

# **NBT Bancorp Inc.**

Piper Jaffray New England Bank Symposium  
September 28, 2017

Presented by:

**John H. Watt, Jr.**, President and Chief Executive Officer

**Matthew K. Durkee**, EVP and President of New England Region



# Overview

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Financial Performance

Strategic Initiatives

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# Company Profile

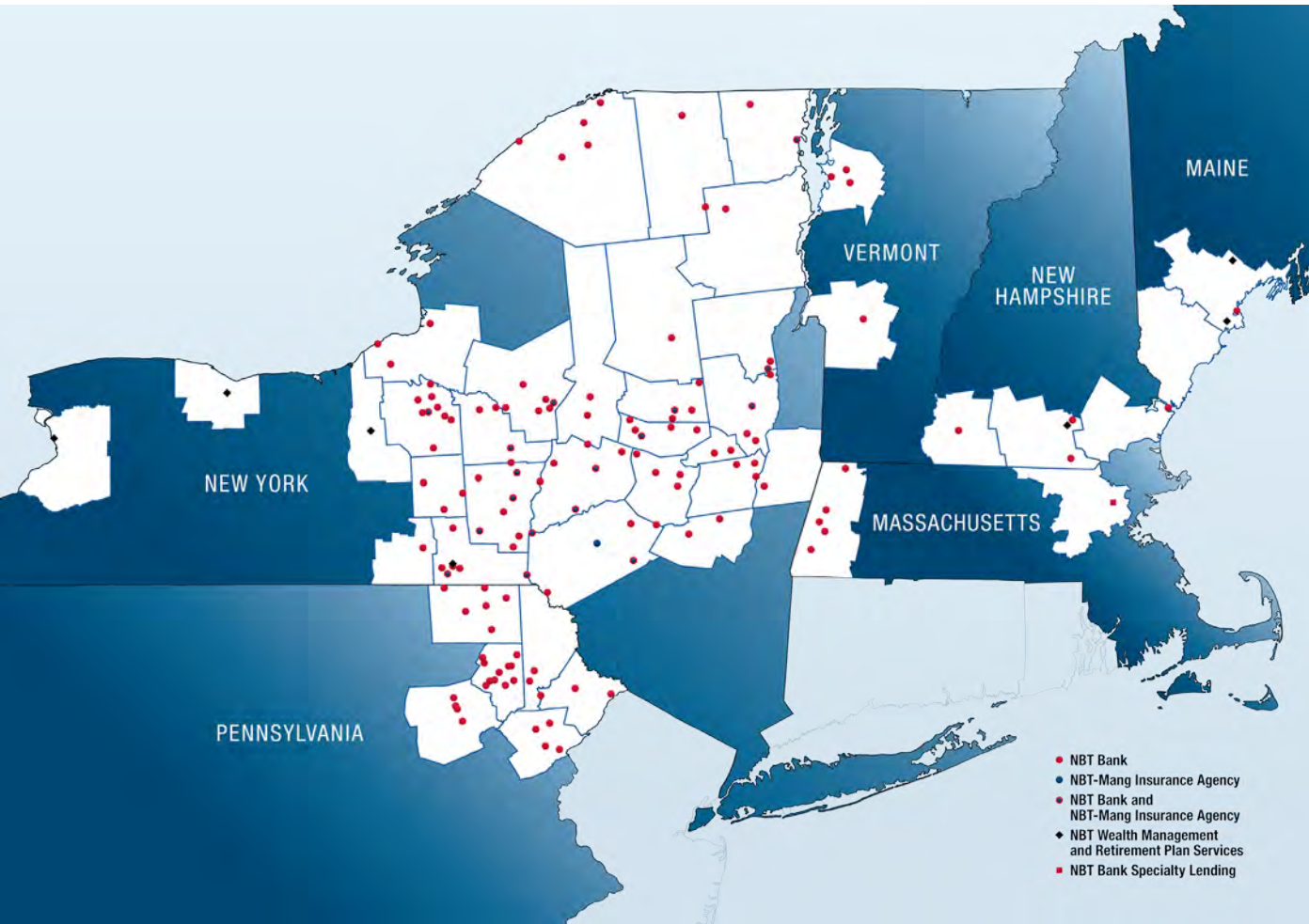
**NBT Bancorp Inc. is a financial holding company headquartered in Norwich, NY.**

- Founded in 1856
- Traded on Nasdaq Global Select Market
- Ticker Symbol: NBTB
- Assets: \$9.1 Billion
- Market Capitalization: \$1.5 billion
- Institutional Ownership: 52%
- Average Daily Volume: 123,144

**The company primarily operates through its nationally-chartered community bank and two financial services companies.**



# NBT Operating Entities



**NBT Bank, N.A.** has 152 banking locations and 195 ATMs in New York, Pennsylvania, Vermont, Massachusetts, New Hampshire and Maine.

**EPIC Advisors, Inc.**, based in Rochester, NY, is a full-service 401(k) plan recordkeeping firm.

**NBT-Mang Insurance Agency**, based in Norwich, NY, is a full-service insurance agency.

More information about NBT and its operating entities is available online.

