

NBT BANCORP INC  
Form 10-Q  
August 09, 2016

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

COMMISSION FILE NUMBER 0-14703

NBT BANCORP INC.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

16-1268674

(State of Incorporation) (I.R.S. Employer Identification No.)

52 SOUTH BROAD STREET, NORWICH, NEW YORK 13815

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (607) 337-2265

None

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of July 31, 2016, there were 43,069,068 shares outstanding of the Registrant's common stock, \$0.01 par value per share.

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NBT BANCORP INC.  
FORM 10-Q--Quarter Ended June 30, 2016

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## Item 1 – FINANCIAL STATEMENTS

NBT Bancorp Inc. and Subsidiaries  
Consolidated Balance Sheets (unaudited)

	June 30 2016	December 31 2015
(In thousands, except share and per share data)		
Assets		
Cash and due from banks	\$ 151,775	\$ 130,593
Short-term interest bearing accounts	19,828	9,704
Securities available for sale, at fair value	1,271,596	1,174,544
Securities held to maturity (fair value \$512,349 and \$473,140, respectively)	500,840	471,031
Trading securities	8,591	8,377
Federal Reserve and Federal Home Loan Bank stock	45,260	36,673
Loans	6,039,393	5,883,133
Less allowance for loan losses	64,568	63,018
Net loans	5,974,825	5,820,115
Premises and equipment, net	84,596	88,826
Goodwill	265,957	265,957
Intangible assets, net	15,241	17,265
Bank owned life insurance	163,149	117,044
Other assets	123,122	122,517
Total assets	\$ 8,624,780	\$ 8,262,646
Liabilities		
Demand (noninterest bearing)	\$ 2,031,078	\$ 1,998,165
Savings, NOW, and money market	3,826,626	3,697,851
Time	882,712	908,827
Total deposits	6,740,416	6,604,843
Short-term borrowings	666,424	442,481
Long-term debt	110,306	130,447
Junior subordinated debt	101,196	101,196
Other liabilities	110,085	101,675
Total liabilities	7,728,427	7,380,642
Stockholders' equity		
Preferred stock, \$0.01 par value. Authorized 2,500,000 shares at June 30, 2016 and December 31, 2015	-	-
Common stock, \$0.01 par value. Authorized 100,000,000 shares at June 30, 2016 and December 31, 2015; issued 49,651,494 at June 30, 2016 and December 31, 2015	497	497
Additional paid-in-capital	573,067	576,726
Retained earnings	482,074	462,232
Accumulated other comprehensive loss	(11,147 )	(22,418 )
Common stock in treasury, at cost, 6,658,554 and 6,220,792 shares at June 30, 2016 and December 31, 2015, respectively	(148,138 )	(135,033 )
Total stockholders' equity	896,353	882,004
Total liabilities and stockholders' equity	\$ 8,624,780	\$ 8,262,646

See accompanying notes to unaudited interim consolidated financial statements.



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	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
NBT Bancorp Inc. and Subsidiaries Consolidated Statements of Income (unaudited) (In thousands, except per share data)				
Interest, fee, and dividend income				
Interest and fees on loans	\$62,449	\$59,873	\$123,679	\$119,391
Securities available for sale	5,976	5,144	11,963	10,089
Securities held to maturity	2,496	2,315	4,784	4,598
Other	454	395	903	875
Total interest, fee, and dividend income	71,375	67,727	141,329	134,953
Interest expense				
Deposits	3,605	3,517	7,202	7,090
Short-term borrowings	579	144	907	265
Long-term debt	773	836	1,606	1,662
Junior subordinated debt	641	545	1,260	1,085
Total interest expense	5,598	5,042	10,975	10,102
Net interest income	65,777	62,685	130,354	124,851
Provision for loan losses	4,780	3,898	10,878	7,540
Net interest income after provision for loan losses	60,997	58,787	119,476	117,311
Noninterest income				
Insurance and other financial services revenue	5,625	5,836	12,571	12,210
Service charges on deposit accounts	4,166	4,285	8,105	8,357
ATM and debit card fees	4,934	4,679	9,517	8,927
Retirement plan administration fees	4,054	3,566	7,808	6,762
Trust	4,937	5,196	9,313	9,646
Bank owned life insurance	1,271	928	2,562	2,487
Net securities gains	1	26	30	40
Other	4,626	3,699	8,075	6,320
Total noninterest income	29,614	28,215	57,981	54,749
Noninterest expense				
Salaries and employee benefits	32,931	30,831	65,372	61,013
Occupancy	5,254	5,412	10,745	11,478
Data processing and communications	4,121	4,288	8,171	8,391
Professional fees and outside services	3,331	3,395	6,562	6,892
Equipment	3,547	3,316	7,007	6,565
Office supplies and postage	1,676	1,627	3,223	3,246
FDIC expenses	1,293	1,280	2,551	2,478
Advertising	595	734	1,099	1,453
Amortization of intangible assets	928	1,187	2,024	2,471
Loan collection and other real estate owned, net	845	22	1,550	894
Other	5,924	5,872	10,365	10,785
Total noninterest expense	60,445	57,964	118,669	115,666
Income before income tax expense	30,166	29,038	58,788	56,394
Income tax expense	10,257	9,757	19,988	18,947
Net income	\$19,909	\$19,281	\$38,800	\$37,447
Earnings per share				
Basic	\$0.46	\$0.44	\$0.90	\$0.85
Diluted	\$0.46	\$0.43	\$0.89	\$0.84

