Average Quarterly Balance Sheets

(unaudited, dollars in thousands)

| | Average Balance Q2 - 2019 | Yield / Rates | Average Balance Q1 - 2019 | Yield / Rates | Average Balance Q4 - 2018 | Yield / Rates | Average Balance Q3 - 2018 | Yield / Rates | Average Balance Q2 - 2018 | Yield / Rates |
|---|---------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|
| Assets | | | | | | | | | | |
| Short-term interest bearing accounts | \$ 25,783 | 1.28 % | \$ 9,065 | 4.07 % | \$ 3,780 | 5.25 % | \$ 3,328 | 6.08 % | \$ 3,574 | 5.16 % |
| Securities available for sale (1) (3) | 981,079 | 2.47 % | 984,704 | 2.45 % | 1,104,198 | 2.29 % | 1,197,910 | 2.22 % | 1,266,304 | 2.23 % |
| Securities held to maturity (1) (3) | 770,651 | 2.83 % | 782,570 | 2.90 % | 688,840 | 2.73 % | 591,220 | 2.58 % | 503,501 | 2.50 % |
| Investment in FRB and FHLB Banks | 46,179 | 6.60 % | 49,152 | 6.54 % | 47,689 | 6.95 % | 50,107 | 6.20 % | 48,184 | 6.12 % |
| Loans (2) (3) | 6,958,299 | 4.69 % | 6,886,672 | 4.68 % | 6,876,341 | 4.56 % | 6,839,565 | 4.49 % | 6,750,710 | 4.41 % |
| Total interest earning assets | \$ 8,781,991 | 4.28 % | \$ 8,712,163 | 4.28 % | \$ 8,720,848 | 4.14 % | \$ 8,682,130 | 4.05 % | \$ 8,572,273 | 3.99 % |
| Other assets | 816,748 | | 795,585 | | 769,302 | | 776,219 | | 766,604 | |
| Total assets | \$ 9,598,739 | | \$ 9,507,748 | | \$ 9,490,150 | | \$ 9,458,349 | | \$ 9,338,877 | |
| Liabilities and stockholders' equity | | | | | | | | | | |
| Money market deposit accounts | \$ 1,916,045 | 1.16 % | \$ 1,804,053 | 0.99 % | \$ 1,745,980 | 0.65 % | \$ 1,724,853 | 0.58 % | \$ 1,699,956 | 0.43 % |
| NOW deposit accounts | 1,127,413 | 0.13 % | 1,135,213 | 0.16 % | 1,166,383 | 0.18 % | 1,164,513 | 0.17 % | 1,222,889 | 0.16 % |
| Savings deposits | 1,282,084 | 0.06 % | 1,252,042 | 0.06 % | 1,250,703 | 0.06 % | 1,279,520 | 0.06 % | 1,289,062 | 0.06 % |
| Time deposits | 953,698 | 1.73 % | 942,457 | 1.64 % | 921,252 | 1.47 % | 881,792 | 1.33 % | 858,080 | 1.22 % |
| Total interest bearing deposits | \$ 5,279,240 | 0.78 % | \$ 5,133,765 | 0.70 % | \$ 5,084,318 | 0.54 % | \$ 5,050,678 | 0.48 % | \$ 5,069,987 | 0.40 % |
| Short-term borrowings | 620,898 | 1.78 % | 712,306 | 1.84 % | 724,693 | 1.71 % | 766,372 | 1.55 % | 706,694 | 1.39 % |
| Long-term debt | 82,414 | 2.29 % | 73,707 | 2.32 % | 73,735 | 2.32 % | 73,762 | 2.32 % | 84,676 | 2.14 % |
| Junior subordinated debt | 101,196 | 4.52 % | 101,196 | 4.68 % | 101,196 | 4.35 % | 101,196 | 4.27 % | 101,196 | 4.12 % |
| Total interest bearing liabilities | \$ 6,083,748 | 0.96 % | \$ 6,020,974 | 0.92 % | \$ 5,983,942 | 0.77 % | \$ 5,992,008 | 0.71 % | \$ 5,962,553 | 0.61 % |
| Demand deposits | 2,298,867 | | 2,309,531 | | 2,373,235 | | 2,356,216 | | 2,294,023 | |
| Other liabilities | 162,374 | | 151,490 | | 130,151 | | 121,574 | | 113,272 | |
| Stockholders' equity | 1,053,750 | | 1,025,753 | | 1,002,822 | | 988,551 | | 969,029 | |
| Total liabilities and stockholders' equity | \$ 9,598,739 | | \$ 9,507,748 | | \$ 9,490,150 | | \$ 9,458,349 | | \$ 9,338,877 | |
| Interest rate spread | | 3.32 % | | 3.36 % | | 3.37 % | | 3.34 % | | 3.38 % |
| Net interest margin (FTE) (3) | | 3.61 % | | 3.64 % | | 3.61 % | | 3.57 % | | 3.57 % |

(1) Securities are shown at average amortized cost.

(2) For purposes of these computations, nonaccrual loans and loans held for sale are included in the average loan balances outstanding.