- [nbtbancorp.com](http://nbtbancorp.com)
- [nbtbank.com](http://nbtbank.com)
- [epic1st.com](http://epic1st.com)
- [nbtmang.com](http://nbtmang.com)

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# Financial Highlights

Dollars in Millions Except Per Share Data	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net Income	\$ 21.4	\$ 19.9	\$ 41.6	\$ 38.8
Earnings Per Share	\$ 0.49	\$ 0.46	\$ 0.95	\$ 0.89
Return on Average Assets	0.95%	0.94%	0.94%	0.93%
Return on Average Tangible Common Equity	13.46%	13.54%	13.36%	13.35%
Net Interest Margin	3.44%	3.44%	3.45%	3.46%

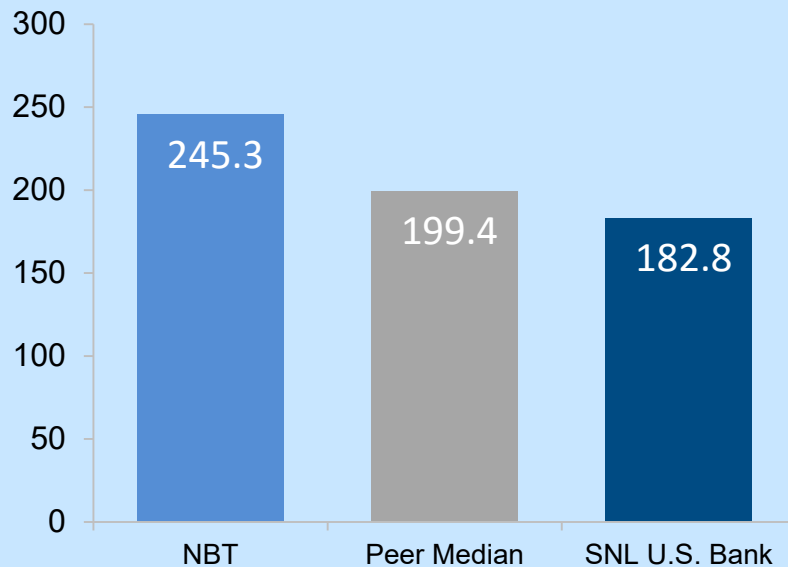
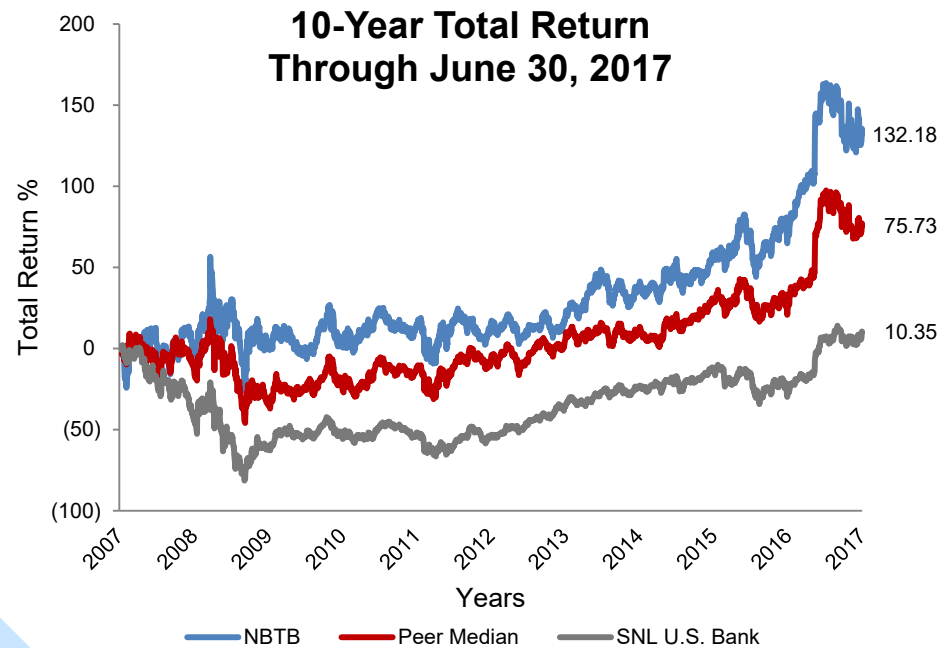
**Q2 2017 Net Income up 7.3%**  
from second quarter of prior year

**Q2 2017 EPS of \$0.49**  
increased 6.5% compared  
to second quarter of prior year



# Remarkable Returns

Total Return of \$10,000 Investment	NBT	Peer Median	SNL U.S. Bank
10-Year Total Return	132%	76%	10%
Value of Investment	\$23,200	\$17,600	\$11,000
10-Year CAGR	9%	6%	1%



Premium Valuation:  
Price to Tangible Book Value

Peer Data Source: SNL Financial Market as of the most recent quarter.  
Peer Group information is included on page 25.

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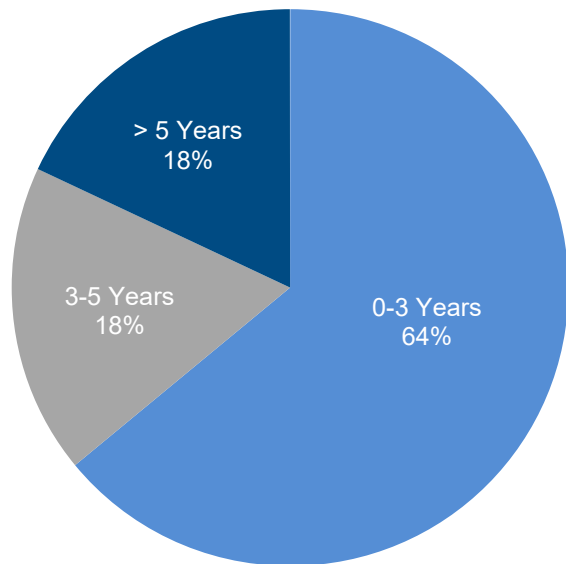
Appendix





