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, 2021.

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, par value $0.01 per share	NBTB	The NASDAQ Stock Market LLC

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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, 2021, there were 43,336,021 shares outstanding of the Registrant’s Common Stock, $0.01 par value per share.

NBT BANCORP INC.
FORM 10-Q - Quarter Ended June 30, 2021

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1 – FINANCIAL STATEMENTS

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

	June 30, 2021	December 31, 2020
(In thousands, except share and per share data)		
Assets		
Cash and due from banks	**$ 183,185**	$ 159,995
Short-term interest-bearing accounts	**883,758**	512,686
Equity securities, at fair value	**32,806**	30,737
Securities available for sale, at fair value	**1,534,733**	1,348,698
Securities held to maturity (fair value $632,954 and $636,827, respectively)	**622,351**	616,560
Federal Reserve and Federal Home Loan Bank stock	**25,132**	27,353
Loans held for sale	**1,404**	1,119
Loans	**7,517,627**	7,498,885
Less allowance for loan losses	**98,500**	110,000
Net loans	**$ 7,419,127**	$ 7,388,885
Premises and equipment, net	**72,482**	74,206
Goodwill	**280,541**	280,541
Intangible assets, net	**10,241**	11,735
Bank owned life insurance	**226,507**	186,434
Other assets	**282,680**	293,957
Total assets	**$ 11,574,947**	$ 10,932,906
Liabilities		
Demand (noninterest bearing)	**$ 3,582,705**	$ 3,241,123
Savings, NOW and money market	**5,633,523**	5,207,090
Time	**569,029**	633,479
Total deposits	**$ 9,785,257**	$ 9,081,692
Short-term borrowings	**90,598**	168,386
Long-term debt	**14,045**	39,097
Subordinated debt, net	**98,271**	98,052
Junior subordinated debt	**101,196**	101,196
Other liabilities	**260,524**	256,865
Total liabilities	**$ 10,349,891**	$ 9,745,288
Stockholders' equity		
Preferred stock, $0.01 par value. Authorized 2,500,000 shares at June 30, 2021 and December 31, 2020	**$ -**	$ -
Common stock, $0.01 par value. Authorized 100,000,000 shares at June 30, 2021 and December 31, 2020; issued 49,651,493 at June 30, 2021 and December 31, 2020	**497**	497
Additional paid-in-capital	**576,732**	578,082
Retained earnings	**805,722**	749,056
Accumulated other comprehensive (loss) income	**(9,292)**	417
Common stock in treasury, at cost, 6,196,130 and 6,022,399 shares at June 30, 2021 and December 31, 2020, respectively	**(148,603)**	(140,434)
Total stockholders' equity	**$ 1,225,056**	$ 1,187,618
Total liabilities and stockholders' equity	**$ 11,574,947**	$ 10,932,906

See accompanying notes to unaudited interim consolidated financial statements.

NBT Bancorp Inc. and Subsidiaries
Consolidated Statements of Income (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
(In thousands, except per share data)				
Interest, fee and dividend income				
Interest and fees on loans	**$ 74,795**	$ 77,270	**$ 149,888**	$ 155,998
Securities available for sale	**5,762**	5,600	**11,306**	11,353
Securities held to maturity	**3,096**	3,926	**6,478**	8,017
Other	**391**	650	**682**	1,479
Total interest, fee and dividend income	**$ 84,044**	$ 87,446	**$ 168,354**	$ 176,847
Interest expense				
Deposits	**$ 2,862**	$ 4,812	**$ 6,034**	$ 13,916
Short-term borrowings	**32**	972	**102**	2,769
Long-term debt	**88**	393	**212**	786
Subordinated debt	**1,359**	128	**2,718**	128
Junior subordinated debt	**525**	695	**1,055**	1,621
Total interest expense	**$ 4,866**	$ 7,000	**$ 10,121**	$ 19,220
Net interest income	**$ 79,178**	$ 80,446	**$ 158,233**	$ 157,627
Provision for loan losses	**(5,216)**	18,840	**(8,012)**	48,480
Net interest income after provision for loan losses	**$ 84,394**	$ 61,606	**$ 166,245**	$ 109,147
Noninterest income				
Service charges on deposit accounts	**$ 3,028**	$ 2,529	**$ 6,055**	$ 6,526
ATM and debit card fees	**8,309**	6,136	**15,171**	11,990
Retirement plan administration fees	**9,779**	9,214	**19,877**	17,155
Wealth management fees	**8,406**	6,823	**16,316**	14,096
Insurance services	**3,508**	3,292	**6,969**	7,561
Bank owned life insurance income	**1,659**	1,381	**3,040**	2,755
Net securities gains (losses)	**201**	180	**668**	(632)
Other	**4,426**	5,456	**8,258**	10,983
Total noninterest income	**$ 39,316**	$ 35,011	**$ 76,354**	$ 70,434
Noninterest expense				
Salaries and employee benefits	**$ 42,671**	$ 39,717	**$ 84,272**	$ 80,467
Occupancy	**5,291**	5,065	**11,164**	11,060
Data processing and communications	**4,427**	4,079	**9,158**	8,312
Professional fees and outside services	**4,030**	3,403	**7,619**	7,300
Equipment	**5,493**	4,779	**10,670**	9,421
Office supplies and postage	**1,615**	1,455	**3,114**	3,091
FDIC expense	**663**	993	**1,471**	1,304
Advertising	**468**	322	**919**	931
Amortization of intangible assets	**682**	883	**1,494**	1,717
Loan collection and other real estate owned, net	**663**	728	**1,253**	1,745
Other	**5,416**	3,916	**8,173**	10,873
Total noninterest expense	**$ 71,419**	$ 65,340	**$ 139,307**	$ 136,221
Income before income tax expense	**$ 52,291**	$ 31,277	**$ 103,292**	$ 43,360
Income tax expense	**11,995**	6,564	**23,150**	8,279
Net income	**$ 40,296**	$ 24,713	**$ 80,142**	$ 35,081
Earnings per share				
Basic	**$ 0.93**	$ 0.57	**$ 1.84**	$ 0.80
Diluted	**$ 0.92**	$ 0.56	**$ 1.83**	$ 0.80

See accompanying notes to unaudited interim consolidated financial statements.

NBT Bancorp Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(In thousands)				
Net income	**$ 40,296**	$ 24,713	**$ 80,142**	$ 35,081
Other comprehensive income (loss), net of tax:				
Securities available for sale:				
Unrealized net holding gains (losses) arising during the period, gross	**$ 9,408**	$ 6,433	**$ (13,903)**	$ 27,772
Tax effect	**(2,352)**	(1,608)	**3,475**	(6,943)
Unrealized net holding gains (losses) arising during the period, net	**$ 7,056**	$ 4,825	**$ (10,428)**	$ 20,829
Reclassification adjustment for net gains in net income, gross	**$ -**	$ -	**$ -**	$ (3)
Tax effect	**-**	-	**-**	1
Reclassification adjustment for net gains in net income, net	**$ -**	$ -	**$ -**	$ (2)
Amortization of unrealized net gains for the reclassification of available for sale securities to held to maturity, gross	**$ 143**	$ 165	**$ 285**	$ 338
Tax effect	**(36)**	(42)	**(71)**	(85)
Amortization of unrealized net gains for the reclassification of available for sale securities to held to maturity, net	**$ 107**	$ 123	**$ 214**	$ 253
Total securities available for sale, net	**$ 7,163**	$ 4,948	**$ (10,214)**	$ 21,080
Cash flow hedges:				
Unrealized losses on derivatives (cash flow hedges), gross	**$ -**	$ (19)	**$ -**	$ (274)
Tax effect	**-**	5	**-**	69
Unrealized losses on derivatives (cash flow hedges), net	**$ -**	$ (14)	**$ -**	$ (205)
Reclassification of net unrealized losses on cash flow hedges to interest (income), gross	**$ -**	$ 81	**$ 21**	$ 91
Tax effect	**-**	(20)	**(5)**	(23)
Reclassification of net unrealized losses on cash flow hedges to interest (income), net	**$ -**	$ 61	**$ 16**	$ 68
Total cash flow hedges, net	**$ -**	$ 47	**$ 16**	$ (137)
Pension and other benefits:				
Amortization of prior service cost and actuarial losses, gross	**$ 326**	$ 381	**$ 652**	$ 762
Tax effect	**(82)**	(96)	**(163)**	(191)
Amortization of prior service cost and actuarial losses, net	**$ 244**	$ 285	**$ 489**	$ 571
Total pension and other benefits, net	**$ 244**	$ 285	**$ 489**	$ 571
Total other comprehensive income (loss)	**$ 7,407**	$ 5,280	**$ (9,709)**	$ 21,514
Comprehensive income	**$ 47,703**	$ 29,993	**$ 70,433**	$ 56,595

See accompanying notes to unaudited interim consolidated financial statements.

NBT Bancorp Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity (unaudited)

(In thousands, except share and per share data)	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Common Stock in Treasury	Total
Balance at March 31, 2021	**$ 497**	**$ 578,597**	**$ 777,170**	**$ (16,699)**	**$ (148,584)**	**$ 1,190,981**
Net income	-	-	40,296	-	-	40,296
Cash dividends - $0.27 per share	-	-	(11,744)	-	-	(11,744)
Purchase of 23,627 treasury shares	-	-	-	-	(851)	(851)
Net issuance of 53,788 shares to employee and other stock plans	-	(2,453)	-	-	832	(1,621)
Stock-based compensation	-	588	-	-	-	588
Other comprehensive income	-	-	-	7,407	-	7,407
Balance at June 30, 2021	**$ 497**	**$ 576,732**	**$ 805,722**	**$ (9,292)**	**$ (148,603)**	**$ 1,225,056**
Balance at March 31, 2020	**$ 497**	**$ 577,080**	**$ 678,611**	**$ (2,792)**	**$ (141,217)**	**$ 1,112,179**
Net income	-	-	24,713	-	-	24,713
Cash dividends - $0.00 per share	-	-	(2)	-	-	(2)
Net issuance of 20,905 shares to employee and other stock plans	-	(517)	-	-	365	(152)
Stock-based compensation	-	634	-	-	-	634
Other comprehensive income	-	-	-	5,280	-	5,280
Balance at June 30, 2020	**$ 497**	**$ 577,197**	**$ 703,322**	**$ 2,488**	**$ (140,852)**	**$ 1,142,652**

(In thousands, except share and per share data)	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Common Stock in Treasury	Total
Balance at December 31, 2020	**$ 497**	**$ 578,082**	**$ 749,056**	**$ 417**	**$ (140,434)**	**$ 1,187,618**
Net income	-	-	80,142	-	-	80,142
Cash dividends - $0.81 per share	-	-	(23,476)	-	-	(23,476)
Purchase of 280,658 treasury shares	-	-	-	-	(9,871)	(9,871)
Net issuance of 106,927 shares to employee and other stock plans	-	(4,606)	-	-	1,702	(2,904)
Stock-based compensation	-	3,256	-	-	-	3,256
Other comprehensive (loss)	-	-	-	(9,709)	-	(9,709)
Balance at June 30, 2021	**$ 497**	**$ 576,732**	**$ 805,722**	**$ (9,292)**	**$ (148,603)**	**$ 1,225,056**
Balance at December 31, 2019	**$ 497**	**$ 576,708**	**$ 696,214**	**$ (19,026)**	**$ (133,996)**	**$ 1,120,397**
Net income	-	-	35,081	-	-	35,081
Cumulative effect adjustment for ASU 2016-13 implementation	-	-	(4,339)	-	-	(4,339)
Cash dividends - $0.54 per share	-	-	(23,634)	-	-	(23,634)
Purchase of 263,507 treasury shares	-	-	-	-	(7,980)	(7,980)
Net issuance of 75,246 shares to employee and other stock plans	-	(2,820)	-	-	1,124	(1,696)
Stock-based compensation	-	3,309	-	-	-	3,309
Other comprehensive income	-	-	-	21,514	-	21,514
Balance at June 30, 2020	**$ 497**	**$ 577,197**	**$ 703,322**	**$ 2,488**	**$ (140,852)**	**$ 1,142,652**

See accompanying notes to unaudited interim consolidated financial statements.

NBT Bancorp Inc. and Subsidiaries
Consolidated Statements of Cash Flows (unaudited)

	Six Months Ended June 30,	
	2021	**2020**
(In thousands)		
Operating activities		
Net income	**$ 80,142**	$ 35,081
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	**(8,012)**	48,480
Depreciation and amortization of premises and equipment	**4,921**	4,952
Net amortization on securities	**3,049**	1,596
Amortization of intangible assets	**1,494**	1,717
Amortization of operating lease right-of-use assets	**3,613**	3,702
Excess tax benefit on stock-based compensation	**(322)**	(178)
Stock-based compensation expense	**3,256**	3,309
Bank owned life insurance income	**(3,040)**	(2,755)
Amortization of subordinated debt issuance costs	**219**	17
Proceeds from sale of loans held for sale	**28,667**	101,286
Originations of loans held for sale	**(28,792)**	(106,381)
Net gains on sale of loans held for sale	**(160)**	(829)
Net security (gains) losses	**(668)**	632
Net gains on sale of other real estate owned	**(19)**	(85)
Net change in other assets and other liabilities	**11,339**	(13,502)
Net cash provided by operating activities	**$ 95,687**	$ 77,042
Investing activities		
Net cash used in acquisitions	**$ -**	$ (3,899)
Securities available for sale:		
Proceeds from maturities, calls and principal paydowns	**216,468**	148,658
Purchases	**(418,915)**	(255,143)
Securities held to maturity:		
Proceeds from maturities, calls and principal paydowns	**110,328**	116,022
Proceeds from sales	-	996
Purchases	**(116,360)**	(86,209)
Equity securities:		
Proceeds from calls	**1,000**	-
Other:		
Net increase in loans	**(22,270)**	(502,382)
Proceeds from Federal Home Loan Bank stock redemption	**2,352**	48,672
Purchases of Federal Reserve Bank and Federal Home Loan Bank stock	**(131)**	(36,588)
Proceeds from settlement of bank owned life insurance	**2,967**	527
Purchases of bank owned life insurance	**(40,000)**	-
Purchases of premises and equipment, net	**(3,138)**	(3,586)
Proceeds from sales of other real estate owned	**719**	777
Net cash used in investing activities	**$ (266,980)**	$ (572,155)
Financing activities		
Net increase in deposits	**$ 703,565**	$ 1,228,071
Net decrease in short-term borrowings	**(77,788)**	(315,619)
Proceeds from issuance of subordinated debt	-	100,000
Payment of subordinated debt issuance costs	-	(2,035)
Repayments of long-term debt	**(25,052)**	(57)
Proceeds from the issuance of shares to employee and other stock plans	**112**	184
Cash paid by employer for tax-withholdings on stock issuance	**(1,935)**	(1,168)
Purchase of treasury stock	**(9,871)**	(7,980)
Cash dividends	**(23,476)**	(23,634)
Net cash provided by financing activities	**$ 565,555**	$ 977,762
Net increase in cash and cash equivalents	**$ 394,262**	$ 482,649
Cash and cash equivalents at beginning of period	**672,681**	216,843
Cash and cash equivalents at end of period	**$ 1,066,943**	$ 699,492

NBT Bancorp Inc. and Subsidiaries
Consolidated Statements of Cash Flows (unaudited) (continued)

	Six Months Ended June 30,	
	2021	**2020**
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest expense	**$ 11,350**	$ 19,985
Income taxes paid, net of refund	**28,004**	4,157
Noncash investing activities:		
Loans transferred to other real estate owned	**$ 40**	$ 1,017
Acquisitions:		
Fair value of assets acquired	**$ -**	$ 3,328

See accompanying notes to unaudited interim consolidated financial statements.