See accompanying notes to unaudited interim consolidated financial statements.



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NBT Bancorp Inc. and Subsidiaries Consolidated Statements of Comprehensive Income (unaudited) (In thousands)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net income	\$ 19,909	\$ 19,281	38,800	\$ 37,447
Other comprehensive income (loss), net of tax:				
Unrealized net holding gains (losses) arising during the period (pre-tax amounts of \$3,730, (\$5,277), \$16,941 and (\$434))	2,278	(3,223 )	10,350	(266 )
Reclassification adjustment for net gains related to securities available for sale included in net income (pre-tax amounts of \$1, \$26, \$30 and \$40)	-	(16 )	(19 )	(24 )
Unrealized losses on derivatives (cash flow hedges) (pre-tax amounts of (\$62), \$-, (\$62) and \$-)	(38 )	-	(38 )	-
Amortization of unrealized net gains and losses related to the reclassification of available for sale investment securities to held to maturity (pre-tax amounts of \$280, \$336, \$576 and \$671)	171	205	352	410
Pension and other benefits:				
Amortization of prior service cost and actuarial gains (pre-tax amounts of \$513, \$561, \$1,024 and \$1,122)	313	342	626	684
Total other comprehensive income (loss)	2,724	(2,692 )	11,271	804
Comprehensive income	\$ 22,633	\$ 16,589	50,071	\$ 38,251

See accompanying notes to unaudited interim consolidated financial statements.



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NBT Bancorp Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (unaudited)

	Common Stock	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Common Stock in Treasury	Total
(In thousands, except share and per share data)						
Balance at December 31, 2014	\$ 497	\$576,504	\$423,956	\$ (17,027 )	\$(119,749)	\$864,181
Net income	-	-	37,447	-	-	37,447
Cash dividends - \$0.43 per share	-	-	(18,957 )	-	-	(18,957 )
Purchase of 433,351 treasury shares	-	-	-	-	(10,672 )	(10,672 )
Net issuance of 222,326 shares to employee benefit plans and other stock plans, including tax benefit	-	(3,568 )	-	-	4,060	492
Stock-based compensation	-	2,676	-	-	-	2,676
Other comprehensive income	-	-	-	804	-	804
Balance at June 30, 2015	\$ 497	\$575,612	\$442,446	\$ (16,223 )	\$(126,361)	\$875,971
Balance at December 31, 2015	\$ 497	\$576,726	\$462,232	\$ (22,418 )	\$(135,033)	\$882,004
Net income	-	-	38,800	-	-	38,800
Cash dividends - \$0.44 per share	-	-	(18,958 )	-	-	(18,958 )
Purchase of 675,535 treasury shares	-	-	-	-	(17,193 )	(17,193 )
Net issuance of 237,824 shares to employee benefit plans and other stock plans, including tax benefit	-	(5,945 )	-	-	4,088	(1,857 )
Stock-based compensation	-	2,286	-	-	-	2,286
Other comprehensive income	-	-	-	11,271	-	11,271
Balance at June 30, 2016	\$ 497	\$573,067	\$482,074	\$ (11,147 )	\$(148,138)	\$896,353

See accompanying notes to unaudited interim consolidated financial statements.