# Well-Positioned Balance Sheet

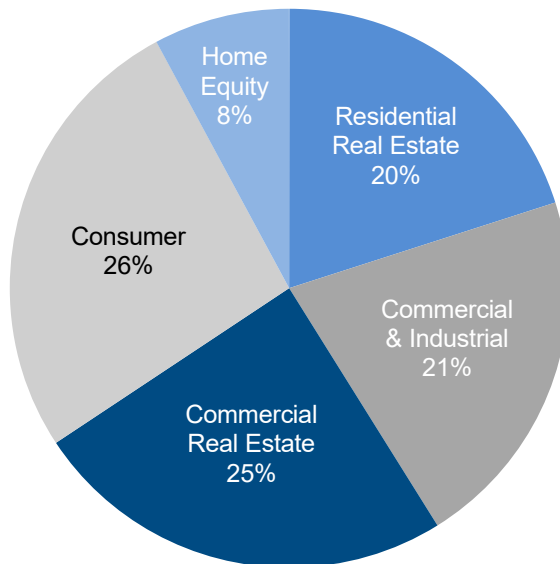
## Investment and Loan Repricing



### Favorable Interest Rate Risk Profile

- 2017 YTD net interest margin at 3.45% vs. peer average at 3.43%

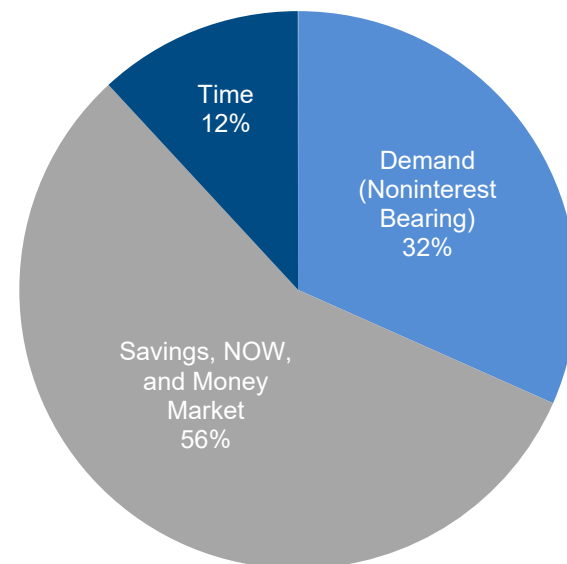
## Loan Mix



### Diversified Loan Portfolio

- 2017 annualized loan growth of 5.5%
- CRE at 166% of total capital
- Loan-to-deposit ratio of 90%

## Deposit Mix



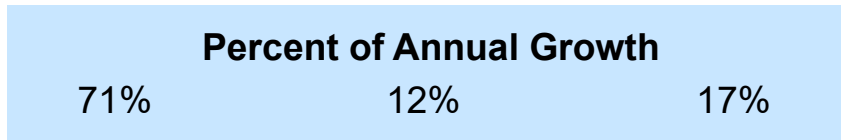
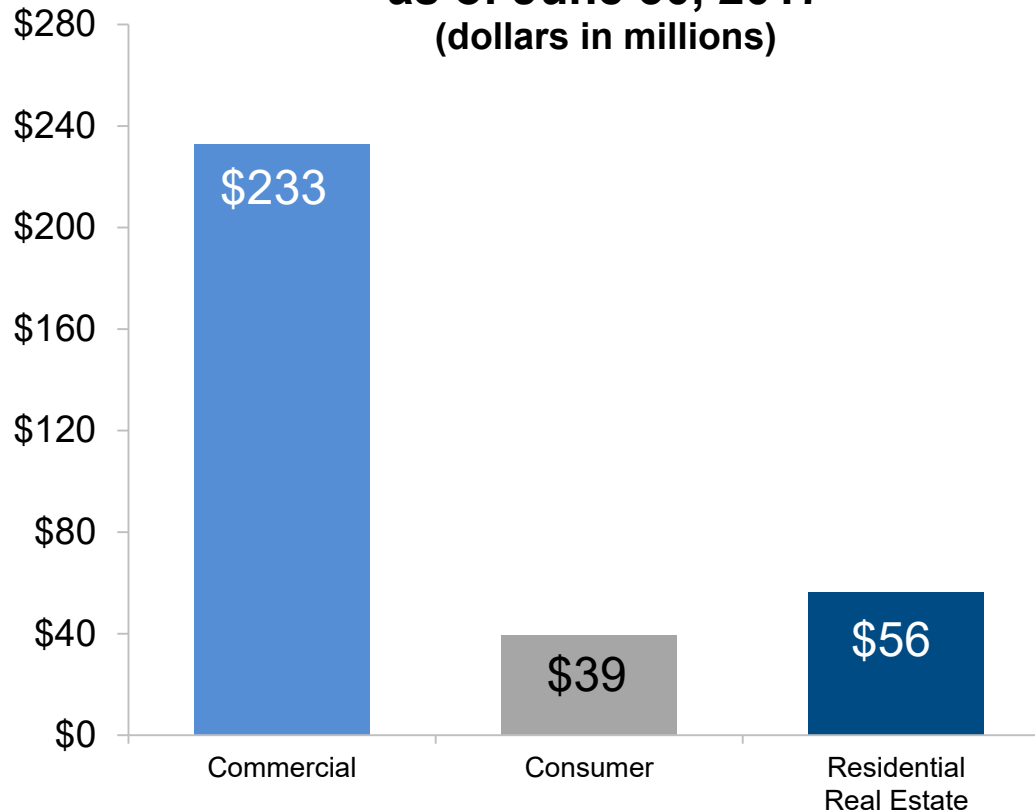
### Low Funding Costs

- DDA growth over 9% for 7th straight year
- Core deposits represent 79% of total funding vs. peer average of 70%

Peer Data Source: SNL Financial Market as of the most recent quarter. Peer Group information is included on page 25.