NBT Bancorp Inc. and Subsidiaries
Notes to Unaudited Interim Consolidated Financial Statements
June 30, 2021

1. Description of Business

NBT Bancorp Inc. (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 Company 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”), 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, consists of providing commercial banking, retail banking and wealth management services primarily to customers in its market area, which includes central and upstate New York, northeastern Pennsylvania, southern New Hampshire, western Massachusetts, Vermont, the southern coastal Maine area and central Connecticut. 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, providing a broad array of banking and financial services to retail, commercial and municipal customers.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim consolidated financial statements include the accounts of NBT Bancorp Inc. and its wholly-owned subsidiaries, the Bank, NBT Financial and NBT Holdings. Collectively, NBT Bancorp Inc. and its subsidiaries are referred to herein as (“the Company”). The interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods in accordance with generally accepted accounting principles in the United States of America (“GAAP”). These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s 2020 Annual Report on Form 10-K. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period. All material intercompany transactions have been eliminated in consolidation. Amounts previously reported in the consolidated financial statements are reclassified whenever necessary to conform to current period presentation. The Company has evaluated subsequent events for potential recognition and/or disclosure and there were none identified.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results may differ from those estimates and such differences could be material to the financial statements.

3. Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updates (“ASU”) 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU removes specific exceptions to the general principles in Topic 740 in GAAP. It eliminates the need for an organization to analyze whether the following apply in a given period: (1) exception to the incremental approach for intraperiod tax allocation; (2) exceptions to accounting for basis differences when there are ownership changes in foreign investments; and (3) exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The ASU also improves financial statement preparers’ application of income tax-related guidance and simplifies GAAP for: (1) franchise taxes that are partially based on income; (2) transactions with a government that result in a step up in the tax basis of goodwill; (3) separate financial statements of legal entities that are not subject to tax; and (4) enacted changes in tax laws in interim periods. The amendments in this ASU were effective for the Company on January 1, 2021, and interim periods within those fiscal years. The adoption did not have a material impact on the consolidated financial statements and related disclosures.

Accounting Standards Issued Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. On January 7, 2021, the FASB issued ASU 2021-01, which refines the scope of Accounting Standards Codification 848 (“ASC 848”) and clarifies some of its guidance. ASU 2020-04 and related amendments provide temporary optional expedients and exceptions to the existing guidance for applying GAAP to affected contract modifications and hedge accounting relationships in the transition away from the London Interbank Offered Rate (“LIBOR”) or other interbank offered rate on financial reporting. The guidance also allows a one-time election to sell and/or reclassify to available for sale (“AFS”) or trading held to maturity (“HTM”) debt securities that reference an interest rate affected by reference rate reform. The amendments in this ASU are effective March 12, 2020 through December 31, 2022 and permits relief solely for reference rate reform actions and permits different elections over the effective date for legacy and new activity. The Company is evaluating the impact of adopting the new guidance on the consolidated financial statements and does not expect it will have a material impact on the consolidated financial statements.

4. Securities

The amortized cost, estimated fair value and unrealized gains (losses) of AFS securities are as follows:

(In thousands)		Amortized Cost		Unrealized Gains		Unrealized Losses		Estimated Fair Value
As of June 30, 2021								
Federal agency	**$**	**248,470**	**$**	**-**	**$**	**4,810**	**$**	**243,660**
State & municipal		**58,347**		**201**		**480**		**58,068**
Mortgage-backed:								
Government-sponsored enterprises		**615,554**		**12,456**		**2,418**		**625,592**
U.S. government agency securities		**57,786**		**2,167**		**62**		**59,891**
Collateralized mortgage obligations:								
Government-sponsored enterprises		**411,168**		**6,179**		**773**		**416,574**
U.S. government agency securities		**92,824**		**2,241**		**-**		**95,065**
Corporate		**34,500**		**1,383**		**-**		**35,883**
Total AFS securities	**$**	**1,518,649**	**$**	**24,627**	**$**	**8,543**	**$**	**1,534,733**
As of December 31, 2020								
Federal agency	$	245,590	$	59	$	2,052	$	243,597
State & municipal		42,550		630		-		43,180
Mortgage-backed:								
Government-sponsored enterprises		521,448		17,079		22		538,505
U.S. government agency securities		55,049		2,332		47		57,334
Collateralized mortgage obligations:								
Government-sponsored enterprises		311,710		7,549		58		319,201
U.S. government agency securities		114,864		3,739		-		118,603
Corporate		27,500		778		-		28,278
Total AFS securities	$	1,318,711	$	32,166	$	2,179	$	1,348,698

There was no allowance for credit losses on AFS securities as of June 30, 2021 and December 31, 2020.

During the three and six months ended June 30, 2021 there were no gains or losses reclassified out of accumulated other comprehensive income (loss) ("AOCI") and into earnings. During the three months ended June 30, 2020 there were no gains or losses reclassified out of AOCI and into earnings. During the six months ended June 30, 2020, there were $3 thousand of gross realized gains reclassified out of AOCI and into earnings. Included in net realized gains (losses) on AFS securities, the Company recorded gains from calls of approximately $3 thousand for the six months ended June 30, 2020.

The amortized cost, estimated fair value and unrealized gains (losses) of HTM securities are as follows:

(In thousands)		Amortized Cost		Unrealized Gains		Unrealized Losses		Estimated Fair Value
As of June 30, 2021								
Federal agency	**$**	**100,000**	**$**	**-**	**$**	**3,293**	**$**	**96,707**
Mortgage-backed:								
Government-sponsored enterprises		**114,278**		**3,003**		**38**		**117,243**
U.S. government agency securities		**10,299**		**821**		**-**		**11,120**
Collateralized mortgage obligations:								
Government-sponsored enterprises		**83,300**		**3,664**		**-**		**86,964**
U.S. government agency securities		**39,472**		**1,163**		**-**		**40,635**
State & municipal		**275,002**		**6,171**		**888**		**280,285**
Total HTM securities	**$**	**622,351**	**$**	**14,822**	**$**	**4,219**	**$**	**632,954**
As of December 31, 2020								
Federal agency	$	100,000	$	-	$	1,658	$	98,342
Mortgage-backed:								
Government-sponsored enterprises		107,914		4,583		-		112,497
U.S. government agency securities		11,533		979		-		12,512
Collateralized mortgage obligations:								
Government-sponsored enterprises		103,105		4,477		-		107,582
U.S. government agency securities		79,145		3,950		-		83,095
State & municipal		214,863		7,953		17		222,799
Total HTM securities	$	616,560	$	21,942	$	1,675	$	636,827

At June 30, 2021 and December 31, 2020, all of the mortgaged-backed HTM securities were comprised of U.S. government agency and Government-sponsored enterprises securities. There was no allowance for credit losses on HTM securities as of June 30, 2021 and December 31, 2020.

Included in net realized gains (losses), the Company recorded no gains from calls on HTM securities for the three months ended June 30, 2021 and approximately $15 thousand for the six months ended June 30, 2021. Included in net realized gains (losses), the Company recorded gains from calls on HTM securities of approximately $4 thousand for the three and six months ended June 30, 2020.

AFS and HTM securities with amortized costs totaling $1.6 billion at June 30, 2021 and $1.4 billion at December 31, 2020 were pledged to secure public deposits and for other purposes required or permitted by law. Additionally, at June 30, 2021 and December 31, 2020, AFS and HTM securities with an amortized cost of $164.5 million and $305.2 million, respectively, were pledged as collateral for securities sold under repurchase agreements.

The following tables set forth information with regard to gains and (losses) on equity securities:

	Three Months Ended June 30,	
(In thousands)	**2021**	**2020**
Net gains and (losses) recognized on equity securities	**$ 201**	$ 177
Less: Net gains and (losses) recognized on equity securities sold during the period	**-**	-
Unrealized gains and (losses) recognized on equity securities still held	**$ 201**	$ 177

	Six Months Ended June 30,	
(In thousands)	**2021**	**2020**
Net gains and (losses) recognized on equity securities	**$ 653**	$ (638)
Less: Net gains and (losses) recognized on equity securities sold during the period	**-**	-
Unrealized gains and (losses) recognized on equity securities still held	**$ 653**	$ (638)

As of June 30, 2021 and December 31, 2020, the carrying value of equity securities without readily determinable fair values was $1.0 million and $2.0 million, respectively. The Company performed a qualitative assessment to determine whether the investments were impaired and identified no areas of concern as of June 30, 2021 and 2020. There were no impairments, downward or upward adjustments recognized for equity securities without readily determinable fair values during the three months ended June 30, 2021 and 2020.

The following table sets forth information with regard to contractual maturities of debt securities at June 30, 2021:

(In thousands)	**Amortized Cost**	**Estimated Fair Value**
AFS debt securities:		
Within one year	**$ 1,265**	**$ 1,273**
From one to five years	**49,595**	**50,379**
From five to ten years	**589,435**	**589,990**
After ten years	**878,354**	**893,091**
Total AFS debt securities	**$ 1,518,649**	**$ 1,534,733**
HTM debt securities:		
Within one year	**$ 51,610**	**$ 51,659**
From one to five years	**54,875**	**56,215**
From five to ten years	**227,013**	**229,266**
After ten years	**288,853**	**295,814**
Total HTM debt securities	**$ 622,351**	**$ 632,954**

Maturities of mortgage-backed, collateralized mortgage obligations and asset-backed securities are stated based on their estimated average lives. Actual maturities may differ from estimated average lives or contractual maturities because, in certain cases, borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Except for U.S. Government securities and Government-sponsored enterprises securities, there were no holdings, when taken in the aggregate, of any single issuer that exceeded 10% of consolidated stockholders' equity at June 30, 2021 and December 31, 2020.

The following table sets forth information with regard to investment securities with unrealized losses, for which an allowance for credit losses has not been recorded at June 30, 2021, segregated according to the length of time the securities had been in a continuous unrealized loss position:

	Less Than 12 Months			12 Months or Longer			Total		
(In thousands)	Fair Value	Unrealized Losses	Number of Positions	Fair Value	Unrealized Losses	Number of Positions	Fair Value	Unrealized Losses	Number of Positions
As of June 30, 2021									
AFS securities:									
Federal agency	**$ 243,660**	**$ (4,810)**	**16**	**$ -**	**$ -**	**-**	**$ 243,660**	**$ (4,810)**	**16**
State & municipal	**42,038**	**(480)**	**27**	**-**	**-**	**-**	**42,038**	**(480)**	**27**
Mortgage-backed	**250,767**	**(2,472)**	**17**	**774**	**(8)**	**4**	**251,541**	**(2,480)**	**21**
Collateralized mortgage obligations	**118,506**	**(772)**	**15**	**420**	**(1)**	**1**	**118,926**	**(773)**	**16**
Total securities with unrealized losses	**$ 654,971**	**$ (8,534)**	**75**	**$ 1,194**	**$ (9)**	**5**	**$ 656,165**	**$ (8,543)**	**80**
HTM securities:									
Federal agency	**$ 96,707**	**$ (3,293)**	**4**	**$ -**	**$ -**	**-**	**$ 96,707**	**$ (3,293)**	**4**
Mortgage-backed	**7,710**	**(38)**	**1**	**-**	**-**	**-**	**7,710**	**(38)**	**1**
State & municipal	**47,425**	**(888)**	**38**	**-**	**-**	**-**	**47,425**	**(888)**	**38**
Total securities with unrealized losses	**$ 151,842**	**$ (4,219)**	**43**	**$ -**	**$ -**	**-**	**$ 151,842**	**$ (4,219)**	**43**
As of December 31, 2020									
AFS securities:									
Federal agency	$ 148,537	$ (2,052)	10	$ -	$ -	-	$ 148,537	$ (2,052)	10
Mortgage-backed	47,269	(60)	3	800	(9)	4	48,069	(69)	7
Collateralized mortgage obligations	17,837	(58)	6	-	-	-	17,837	(58)	6
Total securities with unrealized losses	$ 213,643	$ (2,170)	19	$ 800	$ (9)	4	$ 214,443	$ (2,179)	23
HTM securities:									
Federal agency	$ 98,342	$ (1,658)	4	$ -	$ -	-	$ 98,342	$ (1,658)	4
State & municipal	4,805	(17)	5	-	-	-	4,805	(17)	5
Total securities with unrealized losses	$ 103,147	$ (1,675)	9	$ -	$ -	-	$ 103,147	$ (1,675)	9

The Company does not believe the AFS securities that were in an unrealized loss position as of June 30, 2021 and December 31, 2020, which consisted of 80 and 23 individual securities, respectively, represented a credit loss impairment. AFS debt securities in unrealized loss positions are evaluated for impairment related to credit losses at least quarterly. As of June 30, 2021 and December 31, 2020, the majority of the AFS securities in an unrealized loss position consisted of debt securities issued by U.S. government agencies or U.S. government-sponsored enterprises that carry the explicit and/or implicit guarantee of the U.S. government, which are widely recognized as "risk-free" and have a long history of zero credit losses. Total gross unrealized losses were primarily attributable to changes in interest rates, relative to when the investment securities were purchased, and not due to the credit quality of the investment securities. The Company does not intend to sell, nor is it more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, which may be at maturity. The Company elected to exclude accrued interest receivable ("AIR") from the amortized cost basis of debt securities. AIR on AFS debt securities totaled $3.5 million at June 30, 2021 and $3.3 million at December 31, 2020 and is excluded from the estimate of credit losses and reported in the financial statement line for other assets.

