



## **NBT Bancorp Inc. Announces First Quarter Net Income of \$14.3 Million, up 2.4% From Last Year; Declares Cash Dividend**

April 25, 2011

NORWICH, NY, Apr 25, 2011 (MARKETWIRE via COMTEX) --

NBT Bancorp Inc. (NBT) (NASDAQ: NBTB) reported today net income for the three months ended March 31, 2011 was \$14.3 million, up \$0.3 million, or 2.4%, from the three months ended March 31, 2010. Net income per diluted share for the three months ended March 31, 2011 was \$0.41 per share, equal to the net income per diluted share for the three months ended March 31, 2010. Annualized return on average assets and return on average equity were 1.08% and 10.78%, respectively, for the three months ended March 31, 2011, compared with 1.03% and 11.05%, respectively, for the three months ended March 31, 2010. Net interest margin (on a fully taxable equivalent basis ("FTE")) was 4.11% for the three months ended March 31, 2011, down 10 basis points ("bp") from 4.21% for the three months ended March 31, 2010.

Key items for the first quarter of 2011 include:

- Net income of \$14.3 million exceeded last year's first quarter earnings by 2.4%.
- Diluted earnings per share of \$0.41 equaled last year's results.
- Net interest margin was 4.11% for the first quarter, down from the same period of 2010, resulting from the continued impact of the low rate environment on loan and investment yields.
- Continued strategic expansion with the opening of a new branch in Williston, VT.

"Our strategy of balancing performance and investment continues to yield positive results, as demonstrated by our strong earnings and increased year-over-year net income," said NBT President and CEO Martin Dietrich. "Our team is focused on putting customers first and seeking new opportunities for growth as a means of constantly building a sustainable, high-performing financial services company."

### **Loan and Lease Quality and Provision for Loan and Lease Losses**

The provision for loan and lease losses was \$4.0 million for the first quarter of 2011, down \$5.3 million from the \$9.3 million recorded in the first quarter of 2010. Net charge-offs were \$5.3 million for the quarter, representing 0.59% of average loans and leases for the quarter versus \$5.6 million, or 0.63% of average loans and leases for the first quarter of 2010.

There were no significant changes in other asset quality indicators during the quarter. Past due loans declined during the quarter. Total nonperforming loans increased from \$44.8 million at December 31, 2010 to \$48.7 million at March 31, 2011. Net charge-offs were \$5.3 million, the lowest net charge-off quarter since the fourth quarter of 2008. The allowance for loan and lease losses was \$69.9 million at March 31, 2011, versus \$71.2 million at December 31, 2010 and \$70.1 million at March 31, 2010. The allowance for loan and lease losses represented 1.93% of loans and leases at March 31, 2011, compared to 1.97% at December 31, 2010 and 1.93% at March 31, 2010.

### **Net Interest Income**

Net interest income was down 3.0% to \$49.3 million for the three months ended March 31, 2011, compared with \$50.8 million for the three months ended March 31, 2010. The Company's FTE net interest margin was 4.11% for the three months ended March 31, 2011, down from 4.21% for the three months ended March 31, 2010.

While the yield on interest bearing liabilities decreased 31 bp, the yield on interest earning assets declined 40 bp, resulting in margin compression for the three months ended March 31, 2011, compared to the same period for 2010. The yield on securities available for sale was 3.14% for the three months ended March 31, 2011, as compared with 4.02% for the three months ended March 31, 2010. The yield on loans and leases was 5.73% for the three months ended March 31, 2011, as compared with 6.00% for the three months ended March 31, 2010. The yield on time deposits was 1.90% for the three months ended March 31, 2011, as compared with 2.19% for the three months ended March 31, 2010. The yield on money market deposit accounts was 0.42% for the three months ended March 31, 2011, as compared with 0.70% for the three months ended March 31, 2010.

### **Noninterest Income**

Noninterest income for the three months ended March 31, 2011 was \$20.1 million, relatively flat compared with \$20.3 million for the same period in 2010. Insurance and other financial services revenue increased approximately \$0.5 million for the three months ended March 31, 2011, as compared to the three months ended March 31, 2010, due primarily to new business and improved market conditions. Trust revenue increased approximately \$0.3 million for the three months ended March 31, 2011, as compared to the three months ended March 31, 2010, due primarily to an increase in fair market value of trust assets under administration. ATM and debit card fees also increased approximately \$0.3 million for the three months ended March 31, 2011, as compared to the three months ended March 31, 2010. These increases were offset by a decrease in service charges on deposit accounts of approximately \$1.1 million, or 17.3%, for the three months ended March 31, 2011, as compared with the same period in 2010. The decrease in service charges was the result of a decrease in overdraft activity due to the effects of implementing new regulations regarding overdraft fees in the third quarter of 2010.