# Consistent Loan Growth

**Year-Over-Year Growth  
as of June 30, 2017  
(dollars in millions)**



**5.4%**

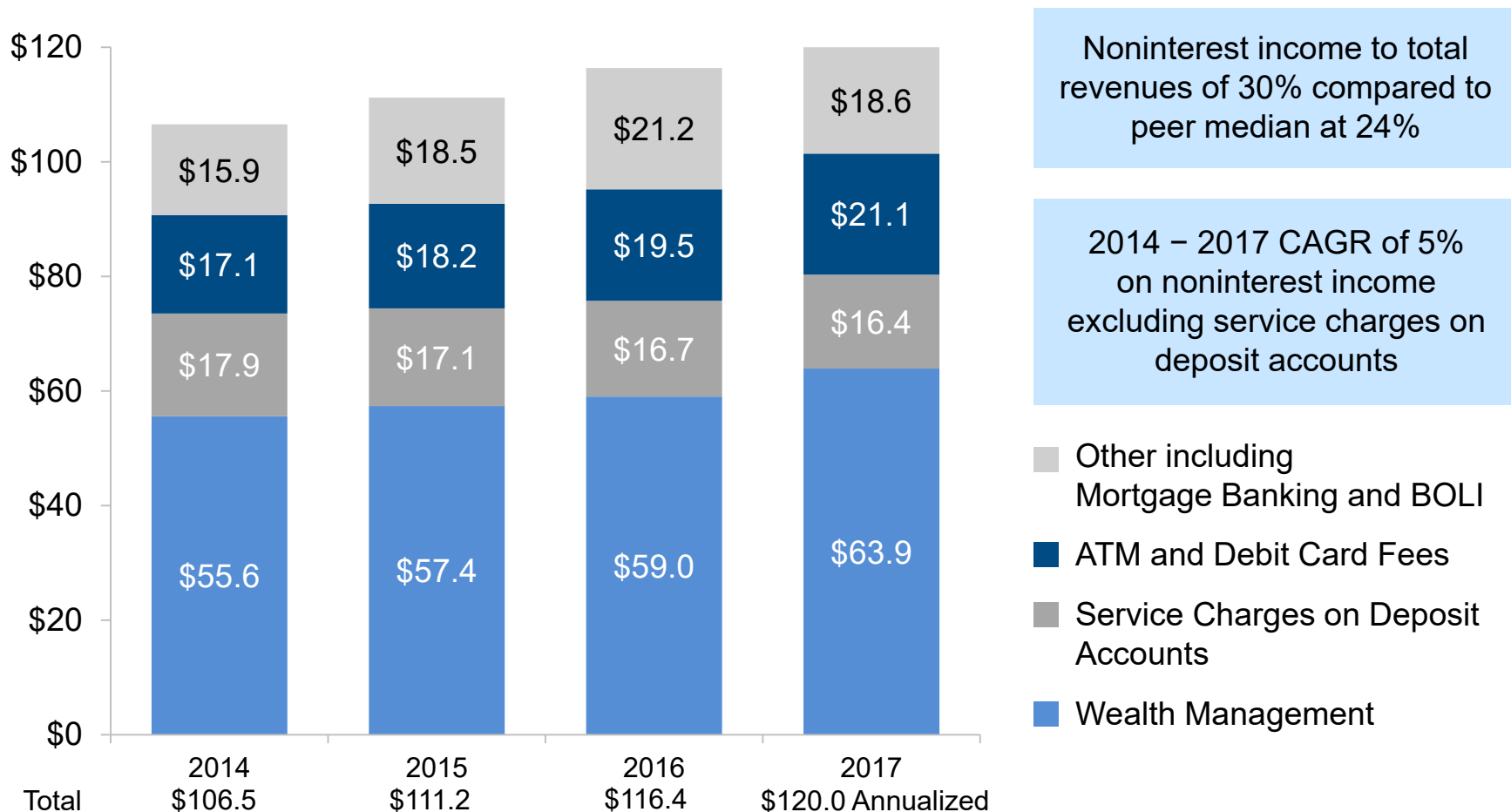
Year-Over-Year  
Growth

**5.6%**

5-Year  
Organic Growth  
Rate

# Diversification of Noninterest Income\*

(dollars in millions)



Noninterest income to total revenues of 30% compared to peer median at 24%

2014 – 2017 CAGR of 5% on noninterest income excluding service charges on deposit accounts