None of the bank's HTM debt securities were past due or on non-accrual status as of June 30, 2021 and December 31, 2020. There was no accrued interest reversed against interest income for the three and six months ended June 30, 2021 or the year-ended December 31, 2020 as all securities remained on accrual status. In addition, there were no collateral-dependent HTM debt securities as of June 30, 2021 and December 31, 2020. As of June 30, 2021 and December 31, 2020, 56% and 65%, respectively, of the Company's HTM debt securities were issued by U.S. government agencies or U.S. government-sponsored enterprises. These securities carry the explicit and/or implicit guarantee of the U.S. government, are widely recognized as "risk free," and have a long history of zero credit loss. Therefore, the Company did not record an allowance for credit losses for these securities as of June 30, 2021 and December 31, 2020. The remaining HTM debt securities at June 30, 2021 and December 31, 2020 were comprised of state and municipal obligations with bond ratings of A to AAA. Utilizing the Current Expected Credit Losses ("CECL") approach, the Company determined that the expected credit loss on its HTM municipal bond portfolio was immaterial and therefore no allowance for credit loss was recorded as of June 30, 2021 and December 31, 2020. AIR on HTM debt securities totaled $2.6 million and $2.7 million at June 30, 2021 and December 31, 2020, respectively, and is excluded from the estimate of credit losses and reported in the other assets financial statement line.

5. Allowance for Credit Losses and Credit Quality of Loans

The allowance for credit losses totaled $98.5 million at June 30, 2021, compared to $110.0 million at December 31, 2020. The allowance for credit losses as a percentage of loans was 1.31% at June 30, 2021, compared to 1.47% at December 31, 2020.

The Day 1 increase in the allowance for credit loss on loans relating to adoption of ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* was $3.0 million, which decreased retained earnings by $2.3 million and increased the deferred tax asset by $0.7 million. The increase in the allowance for credit losses from Day 1 to June 30, 2021 was primarily due to macroeconomic factors surrounding the coronavirus ("COVID-19") pandemic.

The June 30, 2021, March 31, 2021, December 31, 2020, June 30, 2020 and Day 1 allowance for credit losses calculation incorporated a 6-quarter forecast period to account for forecast economic conditions under each scenario utilized in the measurement. For periods beyond the 6-quarter forecast, the model reverts to long-term economic conditions over a 4-quarter reversion period on a straight-line basis. The Company considers a baseline, upside and downside economic forecast in measuring in the allowance.

The quantitative model as of June 30, 2021 incorporated a baseline economic outlook along with alternative upside and downside scenarios sourced from a reputable third-party to accommodate other potential economic conditions in the model. The baseline outlook reflected an unemployment rate environment above pre-COVID-19 levels for the entire forecast period, though steadily improving to below 4% by the end of 2022. Northeast GDP's annualized growth (on a quarterly basis) was expected to start in the second half of 2021 in the high single digits (9.86%) and steadily fall back down to normalized levels by the end of 2022. Other utilized economic variables showed mixed changes in their respective forecasts, with retail sales and business output being relatively unchanged and housing starts lowered from the prior quarter forecast. Key assumptions in the baseline economic outlook included herd "resiliency" expected by summer-2021, additional legislation focused on infrastructure and social benefits enacted in the second half of 2021 and high, near-term GDP growth expectations. The alternative downside scenario assumed deteriorated economic and epidemiological conditions from the baseline outlook. Under this scenario, northeast unemployment rose from 8.1% in the third quarter of 2021 to a peak of 8.7% in the second quarter of 2022, remaining above 8% for the entire forecast period. The alternative upside scenario incorporated a more optimistic outlook than the baseline scenario, with a swift return to full employment by the first quarter of 2022 and down to a low of 3.5% by the end of the forecast period. These scenarios and their respective weightings are evaluated at each measurement date and reflect management's expectations as of June 30, 2021. Additional adjustments were made for COVID-19 related factors not incorporated in the forecasts, such as the mitigating impact of unprecedented stimulus in the second and third quarters of 2020, including direct payments to individuals, increased unemployment benefits, the Company's loan deferral and modification initiatives and various government sponsored loan programs. The Company also continued to identify a slightly higher level of criticized and classified loans in the second quarter of 2021 than those contemplated by the model during similar, historical economic conditions for which an adjustment was made to estimate potential additional losses above modeled losses. Additionally, a qualitative adjustment was made for isolated model limitations related to modeled outputs given abnormally high retail sales and business output growth rates. These factors were considered through separate quantitative processes and incorporated into the estimate of current expected credit losses at June 30, 2021.

The quantitative model as of March 31, 2021 incorporated a baseline economic outlook along with an alternative downside scenario sourced from a reputable third-party to accommodate other potential economic conditions in the model. The baseline outlook reflected an unemployment rate environment above pre-COVID-19 levels for the entire forecast period, though steadily improving to below 5% by mid-2022. Northeast GDP's annualized growth (on a quarterly basis) was expected to start 2021 in the low to mid-single digits, with a peak growth rate of 10% in the fourth quarter of 2021 and steadily falling back down to normalized levels through 2023. Other utilized economic variables also showed improvement in their respective forecasts. Key assumptions in the baseline economic outlook included herd immunity expected by summer 2021, additional legislation focused on infrastructure and social benefits enacted in the second half of 2021 and GDP growth expectations at levels not seen since the 1980s. The alternative downside scenario assumed deteriorated economic and epidemiological conditions from the baseline outlook, leading to a double-dip recession. The alternative upside scenario was not incorporated by management because of the underlying assumptions, forecasted economic data and modeled default rates. These scenarios and their respective weightings are evaluated at each measurement date and reflect management's expectations as of March 31, 2021. Additional adjustments were made for COVID-19 related factors not incorporated in the forecasts, such as the mitigating impact of unprecedented stimulus in 2020 and 2021, including direct payments to individuals, increased unemployment benefits, the Company's loan deferral and modification initiatives and various government-sponsored loan programs. Additionally, the Company identified a slightly higher level of criticized and classified loans at in the first quarter of 2021 than those contemplated by the model during similar economic conditions in the past for which an adjustment was made for estimated expected additional losses above modeled output. These factors were considered through a separate quantitative process and incorporated into the estimate for allowance for credit losses at March 31, 2021.

The quantitative model as of December 31, 2020 incorporated a baseline economic outlook, along with alternative upside and downside scenarios sourced from a reputable third-party to accommodate other potential economic conditions in the model. The baseline outlook reflected an unemployment rate environment above pre-COVID-19 levels for the entire forecast period, though steadily improving, before returning to low single digits by the end of 2023. Northeast GDP's annual growth was expected to start 2021 in the low to mid-single digits, with a peak growth rate of 8% in the fourth quarter of 2021 and steadily falling back down to normalized levels through 2023 and 2024. Other utilized economic variables show improvement in their respective forecasts, namely business output. Key assumptions in the baseline economic outlook included an additional stimulus package passed at the same timing and a comparable level to that of the actual $900 billion COVID-19 relief package passed in December 2020 along with no significant secondary surge in COVID-19 cases or pandemic-related business closures. The alternative downside scenario assumed deteriorated economic and epidemiological conditions from the baseline outlook. In the same way, the alternative upside scenario assumed a faster economic recovery and more effective management of the COVID-19 virus from the baseline outlook. These scenarios and their respective weightings are evaluated at each measurement date and reflect management's expectations as of December 31, 2020. Additional adjustments were made for COVID-19 related factors not incorporated in the forecasts, such as the mitigating impact of unprecedented stimulus in 2020, including direct payments to individuals, increased unemployment benefits, the Company's loan deferral and modification initiatives and various government-sponsored loan programs. The commercial & industrial and consumer segment models were based upon percent change in unemployment with modeled values as of December 31, 2020 well outside the observed historical experience. Therefore, adjustments were required to produce outputs more aligned with default expectations given the forecast economic environment. Additionally, the Company identified a slightly higher level of criticized and classified loans during 2020 than those contemplated by the model during similar economic conditions in the past for which an adjustment was made for estimated expected additional losses above modeled output. These factors were considered through a separate quantitative process and incorporated into the estimate for allowance for credit losses at December 31, 2020.

On August 3, 2020, the Federal Financial Institutions Examination Council ("FFIEC") issued a joint statement on additional loan accommodations related to COVID-19. The joint statement clarifies that for loan modifications in which Section 4013 is being applied, subsequent modifications could also be eligible under Section 4013. Accordingly, the Company is offering modifications made in response to COVID-19 to borrowers who were current and otherwise not past due in accordance with the criteria stated in Section 4013. These include short-term, 180 days or less, modifications in the form of payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment. Accordingly, the Company did not account for such loan modifications as TDRs. As of June 30, 2021, there were $32.3 million in loans in modification programs related to COVID-19. On December 27, 2020, the Consolidated Appropriations Act amended section 2014 of the CARES Act extending the exemption of qualified loan modifications from classification as a troubled debt restructuring as defined by GAAP to the earlier of January 1, 2022, or 60 days after the National Emergency concerning COVID-19 ends.

There were no loans purchased with credit deterioration during the six months ended June 30, 2021 or the year ended December 31, 2020. During 2021, the Company purchased $20.1 million of residential loans at a 2% premium. The allowance for credit losses recorded for these loans on the purchase date was $0.2 million. During 2020, the Company purchased $51.9 million of consumer loans at a 1% discount. The allowance for credit losses recorded for these loans on the purchase date was $3.6 million. The Company made a policy election to report AIR in the other assets line item on the balance sheet. AIR on loans totaled $20.6 million at June 30, 2021 and $23.7 million at December 31, 2020 and was included in the allowance for loan credit losses to estimate the impact of accrued interest receivable related to loans with modifications due to the pandemic as the length of time between interest recognition and the write-off of uncollectible interest could exceed 120 days, exempting these loans from our policy election for accrued interest receivable. The estimated allowance for credit losses related to AIR at June 30, 2021 was $0.4 million and $0.6 million at December 31, 2020.

The following tables present the activity in the allowance for credit losses by portfolio segment:

(In thousands)	Commercial Loans	Consumer Loans	Residential	Total
Balance as of March 31, 2021	**$ 50,045**	**$ 34,580**	**$ 20,375**	**$ 105,000**
Charge-offs	**(389)**	**(3,271)**	**(349)**	**(4,009)**
Recoveries	**61**	**2,288**	**376**	**2,725**
Provision	**(5,526)**	**1,284**	**(974)**	**(5,216)**
Ending balance as of June 30, 2021	**$ 44,191**	**$ 34,881**	**$ 19,428**	**$ 98,500**
Balance as of March 31, 2020	$ 42,212	$ 37,546	$ 20,242	$ 100,000
Charge-offs	(709)	(6,178)	(490)	(7,377)
Recoveries	113	1,810	114	2,037
Provision	8,770	6,916	3,154	18,840
Ending balance as of June 30, 2020	$ 50,386	$ 40,094	$ 23,020	$ 113,500

(In thousands)	Commercial Loans	Consumer Loans	Residential	Total
Balance as of December 31, 2020	**$ 50,942**	**$ 37,803**	**$ 21,255**	**$ 110,000**
Charge-offs	**(631)**	**(7,619)**	**(419)**	**(8,669)**
Recoveries	**179**	**4,363**	**639**	**5,181**
Provision	**(6,299)**	**334**	**(2,047)**	**(8,012)**
Ending balance as of June 30, 2021	**$ 44,191**	**$ 34,881**	**$ 19,428**	**$ 98,500**
Balance as of January 1, 2020 (after adoption of ASC 326)	$ 27,156	$ 32,122	$ 16,721	$ 75,999
Charge-offs	(1,729)	(13,069)	(805)	(15,603)
Recoveries	341	4,045	238	4,624
Provision	24,618	16,996	6,866	48,480
Ending balance as of June 30, 2020	$ 50,386	$ 40,094	$ 23,020	$ 113,500

The decrease in the allowance for credit losses from December 31, 2020 to March 31, 2021 and June 30, 2021 was primarily due to an improvement in the economic forecast. The increase in the allowance for credit losses from Day 1 to March 31, 2020 and June 30, 2020 was primarily due to the deterioration of macroeconomic factors surrounding the COVID-19 pandemic.

Individually Evaluated Loans

As of June 30, 2021, there were five relationships identified to be evaluated for loss on an individual basis which had an amortized cost basis of $15.0 million. These loans' allowance for credit loss was $3.4 million and was determined by an estimate of the fair value of the collateral which consisted of business assets (accounts receivable, inventory, machinery and equipment). As of December 31, 2020, these same five relationships were identified to be evaluated for loss on an individual basis which had an amortized cost basis of $15.2 million and the allowance for credit loss was $3.2 million.

The following table sets forth information with regard to past due and nonperforming loans by loan segment:

(In thousands)	31-60 Days Past Due Accruing	61-90 Days Past Due Accruing	Greater Than 90 Days Past Due Accruing	Total Past Due Accruing	Nonaccrual	Current	Recorded Total Loans
As of June 30, 2021							
Commercial loans:							
C&I	**$ 292**	**$ 30**	**$ 1,496**	**$ 1,818**	**$ 4,908**	**$ 1,138,204**	**$ 1,144,930**
CRE	**-**	**1,671**	**-**	**1,671**	**18,959**	**2,478,321**	**2,498,951**
PPP	**-**	**-**	**-**	**-**	**-**	**359,738**	**359,738**
Total commercial loans	**$ 292**	**$ 1,701**	**$ 1,496**	**$ 3,489**	**$ 23,867**	**$ 3,976,263**	**$ 4,003,619**
Consumer loans:							
Auto	**$ 6,233**	**$ 878**	**$ 217**	**$ 7,328**	**$ 1,273**	**$ 854,506**	**$ 863,107**
Other consumer	**3,024**	**1,588**	**755**	**5,367**	**168**	**657,165**	**662,700**
Total consumer loans	**$ 9,257**	**$ 2,466**	**$ 972**	**$ 12,695**	**$ 1,441**	**$ 1,511,671**	**$ 1,525,807**
Residential	**$ 2,296**	**$ 930**	**$ 107**	**$ 3,333**	**$ 15,242**	**$ 1,969,626**	**$ 1,988,201**
Total loans	**$ 11,845**	**$ 5,097**	**$ 2,575**	**$ 19,517**	**$ 40,550**	**$ 7,457,560**	**$ 7,517,627**

(In thousands)		31-60 Days Past Due Accruing		61-90 Days Past Due Accruing		Greater Than 90 Days Past Due Accruing		Total Past Due Accruing		Nonaccrual		Current		Recorded Total Loans
As of December 31, 2020														
Commercial loans:														
C&I	$	2,235	$	2,394	$	23	$	4,652	$	4,278	$	1,116,686	$	1,125,616
CRE		682		-		470		1,152		19,971		2,391,162		2,412,285
PPP		-		-		-		-		-		430,810		430,810
Total commercial loans	$	2,917	$	2,394	$	493	$	5,804	$	24,249	$	3,938,658	$	3,968,711
Consumer loans:														
Auto	$	9,125	$	1,553	$	866	$	11,544	$	2,730	$	877,831	$	892,105
Other consumer		3,711		1,929		1,272		6,912		290		640,952		648,154
Total consumer loans	$	12,836	$	3,482	$	2,138	$	18,456	$	3,020	$	1,518,783	$	1,540,259
Residential	$	2,719	$	309	$	518	$	3,546	$	17,378	$	1,968,991	$	1,989,915
Total loans	$	18,472	$	6,185	$	3,149	$	27,806	$	44,647	$	7,426,432	$	7,498,885

As of June 30, 2021 and December 31, 2020, there were no loans in non-accrual without an allowance for credit losses.