## Noninterest Expense and Income Tax Expense

Noninterest expense for the three months ended March 31, 2011 was \$45.1 million, up from \$42.2 million, or 6.9%, for the same period in 2010. Salaries and employee benefits increased \$2.8 million, or 12.6%, for the three months ended March 31, 2011, compared with the same period in 2010. This increase was due primarily to increases in full-time-equivalent employees, merit increases and other employee benefits. In addition, occupancy expenses increased approximately \$0.4 million for the three months ended March 31, 2011, as compared to the same period in 2010, primarily due to continued branch expansion and expenses related to the harsh winter. Other operating expenses consisting of various items increased approximately \$0.7 million for the three months ended March 31, 2011, as compared to the same period in 2010 with no significant driver. These increases were partially offset by a decrease in data processing and communications expenses of approximately \$0.3 million for the three months ended March 31, 2011, as compared to the three months ended March 31, 2010. This decrease was due to the renegotiation of a data processing contract resulting in a decrease in processing fees. In addition, loan collection and other real estate owned expenses decreased approximately \$0.3 million for the three months ended March 31, 2011, as compared to the three months ended March 31, 2010. This decrease was due primarily to sales of certain properties classified as other real estate owned resulting in a reduction in maintenance expenses on properties owned by the Company. Income tax expense for the three month period ended March 31, 2011 was \$6.0 million, up from \$5.8 million for the same period in 2010. The effective tax rate was 29.7% for the three months ended March 31, 2011, as compared to 29.2% for the same period in 2010.

## Balance Sheet

Total assets were \$5.5 billion at March 31, 2011, up \$138.8 million or 2.6% from December 31, 2010. Loans and leases were \$3.6 billion at March 31, 2011, up \$17.0 million from December 31, 2010. Total deposits were \$4.3 billion at March 31, 2011, up \$124.6 million from December 31, 2010. Stockholders' equity was \$539.1 million, representing a total equity-to-total assets ratio of 9.84% at March 31, 2011, compared with \$533.6 million or a total equity-to-total assets ratio of 9.99% at December 31, 2010.

## Stock Repurchase Program

Under previously disclosed stock repurchase plans, the Company purchased 107,871 shares of its common stock during the three month period ended March 31, 2011, for a total of \$2.4 million at an average price of \$21.96 per share. At March 31, 2011, there were 868,319 shares available for repurchase under this previously announced stock repurchase plan. This plan was authorized on October 26, 2009 in the amount of 1,000,000 shares and expires on December 31, 2011.

## Dividend Declared

The NBT Board of Directors declared a 2011 second-quarter cash dividend of \$0.20 per share at a meeting held today. The dividend will be paid on June 15, 2011 to shareholders of record as of June 1, 2011.

## Corporate Overview

NBT Bancorp Inc. is a financial holding company headquartered in Norwich, N.Y., with total assets of \$5.5 billion at March 31, 2011. The company primarily operates through NBT Bank, N.A., a full-service community bank with two divisions, and through two financial services companies. NBT Bank, N.A. has 124 locations, including 85 NBT Bank offices in upstate New York, two NBT Bank offices in Vermont and 37 Pennstar Bank offices in northeastern Pennsylvania. EPIC Advisors, Inc., based in Rochester, N.Y., is a full-service 401(k) plan recordkeeping firm. Mang Insurance Agency, LLC, based in Norwich, N.Y., is a full-service insurance agency. More information about NBT and its divisions can be found on the Internet at: [www.nbtbancorp.com](http://www.nbtbancorp.com), [www.nbtbank.com](http://www.nbtbank.com), [www.pennstarbank.com](http://www.pennstarbank.com), [www.epic1st.com](http://www.epic1st.com) and [www.manginsurance.com](http://www.manginsurance.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 Bancorp 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, that 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, the following possibilities: (1) competitive pressures among depository and other financial institutions may increase significantly; (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 the businesses in which NBT is engaged; (6) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than NBT; 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 undertake to update forward-looking statements to reflect subsequent circumstances or events.

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