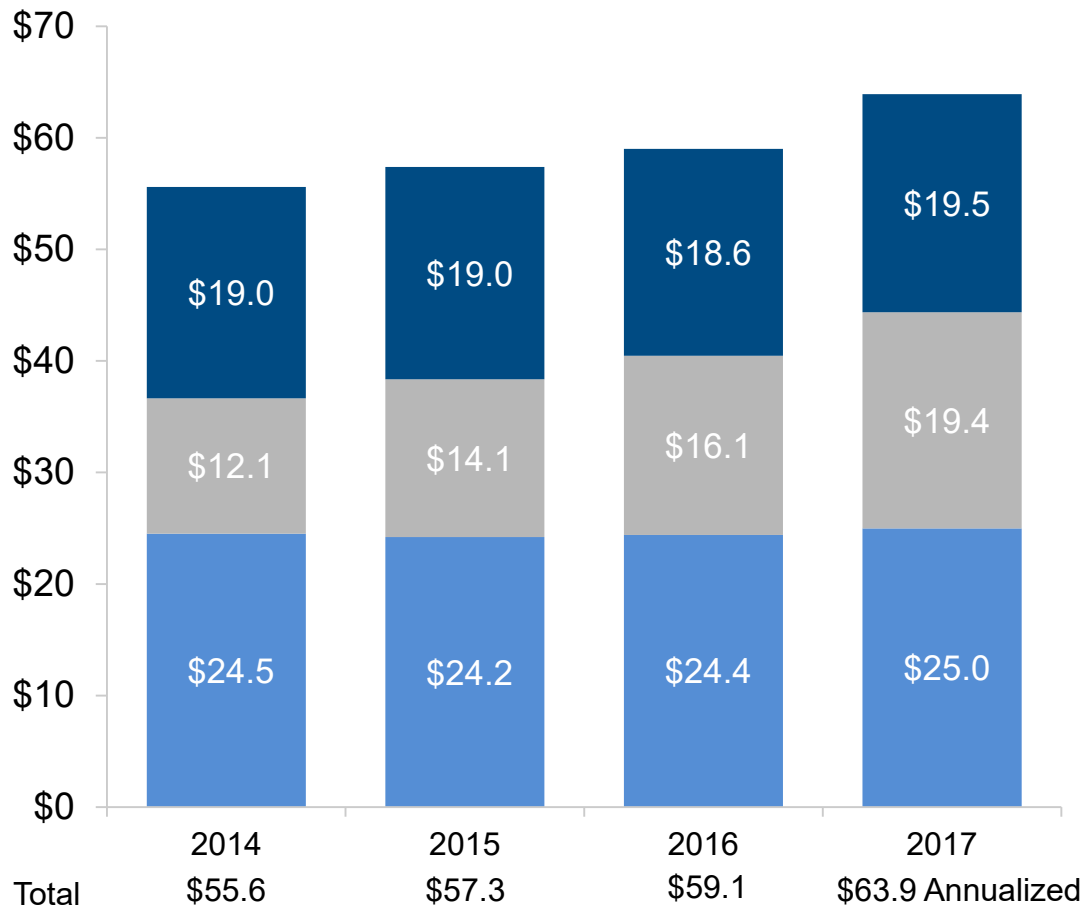
- Other including Mortgage Banking and BOLI
- ATM and Debit Card Fees
- Service Charges on Deposit Accounts
- Wealth Management

\*Excludes net securities gains (losses/write-downs), gains from sale of Springstone Financial, LLC totaling \$19.5 million in 2014, \$7.3 million in 2015, (\$0.6) million in 2016, and (\$0.5) million in 2017. Noninterest income including these amounts was \$126.0 million, \$118.5 million, \$115.7 million, and \$120.1 million in 2014, 2015, 2016, and 2017 annualized, respectively.

Peer Group information is included on page 25.

# Emphasis on Fee-Based Businesses

(dollars in millions)



2014 – 2017  
CAGR of 5%

- Trust
  - Personal, Retirement and Institutional
- Retirement Plan Business
  - EPIC, TPA, ADS and DPS
- Insurance and Other Financial Services Revenue



# Proven Acquirer and Integrator

- Completed 7 whole-bank, 7 branch and 7 non-bank business acquisitions since 2000
- Achieved or exceeded targeted cost saves
- Retained key personnel
- Experienced no material run-off in loans and deposits with bank and branch deals
- Continued to diversify revenue sources and expand capabilities through non-bank acquisitions

## Recent Acquisitions



# M&A Discipline: Looking Back on Alliance Merger



Alliance Financial Corporation

Announcement Date	10/08/12
Completion Date	03/08/13
Completed Deal Value (\$M)	\$219.8
Completed Deal Value Per Alliance Share (\$)	\$45.95
Exchange Ratio	2.1779
Price/Tangible Book (%)	201.1
Price/LTM Core Earnings (x)	18.3
Price/Estimated EPS (x)	21.0

The currency Alliance shareholders received in the merger not only outperformed the market (even excluding the merger premium), it also performed better than Alliance stock had on its own pre-merger (which was very strong and competitive).

Summary	
NBT Stock Price at Close	\$21.10
NBT Stock Price Currently	\$36.81
Deal Value Per Share (\$)	\$45.95
Equivalent Deal Value Today (\$)	\$80.17
Difference	74%