Credit Quality Indicators

The Company has developed an internal loan grading system to evaluate and quantify the Company's loan portfolio with respect to quality and risk. The system focuses on, among other things, financial strength of borrowers, experience and depth of borrower's management, primary and secondary sources of repayment, payment history, nature of the business and outlook on particular industries. The internal grading system enables the Company to monitor the quality of the entire loan portfolio on a consistent basis and provide management with an early warning system, enabling recognition and response to problem loans and potential problem loans.

Commercial Grading System

For Commercial and Industrial ("C&I"), Paycheck Protection Program ("PPP") and Commercial Real Estate ("CRE") loans, the Company uses a grading system that relies on quantifiable and measurable characteristics when available. This includes comparison of financial strength to available industry averages, comparison of transaction factors (loan terms and conditions) to loan policy and comparison of credit history to stated repayment terms and industry averages. Some grading factors are necessarily more subjective such as economic and industry factors, regulatory environment and management. C&I and CRE loans are graded Doubtful, Substandard, Special Mention and Pass.

Doubtful

A Doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the asset, its classification as a loss is deferred. Doubtful borrowers are usually in default, lack adequate liquidity or capital and lack the resources necessary to remain an operating entity. Pending events can include mergers, acquisitions, liquidations, capital injections, the perfection of liens on additional collateral, the valuation of collateral and refinancing. Generally, pending events should be resolved within a relatively short period and the ratings will be adjusted based on the new information. Nonaccrual treatment is required for Doubtful assets because of the high probability of loss.

Substandard

Substandard loans have a high probability of payment default or they have other well-defined weaknesses. They require more intensive supervision by bank management. Substandard loans are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity or marginal capitalization. Repayment may depend on collateral or other credit risk mitigants. For some Substandard loans, the likelihood of full collection of interest and principal may be in doubt and those loans should be placed on nonaccrual. Although Substandard assets in the aggregate will have a distinct potential for loss, an individual asset's loss potential does not have to be distinct for the asset to be rated Substandard.

Special Mention

Special Mention loans have potential weaknesses that may, if not checked or corrected, weaken the asset or inadequately protect the Company's position at some future date. These loans pose elevated risk, but their weakness does not yet justify a Substandard classification. Borrowers may be experiencing adverse operating trends (i.e., declining revenues or margins) or may be struggling with an ill-proportioned balance sheet (i.e., increasing inventory without an increase in sales, high leverage, tight liquidity). Adverse economic or market conditions, such as interest rate increases or the entry of a new competitor, may also support a Special Mention rating. Although a Special Mention loan has a higher probability of default than a Pass asset, its default is not imminent.

Pass

Loans graded as Pass encompass all loans not graded as Doubtful, Substandard or Special Mention. Pass loans are in compliance with loan covenants and payments are generally made as agreed. Pass loans range from superior quality to fair quality. Pass loans also include any portion of a government guaranteed loan, including PPP loans.

Consumer and Residential Grading System

Consumer and Residential loans are graded as either Nonperforming or Performing.

Nonperforming

Nonperforming loans are loans that are 1) over 90 days past due and interest is still accruing or 2) on nonaccrual status.

Performing

All loans not meeting any of the above criteria are considered Performing.

The following tables illustrate the Company's credit quality by loan class by vintage:

(In thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of June 30, 2021									
C&I									
By internally assigned grade:									
Pass	$ 180,367	$ 267,935	$ 143,922	$ 77,622	$ 28,251	$ 48,225	$ 306,465	$ 10,934	$ 1,063,721
Special mention	98	15,548	5,926	3,619	3,547	4,057	20,651	-	53,446
Substandard	26	382	7,504	5,514	2,741	3,823	7,318	257	27,565
Doubtful	-	-	-	1	196	1	-	-	198
Total C&I	$ 180,491	$ 283,865	$ 157,352	$ 86,756	$ 34,735	$ 56,106	$ 334,434	$ 11,191	$ 1,144,930
CRE									
By internally assigned grade:									
Pass	$ 224,088	$ 445,353	$ 351,481	$ 252,634	$ 275,791	$ 516,252	$ 116,287	$ 60,252	$ 2,242,138
Special mention	432	1,408	40,057	8,046	22,483	67,304	1,068	-	140,798
Substandard	-	81	16,231	15,418	12,733	61,573	1,246	-	107,282
Doubtful	-	-	1,897	-	-	6,836	-	-	8,733
Total CRE	$ 224,520	$ 446,842	$ 409,666	$ 276,098	$ 311,007	$ 651,965	$ 118,601	$ 60,252	$ 2,498,951
PPP									
By internally assigned grade:									
Pass	$ 270,953	$ 88,785	$ -	$ -	$ -	$ -	$ -	$ -	$ 359,738
Total PPP	$ 270,953	$ 88,785	$ -	$ -	$ -	$ -	$ -	$ -	$ 359,738
Auto									
By payment activity:									
Performing	$ 204,980	$ 164,749	$ 243,935	$ 144,665	$ 75,078	$ 28,190	$ 20	$ -	$ 861,617
Nonperforming	37	265	473	368	347	-	-	-	1,490
Total auto	$ 205,017	$ 165,014	$ 244,408	$ 145,033	$ 75,425	$ 28,190	$ 20	$ -	$ 863,107
Other consumer									
By payment activity:									
Performing	$ 157,719	$ 183,271	$ 143,208	$ 99,444	$ 40,466	$ 22,031	$ 15,621	$ 17	$ 661,777
Nonperforming	6	379	206	72	229	9	2	20	923
Total other consumer	$ 157,725	$ 183,650	$ 143,414	$ 99,516	$ 40,695	$ 22,040	$ 15,623	$ 37	$ 662,700
Residential									
By payment activity:									
Performing	$ 161,399	$ 232,662	$ 199,467	$ 191,931	$ 164,674	$ 763,772	$ 246,550	$ 12,397	$ 1,972,852
Nonperforming	-	1,351	652	1,913	2,168	9,265	-	-	15,349
Total residential	$ 161,399	$ 234,013	$ 200,119	$ 193,844	$ 166,842	$ 773,037	$ 246,550	$ 12,397	$ 1,988,201
Total loans	$ 1,200,105	$ 1,402,169	$ 1,154,959	$ 801,247	$ 628,704	$ 1,531,338	$ 715,228	$ 83,877	$ 7,517,627

(In thousands)	2020	2019	2018	2017	2016	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2020									
C&I									
By internally assigned grade:									
Pass	$ 331,921	$ 182,329	$ 91,230	$ 41,856	$ 32,625	$ 32,609	$ 322,674	$ 412	$ 1,035,656
Special mention	20,064	6,534	5,053	4,702	1,624	2,830	13,614	-	54,421
Substandard	338	6,364	10,219	3,388	791	4,272	9,945	14	35,331
Doubtful	-	-	-	207	-	1	-	-	208
Total C&I	$ 352,323	$ 195,227	$ 106,502	$ 50,153	$ 35,040	$ 39,712	$ 346,233	$ 426	$ 1,125,616
CRE									
By internally assigned grade:									
Pass	$ 469,919	$ 361,187	$ 256,154	$ 271,874	$ 212,197	$ 383,690	$ 113,128	$ 4,034	$ 2,072,183
Special mention	2,051	44,034	22,260	55,039	36,830	43,537	1,297	11,524	216,572
Substandard	536	5,307	18,298	15,691	6,018	62,168	1,501	4,642	114,161
Doubtful	-	1,897	-	-	-	7,472	-	-	9,369
Total CRE	$ 472,506	$ 412,425	$ 296,712	$ 342,604	$ 255,045	$ 496,867	$ 115,926	$ 20,200	$ 2,412,285
PPP									
By internally assigned grade:									
Pass	$ 430,810	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 430,810
Total PPP	$ 430,810	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 430,810
Auto									
By payment activity:									
Performing	$ 197,881	$ 314,034	$ 201,850	$ 115,977	$ 45,495	$ 13,250	$ 22	$ -	$ 888,509
Nonperforming	359	1,140	1,135	525	437	-	-	-	3,596
Total auto	$ 198,240	$ 315,174	$ 202,985	$ 116,502	$ 45,932	$ 13,250	$ 22	$ -	$ 892,105
Other consumer									
By payment activity:									
Performing	$ 234,628	$ 178,411	$ 127,549	$ 55,676	$ 14,255	$ 17,414	$ 18,588	$ 71	$ 646,592
Nonperforming	339	418	307	265	90	133	10	-	1,562
Total other consumer	$ 234,967	$ 178,829	$ 127,856	$ 55,941	$ 14,345	$ 17,547	$ 18,598	$ 71	$ 648,154
Residential									
By payment activity:									
Performing	$ 237,338	$ 210,505	$ 213,437	$ 182,993	$ 164,424	$ 684,495	$ 268,878	$ 9,991	$ 1,972,061
Nonperforming	1,245	659	2,318	2,535	902	10,195	-	-	17,854
Total residential	$ 238,583	$ 211,164	$ 215,755	$ 185,528	$ 165,326	$ 694,690	$ 268,878	$ 9,991	$ 1,989,915
Total loans	$ 1,927,429	$ 1,312,819	$ 949,810	$ 750,728	$ 515,688	$ 1,262,066	$ 749,657	$ 30,688	$ 7,498,885

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

As of June 30, 2021, the allowance for losses on unfunded commitments totaled $5.8 million, compared to $6.4 million as of December 31, 2020.

Table of Contents

Troubled Debt Restructuring

When the Company modifies a loan in a troubled debt restructuring ("TDR"), such modifications generally include one or a combination of the following: an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; temporary reduction in the interest rate; or change in scheduled payment amount. Residential and Consumer TDRs occurring during 2021 and 2020 were due to the reduction in the interest rate or extension of the term.

An allowance for impaired commercial and consumer loans that have been modified in a TDR is measured based on the present value of the expected future cash flows, discounted at the contractual interest rate of the original loan agreement, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, management uses the current fair value of the collateral, less selling costs. If management determines that the value of the modified loan is less than the recorded investment in the loan an impairment charge would be recorded.

The Company began offering loan modifications to assist borrowers during the COVID-19 national emergency. The Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), along with a joint agency statement issued by banking regulatory agencies, provides that modifications made in response to COVID-19 do not need to be accounted for as a TDR. The Company evaluated the modification programs provided to its borrowers and has concluded the modifications were generally made in accordance with the CARES Act guidance to borrowers who were in good standing prior to the COVID-19 pandemic and are not required to be designated as TDRs.

The following tables illustrate the recorded investment and number of modifications designated as TDRs, including the recorded investment in the loans prior to a modification and the recorded investment in the loans after restructuring:

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
(Dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Consumer loans:						
Auto	**1**	**$ 19**	**$ 19**	-	$ -	$ -
Total consumer loans	**1**	**$ 19**	**$ 19**	-	$ -	$ -
Residential	**3**	**$ 369**	**$ 423**	7	$ 269	$ 294
Total TDRs	**4**	**$ 388**	**$ 442**	7	$ 269	$ 294

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
(Dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Consumer loans:						
Auto	**1**	**$ 19**	**$ 19**	1	$ 44	$ 44
Total consumer loans	**1**	**$ 19**	**$ 19**	1	$ 44	$ 44
Residential	**6**	**$ 611**	**$ 675**	14	$ 960	$ 1,029
Total TDRs	**7**	**$ 630**	**$ 694**	15	$ 1,004	$ 1,073

The following table illustrates the recorded investment and number of modifications for TDRs where a concession has been made and subsequently defaulted during the period:

	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
(Dollars in thousands)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Commercial loans:				
CRE	-	$ -	1	$ 168
Total commercial loans	-	$ -	1	$ 168
Residential	**15**	**$ 820**	26	$ 1,505
Total TDRs	**15**	**$ 820**	27	$ 1,673

	Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
(Dollars in thousands)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Commercial loans:				
C&I	-	$ -	1	$ 387
CRE	-	-	1	168
Total commercial loans	-	$ -	2	$ 555
Consumer loans:				
Auto	**2**	**$ 18**	-	$ -
Total consumer loans	**2**	**$ 18**	-	$ -
Residential	**26**	**$ 1,218**	38	$ 2,192

Total TDRs	**28**	**$**	**1,236**	40	$	2,747

6. Defined Benefit Post-Retirement Plans

The Company has a qualified, noncontributory, defined benefit pension plan ("the Plan") covering substantially all of its employees at June 30, 2021. Benefits paid from the plan are based on age, years of service, compensation and social security benefits and are determined in accordance with defined formulas. The Company's policy is to fund the Plan in accordance with Employee Retirement Income Security Act of 1974 standards. Assets of the Plan are invested in publicly traded stocks and mutual funds. In addition to the Plan, the Company provides supplemental employee retirement plans to certain current and former executives. The Company also assumed supplemental retirement plans for former executives of Alliance Financial Corporation ("Alliance") when the Company acquired Alliance. These supplemental employee retirement plans and the Plan are collectively referred to herein as "Pension Benefits".

In addition, the Company provides certain health care benefits for retired employees. Benefits were accrued over the employees' active service period. Only employees that were employed by the Company on or before January 1, 2000 are eligible to receive post-retirement health care benefits. In addition, the Company assumed post-retirement medical life insurance benefits for certain Alliance employees, retirees and their spouses, if applicable, in the Alliance acquisition. These post-retirement benefits are referred to herein as "Other Benefits".

The Company made no voluntary contributions to the pension and other benefits plans during the three and six months ended June 30, 2021 and 2020.

The components of expense for Pension Benefits and Other Benefits are set forth below:

	Pension Benefits		Other Benefits	
	Three Months Ended June 30,		Three Months Ended June 30,	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Components of net periodic (benefit) cost:				
Service cost	**$ 485**	$ 446	**$ 2**	$ 2
Interest cost	**677**	809	**45**	55
Expected return on plan assets	**(2,203)**	(2,105)	**-**	-
Net amortization	**313**	368	**13**	13
Total net periodic (benefit) cost	**$ (728)**	$ (482)	**$ 60**	$ 70

	Pension Benefits		Other Benefits	
	Six Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Components of net periodic (benefit) cost:				
Service cost	**$ 970**	$ 892	**$ 4**	$ 4
Interest cost	**1,354**	1,618	**90**	110
Expected return on plan assets	**(4,406)**	(4,210)	**-**	-
Net amortization	**626**	736	**26**	26
Total net periodic (benefit) cost	**$ (1,456)**	$ (964)	**$ 120**	$ 140

The service cost component of the net periodic (benefit) cost is included in Salaries and Employee Benefits and the interest cost, expected return on plan assets and net amortization components are included in Other Noninterest Expense on the unaudited interim consolidated statements of income.