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	Six months ended June	
	30,	2015
NBT Bancorp Inc. and Subsidiaries	2016	2015
Consolidated Statements of Cash Flows (unaudited)		
(In thousands)		
Operating activities		
Net income	\$38,800	\$37,447
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	10,878	7,540
Depreciation and amortization of premises and equipment	4,511	4,277
Net accretion on securities	1,816	1,157
Amortization of intangible assets	2,024	2,471
Stock-based compensation	2,286	2,676
Bank owned life insurance income	(2,562 )	(2,487 )
Purchases of trading securities	(270 )	(649 )
Losses (gains) on trading securities	56	(26 )
Proceeds from sales of loans held for sale	44,598	24,743
Originations and purchases of loans held for sale	(47,298 )	(26,051 )
Net gains on sales of loans held for sale	(227 )	(103 )
Net security gains	(30 )	(40 )
Net gain on sales of other real estate owned	(528 )	(1,079 )
Net (increase) decrease in other assets	(6,890 )	11,647
Net increase (decrease) in other liabilities	2,892	(6,152 )
Net cash provided by operating activities	50,056	55,371
Investing activities		
Securities available for sale:		
Proceeds from maturities, calls, and principal paydowns	161,017	125,278
Purchases	(238,610)	(242,304)
Securities held to maturity:		
Proceeds from maturities, calls, and principal paydowns	41,440	42,950
Purchases	(70,065 )	(41,448 )
Other:		
Net increase in loans	(164,269)	(185,349)
Proceeds from FHLB stock redemption	64,194	19,085
Purchases of Federal Reserve and FHLB stock	(72,781 )	(25,118 )
Proceeds from settlement of bank owned life insurance	1,457	1,497
Purchase of bank owned life insurance	(45,000 )	-
Purchases of premises and equipment	(2,083 )	(2,671 )
Proceeds from the sales of other real estate owned	4,583	2,597
Net cash used in investing activities	(320,117)	(305,483)
Financing activities		
Net increase in deposits	135,573	71,874
Net increase in short-term borrowings	223,943	195,190
Repayments of long-term debt	(20,141 )	(240 )
Proceeds from the issuance of shares to employee benefit plans and other stock plans	(1,857 )	492
Purchase of treasury stock	(17,193 )	(10,672 )
Cash dividends	(18,958 )	(18,957 )
Net cash provided by financing activities	301,367	237,687
Net increase (decrease) in cash and cash equivalents	31,306	(12,425 )
Cash and cash equivalents at beginning of period	140,297	146,636
Cash and cash equivalents at end of period	\$171,603	\$134,211



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	Six months ended	
Supplemental disclosure of cash flow information	June 30,	
Cash paid during the period for:	2016	2015
Interest	\$10,926	\$10,628
Income taxes paid	20,809	9,027
Noncash investing activities:		
Loans transferred to other real estate owned	\$1,608	\$2,203

See accompanying notes to unaudited interim consolidated financial statements.

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NBT BANCORP INC. and Subsidiaries

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

Note 1. Description of Business

NBT Bancorp Inc. (the “Registrant” or the “Company”) is a registered financial holding company incorporated in the state of Delaware in 1986, with its principal headquarters located in Norwich, New York. The principal assets of the Registrant consist of all of the outstanding shares of common stock of its subsidiaries, including: NBT Bank, National Association (the “Bank”), NBT Financial Services, Inc. (“NBT Financial”), NBT Holdings, Inc. (“NBT Holdings”), Hathaway Agency, Inc., and CNBF Capital Trust I, NBT Statutory Trust I, NBT Statutory Trust II, Alliance Financial Capital Trust I, and Alliance Financial Capital Trust II (collectively, the “Trusts”). The Company’s principal sources of revenue are the management fees and dividends it receives from the Bank, NBT Financial and NBT Holdings.

The Company’s business, primarily conducted through the Bank but also through its other subsidiaries, consists of providing commercial banking and financial services to customers in its market area, which includes central and upstate New York, northeastern Pennsylvania, northwestern Vermont, western Massachusetts, southern New Hampshire, and southern Maine. The Company has been, and intends to continue to be, a community-oriented financial institution offering a variety of financial services. The Company’s business philosophy is to operate as a community bank with local decision-making, principally in non-metropolitan markets, prov