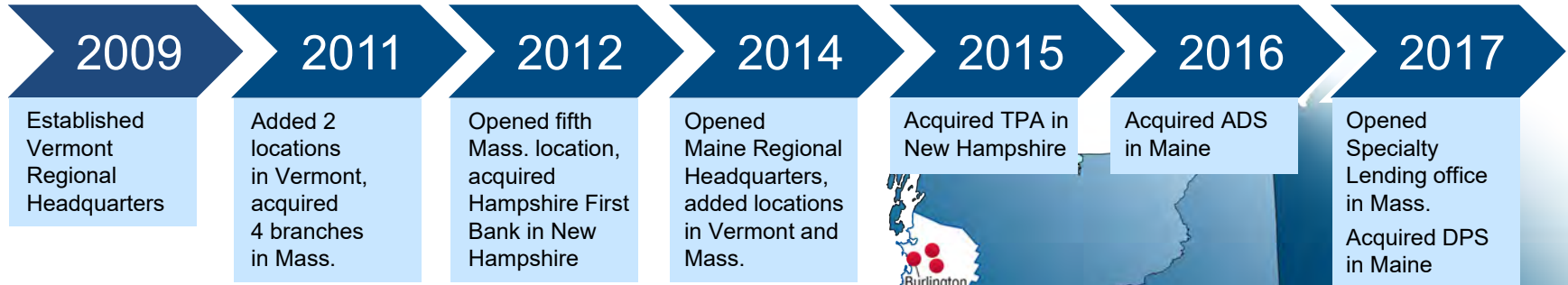
Alliance Shareholders		
	Pre-Merger (5 Years)	Post-Merger (4 years 3 mos)
CAGR Stock Price	10.3%	13.8%
Total Return*	100.3%	100.0%
Total Dividends	\$5.72 / share	\$8.01 / share
SNL U.S. Bank Index		90.1%
S&P 500		75.8%

\*Returns exclusive of merger premium



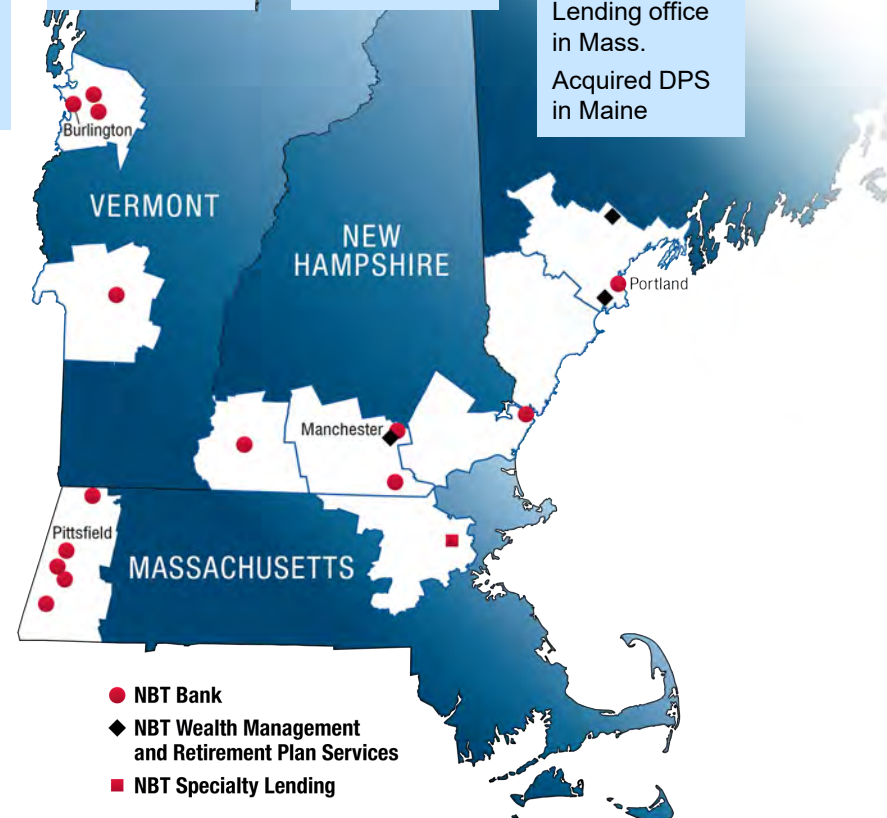
# New England: A Growing Presence

Quickly established presence in markets where we believe we have a competitive advantage.



## Today

- 19 locations in 4 states
- Over 150 employees
- Over \$1 billion in outstanding and committed loans in region
  - 18% year-over-year growth rate (51% of total loan growth)



# New England: High Quality Bankers and Products

Market/Business Line	Leader	Position with NBT	Prior Experience
New Hampshire C&I/CRE Loans	Steve Lubelczyk	Regional President	Citizens Bank
	Al Romero	Regional Commercial Banking Manager	Eastern Bank, Bank of America, KeyBank
Maine C&I/CRE Loans	Kim Twitchell	Regional President	TD Bank
	Daryl Wentworth	Regional Commercial Banking Manager	Northeast Bank, Citizens Bank, KeyBank
Vermont/Mass. C&I/CRE Loans	Peter McCarthy	Regional Commercial Banking Manager	Citizens Bank
New England Credit Administration	Tara Trafton	Regional Credit Officer	Citizens Bank
Vermont/NH/Mass. Retail Banking	Dan Kinney	Retail Territory Manager	Legacy Banks, Citizens Bank
Vermont/NH Wealth Management	Christopher Quintin	Regional Manager	TD Bank, Chittenden Bank

## Lines of Business Represented in New England

Commercial & Industrial Loans • Commercial Real Estate Loans • Cash Management Services  
 Dealer Finance/Auto Loans • Residential Mortgage Loans • Retail Banking  
 Wealth Management • Retirement Plan Services