7. Earnings Per Share

Basic earnings per share (“EPS”) excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity (such as the Company’s dilutive stock options and restricted stock units).

The following is a reconciliation of basic and diluted EPS for the periods presented in the unaudited interim consolidated statements of income:

	Three Months Ended June 30,	
(In thousands, except per share data)	**2021**	**2020**
Basic EPS:		
Weighted average common shares outstanding	**43,474**	43,637
Net income available to common stockholders	**$ 40,296**	$ 24,713
Basic EPS	**$ 0.93**	$ 0.57
Diluted EPS:		
Weighted average common shares outstanding	**43,474**	43,637
Dilutive effect of common stock options and restricted stock	**319**	291
Weighted average common shares and common share equivalents	**43,793**	43,928
Net income available to common stockholders	**$ 40,296**	$ 24,713
Diluted EPS	**$ 0.92**	$ 0.56

	Six Months Ended June 30,	
(In thousands, except per share data)	**2021**	**2020**
Basic EPS:		
Weighted average common shares outstanding	**43,517**	43,735
Net income available to common stockholders	**$ 80,142**	$ 35,081
Basic EPS	**$ 1.84**	$ 0.80
Diluted EPS:		
Weighted average common shares outstanding	**43,517**	43,735
Dilutive effect of common stock options and restricted stock	**323**	291
Weighted average common shares and common share equivalents	**43,840**	44,026
Net income available to common stockholders	**$ 80,142**	$ 35,081
Diluted EPS	**$ 1.83**	$ 0.80

There was a nominal number of stock options outstanding for the three and six months ended June 30, 2021 and June 30, 2020, that were not considered in the calculation of diluted EPS since the stock options’ exercise prices were greater than the average market price during these periods.

8. Reclassification Adjustments Out of Other Comprehensive Income (Loss)

The following table summarizes the reclassification adjustments out of AOCI:

Detail About AOCI Components	Amount Reclassified from AOCI		Affected Line Item in the Consolidated Statement of Comprehensive Income (Loss)
	Three Months Ended		
(In thousands)	June 30, 2021	June 30, 2020	
AFS securities:			
Gains on AFS securities	**$ -**	$ -	Net securities (gains) losses
Amortization of unrealized gains related to securities transfer	**$ 143**	$ 165	Interest income
Tax effect	**$ (36)**	$ (42)	Income tax (benefit)
Net of tax	**$ 107**	$ 123	
Cash flow hedges:			
Net unrealized losses on cash flow hedges reclassified to interest expense	**$ -**	$ 81	Interest expense
Tax effect	**$ -**	$ (20)	Income tax (benefit)
Net of tax	**$ -**	$ 61	
Pension and other benefits:			
Amortization of net losses	**$ 298**	$ 358	Other noninterest expense
Amortization of prior service costs	**28**	23	Other noninterest expense
Tax effect	**$ (82)**	$ (96)	Income tax (benefit)
Net of tax	**$ 244**	$ 285	
Total reclassifications, net of tax	**$ 351**	$ 469	

Detail About AOCI Components	Amount Reclassified from AOCI		Affected Line item in the Consolidated Statement of Comprehensive Income (Loss)
	Six Months Ended		
(In thousands)	June 30, 2021	June 30, 2020	
AFS securities:			
Gains on AFS securities	**$ -**	$ (3)	Net securities (gains) losses
Amortization of unrealized gains related to securities transfer	**285**	338	Interest income
Tax effect	**$ (71)**	$ (84)	Income tax (benefit)
Net of tax	**$ 214**	$ 251	
Cash flow hedges:			
Net unrealized losses on cash flow hedges reclassified to interest expense	**$ 21**	$ 91	Interest expense
Tax effect	**$ (5)**	$ (23)	Income tax (benefit)
Net of tax	**$ 16**	$ 68	
Pension and other benefits:			
Amortization of net losses	**$ 596**	$ 716	Other noninterest expense
Amortization of prior service costs	**56**	46	Other noninterest expense
Tax effect	**$ (163)**	$ (191)	Income tax (benefit)
Net of tax	**$ 489**	$ 571	
Total reclassifications, net of tax	**$ 719**	$ 890	

9. Derivative Instruments and Hedging Activities

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, primarily by managing the amount, sources and duration of its assets and liabilities and through the use of derivative instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to certain fixed rate borrowings. The Company also has interest rate derivatives that result from a service provided to certain qualifying customers and, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. The Company manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions.

Derivatives Not Designated as Hedging Instruments

The Company enters into interest rate swaps to facilitate customer transactions and meet their financing needs. These swaps are considered derivatives, but are not designated in hedging relationships. These instruments have interest rate and credit risk associated with them. To mitigate the interest rate risk, the Company enters into offsetting interest rate swaps with counterparties. The counterparty swaps are also considered derivatives and are also not designated in hedging relationships. Interest rate swaps are recorded within other assets or other liabilities on the consolidated balance sheet at their estimated fair value. Changes to the fair value of assets and liabilities arising from these derivatives are included, net, in other operating income in the consolidated statement of income.

The Company is subject to over-the-counter derivative clearing requirements, which require certain derivatives to be cleared through central clearing houses. Accordingly, the Company began to clear certain derivative transactions through the Chicago Mercantile Exchange Clearing House ("CME") in January of 2021. This clearing house requires the Company to post initial and variation margin to mitigate the risk of non-payment, the latter of which is received or paid daily based on the net asset or liability position of the contracts. A daily settlement occurs through the CME for changes in the fair value of centrally cleared derivatives. Not all of the derivatives are required to be cleared through the daily clearing agent. As a result, the total fair values of loan level derivative assets and liabilities recognized on the Company's financial statements are not equal and offsetting.

As of June 30, 2021 and December 31, 2020, the Company had seventeen risk participation agreements with financial institution counterparties for interest rate swaps related to participated loans. Risk participation agreements provide credit protection to the financial institution that originated the swap transaction should the borrower fail to perform on its obligation. The Company enters into both risk participation agreements in which it purchases credit protection from other financial institutions and those in which it provides credit protection to other financial institutions.

Derivatives Designated as Hedging Instruments

The Company has previously entered into interest rate swaps to modify the interest rate characteristics of certain short-term Federal Home Loan Bank ("FHLB") advances from variable rate to fixed rate in order to reduce the impact of changes in future cash flows due to market interest rate changes. These agreements are designated as cash flow hedges.

The following table summarizes the derivatives outstanding:

(In thousands)	Notional Amount	Balance Sheet Location	Fair Value	Notional Amount	Balance Sheet Location	Fair Value
As of June 30, 2021						
Derivatives not designated as hedging instruments						
Interest rate derivatives	**$ 1,306,215**	Other assets	**$ 78,213**	**$ 1,306,215**	Other liabilities	**$ 78,213**
Risk participation agreements	**71,741**	Other assets	**172**	**38,507**	Other liabilities	**80**
Total derivatives not designated as hedging instruments			**$ 78,385**			**$ 78,293**
Netting adjustments[1]			**(46)**			**4,096**
Net derivatives in the balance sheet			**$ 78,431**			**$ 74,197**
Derivatives not offset on the balance sheet			**$ 3,745**			**$ 3,745**
Cash collateral[2]			**-**			**65,480**
Net derivative amounts			**$ 74,686**			**$ 4,972**
As of December 31, 2020						
Derivatives designated as hedging instruments						
Interest rate derivatives	$ -	Other assets	$ -	$ 25,000	Other liabilities	$ 34
Derivatives not designated as hedging instruments						
Interest rate derivatives	$ 1,223,584	Other assets	$ 108,487	$ 1,223,584	Other liabilities	$ 108,487
Risk participation agreements	72,528	Other assets	292	39,785	Other liabilities	125
Total derivatives not designated as hedging instruments			$ 108,779			$ 108,612
Cash collateral[2]			-			107,350
Net derivative amounts			$ 108,779			$ 1,262

(1) Netting adjustments represents the amounts recorded to convert derivatives assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance on the settle to market rules for cleared derivatives. The CME legally characterizes the variation margin posted between counterparties as settlements of the outstanding derivative contracts instead of cash collateral. Company began to clear certain derivative transactions through the CME in 2021.

(2) Cash collateral represents the amount that cannot be used to offset our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. The other collateral consists of securities and is exchanged under bilateral collateral and master netting agreements that allow us to offset the net derivative position with the related collateral. The application of the other collateral cannot reduce the net derivative position below zero. Therefore, excess other collateral, if any, is not reflected above.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in AOCI and subsequently reclassified into interest expense in the same period during which the hedge transaction affects earnings. Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the Company’s short-term rate borrowings. During the three months ended March 31, 2021 the Company’s final cash flow hedge of interest rate risk matured and the renaming balance was reclassified from AOCI as a reduction to interest expense. There is no additional amount that will be reclassified from AOCI as a reduction to interest expense.

The following table indicates the effect of cash flow hedge accounting on AOCI and on the unaudited interim consolidated statement of income:

(In thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Derivatives designated as hedging instruments:				
Interest rate derivatives - included component				
Amount of (loss) recognized in other comprehensive income	**$ -**	$ (19)	**$ -**	$ (274)
Amount of loss reclassified from AOCI into interest expense	**-**	81	**21**	91

The following table indicates the gain or loss recognized in income on derivatives not designated as a hedging relationship:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Derivatives not designated as hedging instruments:				
Increase (decrease) in other income	**$ 40**	$ 4	**$ (75)**	$ 147

10. Fair Value Measurements and Fair Value of Financial Instruments

GAAP states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value measurements are not adjusted for transaction costs. A fair value hierarchy exists within GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, many other sovereign government obligations, liquid mortgage products, active listed equities and most money market securities. Such instruments are generally classified within Level 1 or Level 2 of the fair value hierarchy. The Company does not adjust the quoted prices for such instruments.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency include most investment-grade and high-yield corporate bonds, less liquid mortgage products, less liquid agency securities, less liquid listed equities, state, municipal and provincial obligations and certain physical commodities. Such instruments are generally classified within Level 2 of the fair value hierarchy. Certain common equity securities are reported at fair value utilizing Level 1 inputs (exchange quoted prices). Other investment securities are reported at fair value utilizing Level 1 and Level 2 inputs. The prices for Level 2 instruments are obtained through an independent pricing service or dealer market participants with whom the Company has historically transacted both purchases and sales of investment securities. Prices obtained from these sources include prices derived from market quotations and matrix pricing. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. Management reviews the methodologies used in pricing the securities by its third-party providers.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions. Valuations are adjusted to reflect illiquidity and/or non-transferability and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate will be used. Management's best estimate consists of both internal and external support on certain Level 3 investments. Subsequent to inception, management only changes Level 3 inputs and assumptions when corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt markets and changes in financial ratios or cash flows.

The following tables set forth the Company's financial assets and liabilities measured on a recurring basis that were accounted for at fair value. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

(In thousands)	Level 1	Level 2	Level 3	June 30, 2021
Assets:				
AFS securities				
Federal agency	$ -	$ 243,660	$ -	$ 243,660
State & municipal	-	58,068	-	58,068
Mortgage-backed	-	685,483	-	685,483
Collateralized mortgage obligations	-	511,639	-	511,639
Corporate	-	35,883	-	35,883
Total AFS securities	$ -	$ 1,534,733	$ -	$ 1,534,733
Equity securities	31,806	1,000	-	32,806
Derivatives	-	78,431	-	78,431
Total	$ 31,806	$ 1,614,164	$ -	$ 1,645,970
Liabilities:				
Derivatives	$ -	$ 78,293	$ -	$ 78,293
Total	$ -	$ 78,293	$ -	$ 78,293

(In thousands)	Level 1	Level 2	Level 3	December 31, 2020
Assets:				
AFS securities				
Federal agency	$ -	$ 243,597	$ -	$ 243,597
State & municipal	-	43,180	-	43,180
Mortgage-backed	-	595,839	-	595,839
Collateralized mortgage obligations	-	437,804	-	437,804
Corporate	-	28,278	-	28,278
Total AFS securities	$ -	$ 1,348,698	$ -	$ 1,348,698
Equity securities	28,737	2,000	-	30,737
Derivatives	-	108,779	-	108,779
Total	$ 28,737	$ 1,459,477	$ -	$ 1,488,214
Liabilities:				
Derivatives	$ -	$ 108,646	$ -	$ 108,646
Total	$ -	$ 108,646	$ -	$ 108,646

GAAP requires disclosure of assets and liabilities measured and recorded at fair value on a non-recurring basis such as goodwill, loans held for sale, other real estate owned, collateral-dependent impaired loans, mortgage servicing rights and HTM securities. The non-recurring fair value measurements recorded during the three and six month periods ended June 30, 2021 and the year ended December 31, 2020 were related to impaired loans, write-downs of other real estate owned and write-down of branch assets to fair value. The Company uses the fair value of underlying collateral, less costs to sell, to estimate the allowance for credit losses for individually evaluated collateral dependent loans. The appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses ranging from 10% to 50%. Based on the valuation techniques used, the fair value measurements for collateral dependent individually evaluated loans are classified as Level 3.

As of June 30, 2021, the Company had collateral dependent individually evaluated loans with a carrying value of $15.0 million, which had an estimated allowance for credit loss of $3.4 million. As of December 31, 2020, the Company had collateral dependent individually evaluated loans with a carrying value of $15.2 million, which had an estimated allowance for credit loss of $3.2 million.

The following table sets forth information with regard to estimated fair values of financial instruments. This table excludes financial instruments for which the carrying amount approximates fair value. Financial instruments for which the fair value approximates carrying value include cash and cash equivalents, AFS securities, equity securities, accrued interest receivable, non-maturity deposits, short-term borrowings, accrued interest payable and derivatives.

		June 30, 2021		December 31, 2020	
(In thousands)	**Fair Value Hierarchy**	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets:					
HTM securities	2	**$ 622,351**	**$ 632,954**	$ 616,560	$ 636,827
Net loans	3	**7,420,531**	**7,525,470**	7,390,004	7,530,033
Financial liabilities:					
Time deposits	2	**$ 569,029**	**$ 606,134**	$ 633,479	$ 638,721
Long-term debt	2	**14,045**	**14,545**	39,097	39,820
Subordinated debt	1	**100,000**	**108,671**	100,000	103,277
Junior subordinated debt	2	**101,196**	**109,940**	101,196	108,926

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, the Company has a substantial wealth operation that contributes net fee income annually. The wealth management operation is not considered a financial instrument and its value has not been incorporated into the fair value estimates. Other significant assets and liabilities include the benefits resulting from the low-cost funding of deposit liabilities as compared to the cost of borrowing funds in the market and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimate of fair value.