(3) Interest income for tax-exempt securities and loans have been adjusted to a FTE basis using the statutory Federal income tax rate of 21%. The total amount of adjustment to present yields on a FTE basis is \$445, \$500, \$535, \$529 and \$478 for the three months ended June 30, 2019, March 31, 2019, December 31, 2018, September 30, 2018 and June 30, 2018, respectively.

NBT Bancorp Inc. and Subsidiaries
Average Year-to-Date Balance Sheets
(unaudited, dollars in thousands)

| | Average Balance 2019 | Interest | Yield/ Rates | | Average Balance 2018 | Interest | Yield/ Rates |
|---|----------------------------|------------|-----------------|---|----------------------------|------------|-----------------|
| Six Months ended June 30, | | | | | | | |
| Assets | | | | | | | |
| Short-term interest bearing accounts | \$ 17,471 | \$ 174 | 2.01 | % | \$ 3,198 | \$ 82 | 5.17 % |
| Securities available for sale (1) (3) | 982,881 | 11,984 | 2.46 | % | 1,269,949 | 14,017 | 2.23 % |
| Securities held to maturity (1) (3) | 776,577 | 11,043 | 2.87 | % | 492,996 | 6,081 | 2.49 % |
| Investment in FRB and FHLB Banks | 47,657 | 1,552 | 6.57 | % | 47,518 | 1,465 | 6.22 % |
| Loans (2) (3) | 6,922,684 | 160,768 | 4.68 | % | 6,672,016 | 144,825 | 4.38 % |
| Total interest earning assets | \$ 8,747,270 | \$ 185,521 | 4.28 | % | \$ 8,485,677 | \$ 166,470 | 3.96 % |
| Other assets | 806,225 | | | | 756,444 | | |
| Total assets | \$ 9,553,495 | | | | \$ 9,242,121 | | |
| Liabilities and stockholders' equity | | | | | | | |
| Money market deposit accounts | \$ 1,860,358 | \$ 9,974 | 1.08 | % | \$ 1,677,755 | \$ 2,933 | 0.35 % |
| NOW deposit accounts | 1,131,291 | 817 | 0.15 | % | 1,216,992 | 882 | 0.15 % |
| Savings deposits | 1,267,146 | 362 | 0.06 | % | 1,268,859 | 354 | 0.06 % |
| Time deposits | 948,109 | 7,907 | 1.68 | % | 830,671 | 4,841 | 1.18 % |
| Total interest bearing deposits | \$ 5,206,904 | \$ 19,060 | 0.74 | % | \$ 4,994,277 | \$ 9,010 | 0.36 % |
| Short-term borrowings | 666,349 | 5,997 | 1.81 | % | 709,442 | 4,421 | 1.26 % |
| Long-term debt | 78,085 | 893 | 2.31 | % | 86,749 | 928 | 2.16 % |
| Junior subordinated debt | 101,196 | 2,309 | 4.60 | % | 101,196 | 1,941 | 3.87 % |
| Total interest bearing liabilities | \$ 6,052,534 | \$ 28,259 | 0.94 | % | \$ 5,891,664 | \$ 16,300 | 0.56 % |
| Demand deposits | 2,304,169 | | | | 2,277,083 | | |
| Other liabilities | 156,963 | | | | 109,310 | | |
| Stockholders' equity | 1,039,829 | | | | 964,064 | | |
| Total liabilities and stockholders' equity | \$ 9,553,495 | | | | \$ 9,242,121 | | |
| Net interest income (FTE) | | \$ 157,262 | | | | \$ 150,170 | |
| Interest rate spread | | | 3.34 | % | | | 3.40 % |
| Net interest margin (FTE) (3) | | | 3.63 | % | | | 3.57 % |
| Taxable equivalent adjustment | | \$ 944 | | | | \$ 943 | |
| Net interest income | | \$ 156,318 | | | | \$ 149,227 | |

(1) Securities are shown at average amortized cost.

(2) For purposes of these computations, nonaccrual loans and loans held for sale are included in the average loan balances outstanding.

(3) Interest income for tax-exempt securities and loans has been adjusted to a FTE basis using the statutory Federal income tax rate of 21%.

NBT Bancorp Inc. and Subsidiaries
Consolidated Loan Balances
(unaudited, dollars in thousands)

| | 2019 | | 2018 | | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| | 2nd Q | 1st Q | 4th Q | 3rd Q | 2nd Q |
| Commercial | \$1,299,784 | \$1,306,551 | \$1,291,568 | \$1,310,262 | \$1,299,437 |
| Commercial real estate | 2,025,280 | 1,943,931 | 1,930,742 | 1,902,315 | 1,891,119 |
| Residential real estate mortgages | 1,404,079 | 1,390,411 | 1,380,836 | 1,373,487 | 1,350,336 |
| Dealer finance | 1,189,670 | 1,191,111 | 1,216,144 | 1,229,700 | 1,252,843 |
| Specialty lending | 519,974 | 529,144 | 524,928 | 521,396 | 507,151 |
| Home equity | 456,754 | 463,582 | 474,566 | 480,761 | 488,493 |
| Other consumer | 67,732 | 65,582 | 68,925 | 69,341 | 68,792 |
| Total loans | \$6,963,273 | \$6,890,312 | \$6,887,709 | \$6,887,262 | \$6,858,171 |

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