# Recent Key Talent Acquisition Across Enterprise

Recent Hires	Position with NBT	Prior Experience
Sarah Halliday	President of Commercial Banking	M&T Bank
Dawn Gillette	Manager of Specialty Lending	KeyBank, Direct Capital Corp., Bank of America
Tucker Lounsbury	Manager of NBT-Mang Insurance Agency	M&T Insurance Agency
Tom McEntee	Chief Marketing Officer	BlueCross/Blue Shield, MetLife
Mark Mershon	Corporate Treasurer	National Penn Bancshares, BNY Mellon
Amy Wiles	Chief Credit Officer and Chief Risk Officer	KeyBank, JP Morgan Chase
Bill Huba	Deputy BSA and Sanctions Officer	Office of U.S. Inspector General, FBI
Ross Ireland	Retail Market Manager	Citizens Bank
John Prividera	Retail Market Manager	Berkshire Bank, First Niagara, M&T Bank

# Multi-Faceted Digital Strategy



## Customer Experience

- Regularly deploying mobile and online banking enhancements
- Adding value with enhanced fraud alerts
- Experiencing strong adoption of self-service options with 61% of checking customers enrolled in mobile and/or online banking (well above industry average)



## Branch Digitization

- Expanding number of digital branch locations that leverage technology and create more opportunities for consultation
- Continuing to deploy deposit automation technology at ATMs with 67% of full-service machines upgraded
- Driving efficiency through digital processes and document delivery



## Digital Marketing

- Ongoing web development to ensure optimal customer experience
- Focus on data analytics and multi-channel campaign management with average email open rate at 47% (double the industry average)
- Using video for customer education and product awareness



## Employee Mobility

- Enhancing productivity and communication through:
  - Mobile device deployment
  - New collaboration tools
  - Development of customized apps

# Specialty Lending at NBT

## HISTORY

- Gained decade of niche experience in technology-driven consumer lending through partnerships with fintech companies delivering financing at the point of purchase



- Specialty lending portfolio of \$399 million at June 30, 2017
  - 18% of consumer loan portfolio
  - 6% of total loans

## PRESENT

- Announced new partnership with Sungage Financial, Inc. to offer benefits of solar ownership to homeowners with program tailored for delivery through solar installers in July 2017



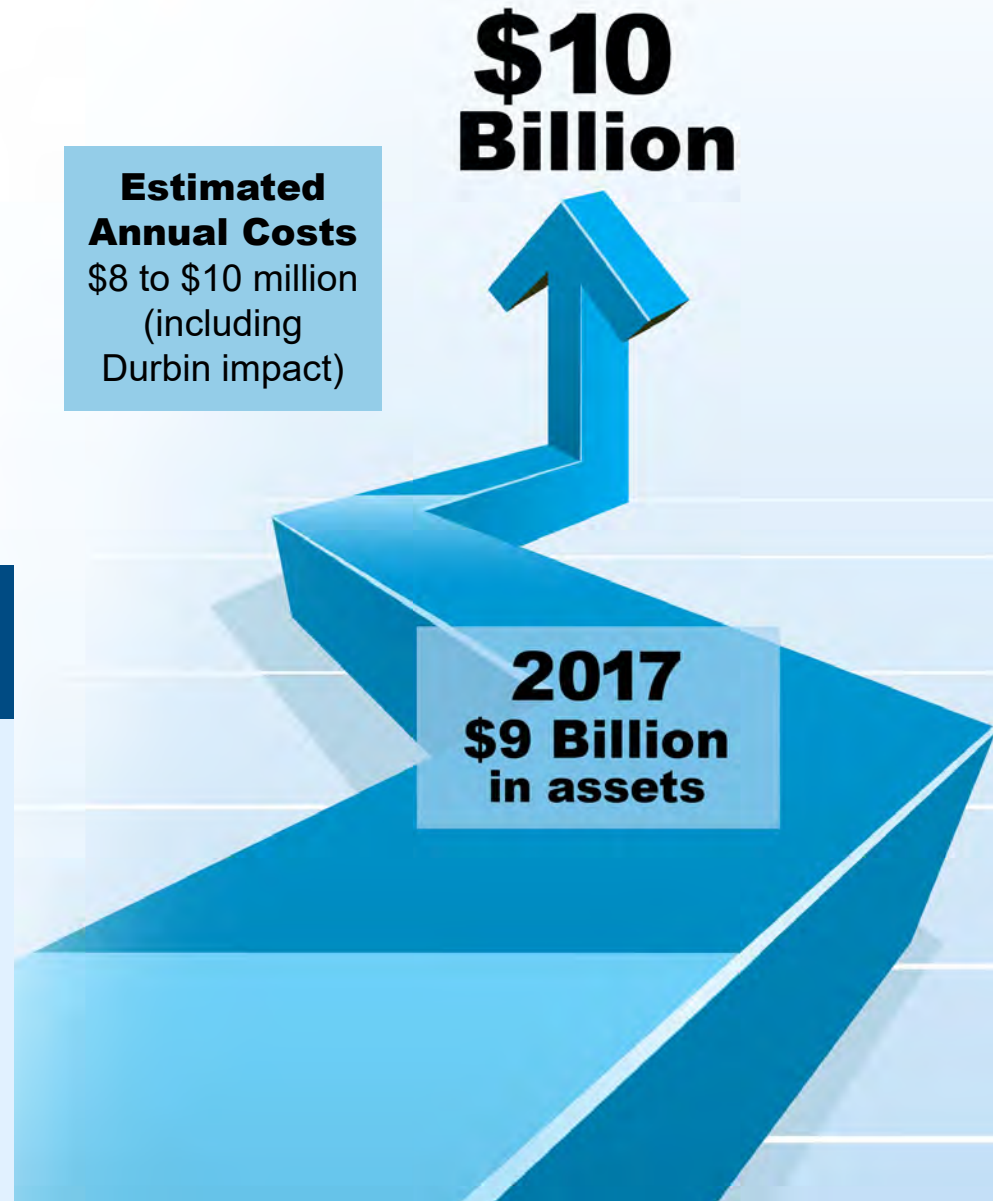
- Exploring new fintech partnership opportunities to expand servicing expertise, enhance yields and enter niche markets at the point of sale
  - Partners will be aligned with our culture and engaged in prime lending using prudent and fair lending practices