HTM Securities

The fair value of the Company's HTM securities is primarily measured using information from a third-party pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Net Loans

Net loans include portfolio loans and loans held for sale. Loans were first segregated by type and then further segmented into fixed and variable rate and loan quality categories. Expected future cash flows were projected based on contractual cash flows, adjusted for estimated prepayments, which also includes credit risk, illiquidity risk and other market factors to calculate the exit price fair value in accordance with ASC 820.

Time Deposits

The fair value of time deposits was estimated using a discounted cash flow approach that applies prevailing market interest rates for similar maturity instruments. The fair values of the Company's time deposit liabilities do not take into consideration the value of the Company's long-term relationships with depositors, which may have significant value.

Long-Term Debt

The fair value of long-term debt was estimated using a discounted cash flow approach that applies prevailing market interest rates for similar maturity instruments.

Subordinated Debt

The fair value of subordinated debt has been measured using the observable market price as of the period reported.

Junior Subordinated Debt

The fair value of junior subordinated debt has been estimated using a discounted cash flow analysis.

11. Commitments and Contingencies

The Company is a party to certain financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, unused lines of credit, standby letters of credit and certain agricultural real estate loans sold to investors with recourse, with the sold portion having a government guarantee that is assignable back to the Company upon repurchase of the loan in the event of default. The Company's exposure to credit loss in the event of nonperformance by the other party to the commitments to extend credit, unused lines of credit, standby letters of credit and loans sold with recourse is represented by the contractual amount of those investments. The credit risk associated with commitments to extend credit and standby and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's credit worthiness. Commitments to extend credit and unused lines of credit totaled $2.3 billion at June 30, 2021 and $2.2 billion at December 31, 2020.

Since many loan commitments, standby letters of credit and guarantees and indemnification contracts expire without being funded in whole or in part, the contract amounts are not necessarily indicative of future cash flows. The Company does not issue any guarantees that would require liability-recognition or disclosure, other than its standby letters of credit.

The Company guarantees the obligations or performance of customers by issuing standby letters of credit to third-parties. These standby letters of credit are generally issued in support of third-party debt, such as corporate debt issuances, industrial revenue bonds and municipal securities. The risk involved in issuing standby letters of credit is essentially the same as the credit risk involved in extending loan facilities to customers and letters of credit are subject to the same credit origination, portfolio maintenance and management procedures in effect to monitor other credit and off-balance sheet products. Typically, these instruments have one year expirations with an option to renew upon annual review; therefore, the total amounts do not necessarily represent future cash requirements. Standby letters of credit totaled $53.7 million at June 30, 2021 and $54.0 million at December 31, 2020. As of June 30, 2021 and December 31, 2020, the fair value of the Company's standby letters of credit was not significant.

BANCORP INC. AND SUBSIDIARIES
Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of this discussion and analysis is to provide a concise description of the consolidated financial condition and results of operations of NBT Bancorp Inc. ("NBT") and its wholly owned subsidiaries, including NBT Bank, National Association (the "Bank"), NBT Financial Services, Inc. ("NBT Financial") and NBT Holdings, Inc. ("NBT Holdings") (collectively referred to herein as the "Company"). This discussion will focus on results of operations, financial condition, capital resources and asset/liability management. Reference should be made to the Company's consolidated financial statements and footnotes thereto included in this Form 10-Q as well as to the Company's Annual Report on Form 10-K for the year ended December 31, 2020 for an understanding of the following discussion and analysis. Operating results for the three and six month periods ending June 30, 2021 are not necessarily indicative of the results of the full year ending December 31, 2021 or any future period.

Forward-looking Statements

Certain statements in this filing and future filings by the NBT Bancorp Inc. (the "Company") with the Securities and Exchange Commission ("SEC"), in the Company's press releases or other public or stockholder communications or in oral statements made with the approval of an authorized executive officer, contain forward-looking statements, as defined in the Private Securities Litigation Reform Act. These statements may be identified by the use of phrases such as "anticipate," "believe," "expect," "forecasts," "projects," "will," "can," "would," "should," "could," "may," or other similar terms. There are a number of factors, many of which are beyond the Company's control that could cause actual results to differ materially from those contemplated by 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) local, regional, national and international economic conditions and the impact they may have on the Company and its customers and the Company's assessment of that impact; (2) changes in the level of nonperforming assets and charge-offs; (3) changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements; (4) the effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board ("FRB"); (5) inflation, interest rate, securities market and monetary fluctuations; (6) political instability; (7) acts of war or terrorism; (8) the timely development and acceptance of new products and services and perceived overall value of these products and services by users; (9) changes in consumer spending, borrowings and savings habits; (10) changes in the financial performance and/or condition of the Company's borrowers; (11) technological changes; (12) acquisitions and integration of acquired businesses; (13) the ability to increase market share and control expenses; (14) changes in the competitive environment among financial holding companies; (15) the effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which the Company and its subsidiaries must comply, including those under the Dodd-Frank Act, Economic Growth, Regulatory Relief, Consumer Protection Act of 2018, Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), and other legislative and regulatory responses to the coronavirus ("COVID-19") pandemic; (16) the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board ("FASB") and other accounting standard setters; (17) changes in the Company's organization, compensation and benefit plans; (18) the costs and effects of legal and regulatory developments including the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews; (19) greater than expected costs or difficulties related to the integration of new products and lines of business; (20) the adverse impact on the U.S. economy, including the markets in which we operate, of the COVID-19 global pandemic; and (21) the Company's success at managing the risks involved in the foregoing items.

Currently, one of the most significant factors that could cause actual outcomes to differ materially from the Company's forward-looking statements is the potential adverse effect of the current COVID-19 pandemic on the financial condition, results of operations, cash flows and performance of the Company, its customers and the global economy and financial markets. The extent to which the COVID-19 pandemic impacts the Company will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic and its impact on the Company's customers and demand for financial services, the actions governments, businesses and individuals take in response to the pandemic, the impact of the COVID-19 pandemic and actions taken in response to the pandemic on global and regional economies, national and local economic activity, the speed and effectiveness of vaccine and treatment developments and their deployment, including public adoption rates of COVID-19 vaccines, and the pace of recovery when the COVID-19 pandemic subsides, among others. Moreover, investors are cautioned to interpret many of the risks identified under the section entitled "Risk Factors" in our Form 10-K for the year ended December 31, 2020 as being heightened as a result of the ongoing and numerous adverse impacts of the COVID-19 pandemic.

The Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made, and advises readers that various factors, including, but not limited to, those described above and other factors discussed in the Company's annual and quarterly reports previously filed with the SEC, could affect the Company's financial performance and could cause the Company's actual results or circumstances for future periods to differ materially from those anticipated or projected.

Unless required by law, the Company does not undertake, and specifically disclaims any obligations to, publicly release any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Non-GAAP Measures

This Quarterly Report on Form 10-Q contains financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Where non-GAAP disclosures are used in this Form 10-Q, the comparable GAAP measure, as well as 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 the Company'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 the Company's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the Company.

Critical Accounting Policies

The Company has identified policies as being critical because they require management to make particularly difficult, subjective and/or complex judgments about matters that are inherently uncertain. The judgment and assumptions made are based upon historical experience or other factors that management believes to be reasonable under the circumstances. Because of the nature of the judgment and assumptions, actual results could differ from estimates, which could have a material effect on our financial condition and results of operations. These policies relate to the allowance for credit losses, pension accounting and provision for income taxes.

The allowance for credit losses consists of the allowance for credit losses and the allowance for losses on unfunded commitments. Measurement of Credit Losses on Financial Instruments ("CECL") approach requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures). The estimate of expected credit losses under the CECL approach is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. The Company then considers whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the period from which historical experience was used. Finally, the Company considers forecasts about future economic conditions that are reasonable and supportable. The allowance for losses on unfunded commitments represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments unconditionally cancellable by the Company. The allowance for losses on unfunded commitments is determined by estimating future draws and applying the expected loss rates on those draws.

Management of the Company considers the accounting policy relating to the allowance for credit losses to be a critical accounting policy given the uncertainty in evaluating the level of the allowance required to cover management's estimate of all expected credit losses over the expected contractual life of our loan portfolio. Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for credit losses in those future periods. While management's current evaluation of the allowance for credit losses indicates that the allowance is appropriate, the allowance may need to be increased under adversely different conditions or assumptions. Going forward, the impact of utilizing the CECL approach to calculate the reserve for credit losses will be significantly influenced by the composition, characteristics and quality of our loan portfolio, as well as the prevailing economic conditions and forecasts utilized. Material changes to these and other relevant factors may result in greater volatility to the reserve for credit losses, and therefore, greater volatility to our reported earnings.

Management is required to make various assumptions in valuing the Company's pension assets and liabilities. These assumptions include the expected rate of return on plan assets, the discount rate, the rate of increase in future compensation levels and interest rate of credit for cash balance plans. Changes to these assumptions could impact earnings in future periods. The Company takes into account the plan asset mix, funding obligations and expert opinions in determining the various rates used to estimate pension expense. The Company also considers market interest rates and discounted cash flows in setting the appropriate discount rate. In addition, the Company reviews expected inflationary and merit increases to compensation in determining the rate of increase in future compensation levels.

The Company is subject to examinations from various taxing authorities. Such examinations may result in challenges to the tax return treatment applied by the Company to specific transactions. Management believes that the assumptions and judgments used to record tax-related assets or liabilities have been appropriate. Should tax laws change or the taxing authorities determine that management's assumptions were inappropriate, an adjustment may be required which could have a material effect on the Company's results of operations.

The Company's policies on the CECL method for allowance for credit losses, pension accounting and provision for income taxes are disclosed in Note 1 to the consolidated financial statements presented in our 2020 Annual Report on Form 10-K. All accounting policies are important and as such, the Company encourages the reader to review each of the policies included in Note 1 to the consolidated financial statements presented in our 2020 Annual Report on Form 10-K to obtain a better understanding of how the Company's financial performance is reported. Refer to Note 3 to the unaudited interim consolidated finance statements in this Quarterly Report on Form 10-Q for recently adopted accounting standards.

Overview

Significant factors management reviews to evaluate the Company's operating results and financial condition include, but are not limited to: net income and earnings per share, return on average assets and equity, net interest margin, noninterest income, operating expenses, asset quality indicators, loan and deposit growth, capital management, liquidity and interest rate sensitivity, enhancements to customer products and services, technology advancements, market share and peer comparisons. The Company's results in 2021 and 2020 have been impacted by the COVID-19 pandemic and the CECL accounting methodology, including the estimated impact of the COVID-19 pandemic on expected credit losses. The following information should be considered in connection with the Company's results for the three and six months ended June 30, 2021:

- net income for the three months ended June 30, 2021 was $40.3 million, up $15.6 million from the second quarter of 2020 and up $0.5 million from the first quarter of 2021;
- diluted earnings per share of $0.92 for the three months ended June 30, 2021, up $0.36 from the second quarter of 2020 and up $0.01 from the first quarter of 2021;
- period end loans were $7.5 billion, up 1%, annualized, from December 31, 2020 (2.6% excluding Paycheck Protection Program ("PPP") loans);
- net charge-offs to average loans of 0.07%, annualized (0.07% excluding PPP loans) and allowance for loan losses to total loans at 1.31% (1.38% excluding PPP loans and related allowance);
- book value per share of $28.19 at June 30, 2021; tangible book value per share grew 4% for the quarter and 10% from June 30, 2020 to $21.50(1).

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

COVID-19 Pandemic and Company Response

The year 2020 began with overall stable U.S. economic conditions that were significantly impacted by the COVID-19 pandemic and subsequent shut-down of non-essential business throughout the Company's footprint. A prolonged global pandemic like COVID-19 could adversely affect our operations. The results of operations and the ultimate effect of pandemic will depend on numerous factors that are highly uncertain including how long restrictions for business and individuals will last, further information around the severity of the virus itself, additional actions taken by federal, state and local governments to contain and treat COVID-19 and what, if any, additional government relief will be provided. The expected impact of the pandemic on the Company's business, financial condition, results of operations, and its customers has not fully manifested. The fiscal stimulus and relief programs appear to have delayed or mitigated any materially adverse financial impact to the Company. Once these stimulus programs have been exhausted, the Company's credit metrics may worsen and loan losses could ultimately materialize. Any potential loan losses will be contingent upon the resurgence of the virus, including any new strains, offset by the potency of the vaccine along with its extensive distribution, and the ability for customers and businesses to return to their prepandemic routines. However, economic uncertainty remains relatively high and volatility is expected to continue in 2021.

In response, the Company immediately formed an Executive Task Force and engaged its established Incident Response Team under its Business Continuity Plan to execute a comprehensive pandemic response plan. The Company has taken significant steps to address the needs of its customers impacted by COVID-19. The Company provided payment relief for all its customers for 180 days or less, waiving associated late fees while not reporting these payment deferrals as late payments to the credit bureaus for all its consumer customers who were current prior to this event. The Company has also offered longer payment deferral options on a limited, case by case basis to address certain customers' hardships related to the pandemic where we are able to gather information on the ongoing viability of the borrower's long-term ability to return to full payment. The Company continues to responsibly lend to qualified consumer and commercial customers and designed special lending programs as well as participating in government sponsored relief programs to respond to customers' needs during the pandemic. The Company believes our historically strong underwriting practices, diverse and granular portfolios, and geographic footprint will help to mitigate any adverse impact to the Company.

The Company has been a participant in the Small Business Administration's Paycheck Protection Program, a loan guarantee program created under the CARES Act targeted to provide small businesses with support to cover payroll and certain other expenses. Loans made under the PPP are fully guaranteed by the Small Business Administration ("SBA"), whose guarantee is backed by the full faith and credit of the United States. PPP covered loans also afford borrowers forgiveness up to the principal amount of the PPP covered loan, plus accrued interest, if the loan proceeds are used to retain workers and maintain payroll or to make certain mortgage interest, lease and utility payments, and certain other criteria are satisfied. The SBA will reimburse PPP lenders for any amount of a PPP covered loan that is forgiven, and PPP lenders will not be held liable for any representations made by PPP borrowers in connection with their requests for loan forgiveness. Lenders receive pre-determined fees for processing and servicing PPP loans. In addition, PPP loans are risk-weighted at zero percent under the generally-applicable Standardized Approach used to calculate risk-weighted assets for regulatory capital purposes. The Company processed approximately 3,100 loans totaling $287 million in relief during the six months ended June 30, 2021 as compared to 3,000 loans totaling over $548 million in 2020. The Company is supporting PPP's application and forgiveness processes with online resources, educational webinars and a CPA partnership. As of June 30, 2021, the Company has received payment from the SBA on 2,348 of our loans totaling $365.1 million.