# \$10 Billion Readiness

- Performed “gap” analysis and developed readiness plan in 2016
- Through normal organic growth, anticipate crossing \$10 billion asset mark in 3 years
- Adaptable to accelerate plan in event of acquisition

## Components of NBT’s \$10 Billion Readiness Plan

- Dodd-Frank Act Stress Testing
- Consumer Financial Protection Bureau Oversight
- Durbin Impact Revenue Replacement Strategies
- Enhancement of Corporate Governance and Risk Management Practices





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# Leadership Transition



NBT executives rang the Nasdaq opening bell on December 19, 2016, celebrating 160 years in business and a transition to new leadership.

## May 2016

NBT CEO Martin A. Dietrich elected board chairman. Succession plan announced naming John H. Watt, Jr. as Dietrich's successor.

## December 2016

Role of CEO officially transitioned from Dietrich to Watt.

# Biography



**John H. Watt, Jr.  
President and  
Chief Executive Officer**

Watt has 31 years of experience in the financial services industry. He joined NBT Bank in 2014 following the sale of Alliance Financial Corporation to NBT. He played a leadership role in NBT's strategic expansion in New England, establishing a regional presence in Portland, Maine. Watt also provided executive leadership for key functions, including commercial and consumer lending, credit administration and marketing. He was promoted to Executive Vice President and joined NBT's Executive Management Team in 2015.

In May of 2016, the NBT Bancorp Board of Directors appointed Watt President of NBT Bank. In December, he became President and Chief Executive Officer of both NBT Bancorp Inc. and NBT Bank.

Prior to joining NBT, Watt was Executive Vice President of commercial banking, investment management and bank operations at Alliance Bank, a community bank located in Central New York. He was also a member of the board of directors for Alliance Bank and Alliance Financial Corporation. Previously, he was employed by JP Morgan Chase and its predecessors where he held a number of roles in commercial banking. Watt has served on numerous community-oriented boards in upstate New York, most recently on the finance committee of the Foundation of The Episcopal Diocese of Central New York, the finance committee of the Allyn Foundation and as President of the Board of On Point for College in Syracuse, NY.

Watt graduated from Rutgers University with a bachelor's degree in Political Science and earned his Juris Doctor from the National Law Center at George Washington University.

# Biography



**Matthew K. Durkee**  
**Executive Vice President**  
**and President of**  
**New England Region**

Durkee has 32 years of experience in banking. He joined NBT Bank in 2009 to lead NBT's expansion into Vermont. His responsibilities expanded to New England Regional President and providing executive leadership for NBT's Residential Mortgage Division. In 2015, Durkee joined NBT Bancorp's Executive Management Team as Executive Vice President. In 2016, he was promoted to the position of President of New England Region.

Prior to joining NBT Bank, Durkee was Senior Vice President of Regional Financial Services and President of Chittenden Canada for People's United Bank, based in Bridgeport, CT, and its predecessor, Chittenden Bank, based in Burlington, VT. He began working for Chittenden Bank in 1985 and oversaw functions related to commercial banking, international banking and consumer banking as well as trust and insurance services.

Durkee earned his bachelor's degree in business administration from Green Mountain College and a graduate degree in banking from the American Bankers Association Stonier Graduate School of Banking. He is involved in several community and professional organizations, including the United Way of Chittenden County. He serves on the Board of the Vermont Banker's Association.

# Peer Group

NAME	HQ CITY	STATE	TICKER
Berkshire Hills Bancorp, Inc.	Pittsfield	MA	BHLB
Brookline Bancorp Inc.	Boston	MA	BRKL
Community Bank System, Inc.	Dewitt	NY	CBU
Flagstar Bancorp Inc.	Troy	MI	FBC
First Commonwealth Financial Corporation	Indiana	PA	FCF
Flushing Financial Corp.	Lake Success	NY	FFIC
First Midwest Bancorp Inc.	Itasca	IL	FMBI
Independent Bank Corp.	Rockland	MA	INDB
MB Financial Inc.	Chicago	IL	MBFI
Northwest Bancorp, Inc.	Warren	PA	NWBI
Old National Bancorp	Evansville	IN	ONB
Provident Financial Services	Jersey City	NJ	PFS
Park National Corp.	Newark	OH	PRK
S&T Bancorp, Inc.	Indiana	PA	STBA
Tompkins Financial Corporation	Ithaca	NY	TMP
TrustCo Bank Corp NY	Glenville	NY	TRST

# Forward-Looking Statements

This presentation may contain forward-looking statements regarding NBT Bancorp Inc. These statements constitute forward-looking information within the definition of the Private Securities Litigation Reform Act of 1995.

Actual results may differ materially from any forward-looking statements expressed in this presentation, since forward-looking information involves significant known and unknown risks, uncertainties and other factors.

For a discussion of the factors that might cause such differences, please refer to NBT Bancorp's public filings with the Securities and Exchange Commission. These are available online at <http://www.sec.gov>. NBT Bancorp does not undertake to update any forward-looking statements made in this presentation to reflect new information, future events or otherwise.