On December 27, 2020, the President signed into law the Consolidated Appropriation Act ("CAA"). The CAA, among other things, extends the life of the PPP, effectively creating a second round of PPP loans for eligible businesses. The Company is participating in the CAA's second round of PPP lending. In mid-January the Company opened its lending portal and began processing PPP loan applications from current and new customers. As of June 30, 2021, the Company has originated $287 million in PPP loans during this round with an average loan size of $93,000.

The Company established a committee to ensure employee and customer safety and nimble response across geographic and functional areas. The five focus areas for the Company's reopening are employee well-being, alternate work plans, physical workspace, working with customers and vendors, and policies, training and communication. The Committee monitored state and local responses and adapted physical locations across its footprint in its re-opening plans and will continue to monitor and adapt its response as the impact of COVID-19 continues to develop. The Company has taken several steps to address the safety of its employees and its customers including health and safety protocols to protect branch and onsite workers, full-time remote and hybrid work arrangement, additional benefits for health, childcare/eldercare needs and well-being and new mobile, online, business banking and mortgage platforms were launched in 2020.

Results of Operations

Net income for the three months ended June 30, 2021 was $40.3 million, up $0.5 million from $39.8 million for the first quarter of 2021 and up $15.6 million from $24.7 million for the second quarter of 2020. Diluted earnings per share for the three months ended June 30, 2021 was $0.92, as compared with $0.91 for the prior quarter, and $0.56 for the second quarter of 2020. Return on average assets (annualized) was 1.39% for the three months ended June 30, 2021 as compared to 1.46% for the prior quarter and 0.94% for the same period last year. Return on average equity (annualized) was 13.42% for the three months ended June 30, 2021 as compared to 13.57% for the prior quarter and 8.76% for the three months ended June 30, 2020. Return on average tangible common equity (annualized) was 17.93% for the three months ended June 30, 2021 as compared to 18.24% for the prior quarter and 12.14% for the three months ended June 30, 2020.

Net income for the six months ended June 30, 2021 was $80.1 million, up $45.1 from $35.1 million for the same period last year. Diluted earnings per share for the six months ended June 30, 2021 was $1.83 as compared with $0.80 for the same period in 2020. Return on average assets (annualized) was 1.42% for the six months ended June 30, 2021 as compared to 0.69% for the same period last year. Return on average equity (annualized) was 13.49% for the six months ended June 30, 2021 as compared to 6.23% for the six months ended June 30, 2020. Return on average tangible common equity (annualized) was 18.08% for the six months ended June 30, 2021 as compared to 8.69% for the six months ended June 30, 2020.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Net income	**$ 40,296**	$ 24,713	**$ 80,142**	$ 35,081
Amortization of intangible assets (net of tax)	**512**	662	**1,121**	1,288
Net income, excluding intangible amortization	**$ 40,808**	$ 25,375	**$ 81,263**	$ 36,369
Average stockholders' equity	**$ 1,203,974**	$ 1,134,794	**$ 1,197,662**	$ 1,132,194
Less: average goodwill and other intangibles	**291,133**	294,423	**291,525**	290,411
Average tangible common equity	**$ 912,841**	$ 840,371	**$ 906,137**	$ 841,783

Net Interest Income

Net interest income is the difference between interest income on earning assets, primarily loans and securities and interest expense on interest-bearing liabilities, primarily deposits and borrowings. Net interest income is affected by the interest rate spread, the difference between the yield on interest-earning assets and cost of interest-bearing liabilities, as well as the volumes of such assets and liabilities. Net interest income is one of the key determining factors in a financial institution's performance as it is the principal source of earnings.

Net interest income was $79.2 million for the second quarter of 2021, up $0.1 million, or 0.2%, from the previous quarter. The fully taxable equivalent ("FTE") net interest margin was 3.00% for the three months ended June 30, 2021, a decrease of 17 bps from the previous quarter. Interest income decreased $0.3 million, or 0.3%, as the yield on average interest-earning assets decreased 20 bps from the prior quarter to 3.18%, while average interest-earning assets of $10.6 billion increased $490.0 million from the prior quarter, primarily due to an increase in short-term interest-bearing accounts due to higher levels of short-term interest bearing accounts ("excess liquidity") and an increase in average investment securities. Interest expense was down $0.4 million, or 7.4%, as the cost of interest-bearing liabilities decreased 5 bps to 0.29% for the quarter ended June 30, 2021, driven by interest-bearing deposit costs decreasing 3 bps.

Net interest income was $79.2 million for the second quarter of 2021, down $1.3 million, or 1.6%, from the second quarter of 2020. The FTE net interest margin was 3.00% for the three months ended June 30, 2021, a decrease of 38 bps from the second quarter of 2020. Interest income decreased $3.4 million, or 3.9%, as the yield on average interest-earning assets decreased 50 bps from the same period in 2020 to 3.18%, while average interest-earning assets of $10.6 billion increased $1.0 billion from the second quarter of 2020, primarily due to excess liquidity and an increase in average investment securities. Interest expense was down $2.1 million, or 30.5%, as the cost of interest-bearing liabilities decreased 16 bps to 0.29% for the quarter ended June 30, 2021, driven by interest-bearing deposit costs decreasing 16 bps along with a 79 bps decrease in short-term borrowings cost.

Net interest income for the first six months of 2021 was $158.2 million, up $0.6 million, or 0.4%, from the same period in 2020. FTE net interest margin of 3.08% for the six months ended June 30, 2021, was down from 3.45% for the same period in 2020. Interest income decreased $8.5 million, or 4.8%, as the yield on average interest-earning assets decreased 59 bps from the same period in 2020 to 3.28%, while average interest-earning assets of $10.4 billion increased $1.2 billion primarily due to excess liquidity and an increase in average investment securities. Interest expense was down $9.1 million, or 47.3%, for the six months ended June 30, 2021 as compared to the same period in 2020 as the cost of interest-bearing liabilities decreased 32 bps to 0.31%, driven by interest-bearing deposit costs decreasing 31 bps along with a 96 bps decrease in short-term borrowings cost. The Federal Reserve lowered its target fed funds rate by 150 basis points in the first quarter of 2020.

Table of Contents

Average Balances and Net Interest Income

The following tables include the condensed consolidated average balance sheet, an analysis of interest income/expense and average yield/rate for each major category of earning assets and interest-bearing liabilities on a taxable equivalent basis.

Three Months Ended	**June 30, 2021**			**June 30, 2020**		
(Dollars in thousands)	**Average Balance**	**Interest**	**Yield/ Rates**	**Average Balance**	**Interest**	**Yield/ Rates**
Assets:						
Short-term interest-bearing accounts	**$ 974,034**	**$ 224**	**0.09%**	$ 380,260	$ 96	0.10%
Securities available for sale (1) (3)	**1,453,068**	**5,762**	**1.59%**	985,561	5,600	2.29%
Securities held to maturity (1) (3)	**604,582**	**3,358**	**2.23%**	613,899	4,201	2.75%
Federal Reserve Bank and FHLB stock	**25,115**	**167**	**2.67%**	36,604	554	6.09%
Loans (2) (3)	**7,574,272**	**74,832**	**3.96%**	7,589,032	77,324	4.10%
Total interest-earning assets	**$ 10,631,071**	**$ 84,343**	**3.18%**	$ 9,605,356	$ 87,775	3.68%
Other assets	**971,681**			961,807		
Total assets	**$ 11,602,752**			$ 10,567,163		
Liabilities and stockholders' equity:						
Money market deposit accounts	**$ 2,605,767**	**$ 1,364**	**0.21%**	$ 2,360,407	$ 1,716	0.29%
NOW deposit accounts	**1,454,751**	**179**	**0.05%**	1,167,486	121	0.04%
Savings deposits	**1,660,722**	**212**	**0.05%**	1,383,495	180	0.05%
Time deposits	**591,147**	**1,107**	**0.75%**	760,803	2,795	1.48%
Total interest-bearing deposits	**$ 6,312,387**	**$ 2,862**	**0.18%**	$ 5,672,191	$ 4,812	0.34%
Short-term borrowings	**95,226**	**32**	**0.13%**	427,004	972	0.92%
Long-term debt	**14,053**	**88**	**2.51%**	64,165	393	2.46%
Subordinated debt	**98,204**	**1,359**	**5.55%**	8,633	128	5.96%
Junior subordinated debt	**101,196**	**525**	**2.08%**	101,196	695	2.76%
Total interest-bearing liabilities	**$ 6,621,066**	**$ 4,866**	**0.29%**	$ 6,273,189	$ 7,000	0.45%
Demand deposits	**$ 3,542,176**			$ 2,887,545		
Other liabilities	**235,536**			271,635		
Stockholders' equity	**1,203,974**			1,134,794		
Total liabilities and stockholders' equity	**$ 11,602,752**			$ 10,567,163		
Net interest income (FTE)		**$ 79,477**			$ 80,775	
Interest rate spread			**2.89%**			3.23%
Net interest margin (FTE)			**3.00%**			3.38%
Taxable equivalent adjustment		**$ 299**			$ 329	
Net interest income		**$ 79,178**			$ 80,446	

(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%.

Six Months Ended		**June 30, 2021**				**June 30, 2020**	
(Dollars in thousands)	**Average Balance**	**Interest**	**Yield/ Rates**	**Average Balance**	**Interest**	**Yield/ Rates**	
Assets:							
Short-term interest-bearing accounts	**$ 781,764**	**$ 360**	**0.09%**	$ 227,478	$ 335	0.30%	
Securities available for sale (1) (3)	**1,400,019**	**11,306**	**1.63%**	974,044	11,353	2.34%	
Securities held to maturity (1) (3)	**605,987**	**7,004**	**2.33%**	618,149	8,554	2.78%	
Federal Reserve Bank and FHLB stock	**25,359**	**322**	**2.56%**	38,194	1,144	6.02%	
Loans (2) (3)	**7,574,304**	**149,963**	**3.99%**	7,376,072	156,119	4.26%	
Total interest-earning assets	**$ 10,387,433**	**$ 168,955**	**3.28%**	$ 9,233,937	$ 177,505	3.87%	
Other assets	**966,367**			923,689			
Total assets	**$ 11,353,800**			$ 10,157,626			
Liabilities and stockholders’ equity:							
Money market deposit accounts	**$ 2,545,280**	**$ 2,755**	**0.22%**	$ 2,230,857	$ 6,965	0.63%	
NOW deposit accounts	**1,407,118**	**348**	**0.05%**	1,126,845	404	0.07%	
Savings deposits	**1,604,664**	**406**	**0.05%**	1,329,890	360	0.05%	
Time deposits	**603,178**	**2,525**	**0.84%**	801,896	6,187	1.55%	
Total interest-bearing deposits	**$ 6,160,240**	**$ 6,034**	**0.20%**	$ 5,489,488	$ 13,916	0.51%	
Short-term borrowings	**105,149**	**102**	**0.20%**	480,261	2,769	1.16%	
Long-term debt	**16,967**	**212**	**2.52%**	64,179	786	2.46%	
Subordinated debt	**98,149**	**2,718**	**5.58%**	4,316	128	5.96%	
Junior subordinated debt	**101,196**	**1,055**	**2.10%**	101,196	1,621	3.22%	
Total interest-bearing liabilities	**$ 6,481,701**	**$ 10,121**	**0.31%**	$ 6,139,440	$ 19,220	0.63%	
Demand deposits	**$ 3,431,216**			$ 2,642,926			
Other liabilities	**243,221**			243,066			
Stockholders’ equity	**1,197,662**			1,132,194			
Total liabilities and stockholders’ equity	**$ 11,353,800**			$ 10,157,626			
Net interest income (FTE)		**$ 158,834**			$ 158,285		
Interest rate spread			**2.97%**			3.24%	
Net interest margin (FTE)			**3.08%**			3.45%	
Taxable equivalent adjustment		**$ 601**			$ 658		
Net interest income		**$ 158,233**			$ 157,627		

(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 following table presents changes in interest income and interest expense attributable to changes in volume (change in average balance multiplied by prior year rate), changes in rate (change in rate multiplied by prior year volume) and the net change in net interest income. The net change attributable to the combined impact of volume and rate has been allocated to each in proportion to the absolute dollar amounts of change.

Three Months Ended June 30,	**Increase (Decrease) 2021 over 2020**		
(In thousands)	**Volume**	**Rate**	**Total**
Short-term interest-bearing accounts	$ 138	$ (10)	$ 128
Securities available for sale	2,180	(2,018)	162
Securities held to maturity	(62)	(781)	(843)
Federal Reserve Bank and FHLB stock	(139)	(248)	(387)
Loans	(139)	(2,353)	(2,492)
Total FTE interest income	$ 1,978	$ (5,410)	$ (3,432)
Money market deposit accounts	$ 167	$ (519)	$ (352)
NOW deposit accounts	33	25	58
Savings deposits	36	(4)	32
Time deposits	(527)	(1,161)	(1,688)
Short-term borrowings	(448)	(492)	(940)
Long-term debt	(313)	8	(305)
Subordinated debt	1,240	(9)	1,231
Junior subordinated debt	-	(170)	(170)
Total FTE interest expense	$ 188	$ (2,322)	$ (2,134)
Change in FTE net interest income	$ 1,790	$ (3,088)	$ (1,298)

Six Months Ended June 30,	**Increase (Decrease) 2021 over 2020**		
(In thousands)	**Volume**	**Rate**	**Total**
Short-term interest-bearing accounts	$ 377	$ (352)	$ 25
Securities available for sale	4,043	(4,090)	(47)
Securities held to maturity	(167)	(1,382)	(1,549)
Federal Reserve Bank and FHLB stock	(303)	(519)	(822)
Loans	3,975	(10,132)	(6,157)
Total FTE interest income	$ 7,925	$ (16,475)	$ (8,550)
Money market deposit accounts	$ 862	$ (5,072)	$ (4,210)
NOW deposit accounts	86	(142)	(56)
Savings deposits	70	(24)	46
Time deposits	(1,290)	(2,372)	(3,662)
Short-term borrowings	(1,292)	(1,375)	(2,667)
Long-term debt	(592)	18	(574)
Subordinated debt	2,599	(9)	2,590
Junior subordinated debt	-	(566)	(566)
Total FTE interest expense	$ 443	$ (9,542)	$ (9,099)
Change in net FTE interest income	$ 7,482	$ (6,933)	$ 549

Noninterest Income

Noninterest income is a significant source of revenue for the Company and an important factor in the Company's results of operations. The following table sets forth information by category of noninterest income for the periods indicated:

(In thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Service charges on deposit accounts	**$ 3,028**	$ 2,529	**$ 6,055**	$ 6,526
ATM and debit card fees	**8,309**	6,136	**15,171**	11,990
Retirement plan administration fees	**9,779**	9,214	**19,877**	17,155
Wealth management fees	**8,406**	6,823	**16,316**	14,096
Insurance services	**3,508**	3,292	**6,969**	7,561
Bank owned life insurance	**1,659**	1,381	**3,040**	2,755
Net securities gains (losses)	**201**	180	**668**	(632)
Other	**4,426**	5,456	**8,258**	10,983
Total noninterest income	**$ 39,316**	$ 35,011	**$ 76,354**	$ 70,434

Noninterest income for the three months ended June 30, 2021 was $39.3 million, up $2.3 million, or 6.2%, from the prior quarter and up $4.3 million, or 12.3%, from the second quarter of 2020. Excluding net securities gains (losses), noninterest income for the three months ended June 30, 2021 was $39.1 million, up $2.5 million, or 7.0%, from the prior quarter and up $4.3 million, or 12.3%, from the second quarter of 2020. The increase from the prior quarter was primarily driven by higher ATM and debit card fees due to increased volume and higher per transaction rates and higher wealth management fees driven by market performance and organic growth. The increase from the second quarter of 2020 was primarily due to higher ATM and debit card fees due to increased volume and higher per transaction rates, higher wealth management fees driven by market performance and organic growth, an increase in retirement plan administration fees driven by driven by market performance and organic growth, and higher service charges on deposit accounts due to lower overdraft charges during the COVID-19 pandemic, partly offset by lower swap fees and lower mortgage banking income.

Noninterest income for the six months ended June 30, 2021 was $76.4 million, up $5.9 million, or 8.4%, from the same period in 2020. Excluding net securities gains (losses), noninterest income for the six months ended June 30, 2021 would have been $75.7 million, up $4.6 million, or 6.5%, from the same period in 2020. The increase from the prior year was primarily due to higher ATM and debit card fess due to increased volume and higher per transaction rates, higher wealth management fees driven by market performance and organic growth and an increase in retirement plan administration fees driven by the April 1, 2020 acquisition of Alliance Benefit Group of Illinois, Inc. ("ABG"), partly offset by lower swap fees and lower mortgage banking income.

Noninterest Expense

Noninterest expenses are also an important factor in the Company's results of operations. The following table sets forth the major components of noninterest expense for the periods indicated:

(In thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Salaries and employee benefits	**$ 42,671**	$ 39,717	**$ 84,272**	$ 80,467
Occupancy	**5,291**	5,065	**11,164**	11,060
Data processing and communications	**4,427**	4,079	**9,158**	8,312
Professional fees and outside services	**4,030**	3,403	**7,619**	7,300
Equipment	**5,493**	4,779	**10,670**	9,421
Office supplies and postage	**1,615**	1,455	**3,114**	3,091
FDIC expense	**663**	993	**1,471**	1,304
Advertising	**468**	322	**919**	931
Amortization of intangible assets	**682**	883	**1,494**	1,717
Loan collection and other real estate owned, net	**663**	728	**1,253**	1,745
Other	**5,416**	3,916	**8,173**	10,873
Total noninterest expense	**$ 71,419**	$ 65,340	**$ 139,307**	$ 136,221

Noninterest expense for the three months ended June 30, 2021 was $71.4 million, up $3.5 million, or 5.2%, from the prior quarter and up $6.1 million, or 9.3%, from the second quarter of 2020. The increase from the prior quarter was due to higher salaries and employee benefits due to one additional day of payroll in the second quarter, annual merit pay increases and higher medical expenses, partially offset by lower stock-based compensation. Other expenses increased due to $1.9 million in non-recurring costs, including an estimated legal settlement charge, which was partly offset by lower occupancy expense due to lower seasonal maintenance and utility expenses. The increase in noninterest expense from the second quarter of 2020 was due to higher salaries and employee benefits due to annual merit pay increases and higher medical expenses, higher equipment expense due to higher technology costs associated with several digital upgrades, and an increase in professional fees and outside services as a result of projects paused during the COVID-19 pandemic. Other expenses increased due to $1.9 million in non-recurring costs, including an estimated legal settlement charge.

Noninterest expense for the six months ended June 30, 2021 was $139.3 million, up $3.1 million, or 2.3%, from the same period in 2020. The increase from the prior year was driven by higher salaries and employee benefits due to annual merit pay increases, the ABG acquisition and higher medical expenses, increase in data processing communication expense driven by continued investments in digital platform solutions including a PPP specific platform, higher equipment expense due to higher technology costs associated with several digital upgrades, partly offset by $2.7 million in lower other expenses driven by the change in the reserve for unfunded commitments and lower travel and training expenses.

Income Taxes

Income tax expense for the three months ended June 30, 2021 was $12.0 million, up $0.8 million from the prior quarter and up $5.4 million from the second quarter of 2020. The effective tax rate was 22.9% for the second quarter of 2021, 21.9% in the prior quarter and 21.0% for the second quarter of 2020. The higher effective tax rate compared to the prior quarter and the second quarter of 2021 was due to higher level of taxable income relative to total income.

Income tax expense for the six months ended June 30, 2021 was $23.2 million, up $14.9 million from the same period of 2020. The effective tax rate of 22.4% for the first six months of 2021 was up from 19.1% 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 as a result of the COVID-19 pandemic and decreased provision for loan losses.

ANALYSIS OF FINANCIAL CONDITION

Securities

Total securities increased $193.9 million, or 9.7%, from December 31, 2020 to June 30, 2021. The securities portfolio represented 18.9% of total assets as of June 30, 2021 as compared to 18.3% of total assets as of December 31, 2020.

The following table details the composition of securities available for sale, securities held to maturity and equity securities for the periods indicated:

	June 30, 2021	December 31, 2020
Mortgage-backed securities:		
With maturities 15 years or less	**23%**	21%
With maturities greater than 15 years	**8%**	8%
Collateralized mortgage obligations	**32%**	35%
Municipal securities	**15%**	13%
U.S. agency notes	**19%**	20%
Corporate	**2%**	1%
Equity securities	**1%**	2%
Total	**100%**	100%

The Company's mortgage-backed securities, U.S. agency notes and collateralized mortgage obligations are all guaranteed by Fannie Mae, Freddie Mac, Federal Home Loan Bank, Federal Farm Credit Banks or Ginnie Mae ("GNMA"). GNMA securities are considered similar in credit quality to U.S. Treasury securities, as they are backed by the full faith and credit of the U.S. government. Currently, there are no subprime mortgages in our investment portfolio.

Loans

A summary of loans, net of deferred fees and origination costs, by type(1) for the periods indicated follows:

(In thousands)	June 30, 2021	December 31, 2020
Commercial	**$ 1,479,258**	$ 1,451,560
Commercial real estate	**2,265,754**	2,196,477
Paycheck protection program	**359,738**	430,810
Residential real estate	**1,512,354**	1,466,662
Indirect auto	**899,324**	931,286
Specialty lending	**602,585**	579,644
Home equity	**351,469**	387,974
Other consumer	**47,145**	54,472
Total loans	**$ 7,517,627**	$ 7,498,885

(1) Loans are summarized by business line which do not align to how the Company assesses credit risk in the estimate for credit losses under CECL.

Total loans increased by $18.7 million, or 1% annualized from December 31, 2020 to June 30, 2021. Total PPP loans as of June 30, 2021 were $359.7 million (net of unamortized fees). The following PPP loan activity occurred during the six months ended June 30, 2021: $286.6 million in PPP loan originations, $365.1 million of loans forgiven and $10.9 million of interest and fees recognized into interest income. Excluding PPP loans, period end loans increased $89.8 million from December 31, 2020. Commercial and industrial loans increased $27.7 million to $1.5 billion; commercial real estate loans increased $69.3 million to $2.3 billion; and total consumer loans decreased $7.2 million to $3.4 billion. Total loans represent approximately 64.9% of assets as of June 30, 2021, as compared to 68.6% as of December 31, 2020.

Allowance for Loan Losses, Provision for Loan Losses and Nonperforming Assets

Management considers the accounting policy relating to the allowance for credit losses to be a critical accounting policy given the degree of judgment exercised in evaluating the level of the allowance required to estimate expected credit losses over the expected contractual life of our loan portfolio and the material effect that such judgments can have on the consolidated results of operations.

Required additions or reductions to the allowance for credit losses are made periodically by charges or credits to the provision for loan losses. These are necessary to maintain the allowance at a level which management believes is reasonably reflective of the overall loss expected over the contractual life of the loan portfolio. While management uses available information to recognize losses on loans, additions or reductions to the allowance may fluctuate from one reporting period to another. These fluctuations are reflective of changes in risk associated with portfolio content and/or changes in management's assessment of any or all of the determining factors discussed above. Management considers the allowance for credit losses to be appropriate based on evaluation and analysis of the loan portfolio.

The allowance for credit losses totaled $98.5 million at June 30, 2021, compared to $105.0 million at March 31, 2021 and $113.5 million at June 30, 2020. The allowance for credit losses as a percentage of loans was 1.31% (1.38% excluding PPP loans) at June 30, 2021, compared to 1.38% (1.48% excluding PPP loans) at March 31, 2021 and 1.49% (1.59% excluding PPP loans) at June 30, 2020. The decrease in the allowance for credit losses from March 31, 2021 and June 30, 2020 to June 30, 2021 was primarily due to the improved economic conditions in the CECL forecast.

The provision for loan losses was ($5.2) million for three months ended June 30, 2021, compared to ($2.8) million in the prior quarter and $18.8 million for the same period in the prior year. Provision expense decreased from the prior quarter due to improved economic conditions in the CECL forecast. Provision expense decreased from the same period in the prior year due primarily to the improved economic condition forecast in the current quarter as compared to significant deterioration of the economic forecast that took place at the end of the second quarter in 2020 due to COVID-19. Net charge-offs totaled $1.3 million during the three months ended June 30, 2021, compared to net charge-offs of $2.2 million during the first quarter of 2021 and $5.3 million in the second quarter of 2020.

The provision for loan losses was ($8.0) million for the six months ended June 30, 2021, compared to $48.5 million for the six months ended June 30, 2020. Provision expense decreased from the same period in the prior year due primarily to the improved economic condition forecast in the current quarter as compared to significant deterioration of the economic forecast that took place at the end of the six months ended June 30, 2020 due to COVID-19. Net charge-offs totaled $3.5 million during the six months ended June 30, 2021, compared to net charge-offs of $11.0 million during the six months ended June 30, 2020.

As of June 30, 2021, the unfunded commitment reserve totaled $5.8 million, compared to $5.9 million as of March 31, 2021 and $5.5 million as of June 30, 2020.

Nonperforming assets consist of nonaccrual loans, loans 90 days or more past due and still accruing, restructured loans, other real estate owned ("OREO") and nonperforming securities. Loans are generally placed on nonaccrual when principal or interest payments become 90 days past due, unless the loan is well secured and in the process of collection. Loans may also be placed on nonaccrual when circumstances indicate that the borrower may be unable to meet the contractual principal or interest payments. The threshold for evaluating classified and nonperforming loans specifically evaluated for impairment is $1.0 million. OREO represents property acquired through foreclosure and is valued at the lower of the carrying amount or fair value, less any estimated disposal costs.

	June 30, 2021		December 31, 2020	
(Dollars in thousands)	**Amount**	**%**	**Amount**	**%**
Nonaccrual loans:				
Commercial	**$ 23,220**	**57%**	$ 23,557	53%
Residential	**11,806**	**29%**	13,082	29%
Consumer	**1,422**	**4%**	3,020	7%
Troubled debt restructured loans	**4,102**	**10%**	4,988	11%
Total nonaccrual loans	**$ 40,550**	**100%**	$ 44,647	100%
Loans 90 days or more past due and still accruing:				
Commercial	**$ 1,496**	**58%**	$ 493	16%
Residential	**107**	**4%**	518	16%
Consumer	**972**	**38%**	2,138	68%
Total loans 90 days or more past due and still accruing	**$ 2,575**	**100%**	$ 3,149	100%
Total nonperforming loans	**$ 43,125**		$ 47,796	
OREO	**798**		1,458	
Total nonperforming assets	**$ 43,923**		$ 49,254	
Total nonperforming loans to total loans	**0.57%**		0.64%	
Total nonperforming assets to total assets	**0.38%**		0.45%	
Allowance for loan losses to total nonperforming loans	**228.41%**		230.14%	

Total nonperforming assets were $43.9 million at June 30, 2021, compared to $49.3 million at December 31, 2020 and $29.4 million at June 30, 2020. Nonperforming loans at June 30, 2021 were $43.1 million, or 0.57%, of total loans (0.60% excluding PPP loan originations), compared with $47.8 million, or 0.64% of total loans (0.68% excluding PPP loan originations) at December 31, 2020 and $27.6 million, or 0.36% of total loans (0.39% excluding PPP loan originations) at June 30, 2020.

The increase in nonperforming loans as compared to a year ago resulted primarily from five commercial relationships totaling $15.0 million on non-accrual as of June 30, 2021. Past due loans as a percentage of total loans was 0.26% at June 30, 2021 (0.27% excluding PPP loan originations), down from 0.37% at December 31, 2020 (0.39% excluding PPP loan originations) and down from 0.30% at June 30, 2020 (0.32% excluding PPP loan originations).

The Company began offering short-term loan modifications to assist borrowers during the COVID-19 pandemic. The CARES Act, along with a joint agency statement issued by banking regulatory agencies, provides that short-term modifications made in response to COVID-19 do not need to be accounted for as a troubled debt restructuring ("TDR"). The Company evaluated the short-term modification programs provided to its borrowers and has concluded the modifications were generally made to borrowers who were in good standing prior to the COVID-19 pandemic and the modifications were temporary and minor in nature and therefore do not qualify for designation as TDRs. As of June 30, 2021, 0.5% of total loans outstanding (excluding PPP loan originations) were in payment deferral programs, of which 85% are commercial borrowers and 15% are consumer borrowers. As of December 31, 2020, 1.6% of total loans outstanding (excluding PPP loan originations) were in payment deferral programs, of which 80% were commercial borrowers and 20% were consumer borrowers.

In addition to nonperforming loans discussed above, the Company has also identified approximately $120.5 million in potential problem loans at June 30, 2021 as compared to $136.6 million at December 31, 2020 and $115.3 million at June 30, 2020. The increase in potential problem loans from June 30, 2020 is primarily due to the Company's proactive approach to risk ratings throughout the deferral process and relates to higher risk industries impacted by the COVID-19 pandemic. Higher risk industries include entertainment, restaurants, retail, healthcare and accommodations. As of June 30, 2021, 8.9% of the Company's outstanding loans were in higher risk industries due to the COVID-19 pandemic. Potential problem loans are loans that are currently performing, with a possibility of loss if weaknesses are not corrected. Such loans may need to be disclosed as nonperforming at some time in the future. Potential problem loans are classified by the Company's loan rating system as "substandard." Management cannot predict the extent to which economic conditions may worsen or other factors, which may impact borrowers and the potential problem loans. Accordingly, there can be no assurance that other loans will not become 90 days or more past due, be placed on nonaccrual, become restructured or require increased allowance coverage and provision for loan losses. To mitigate this risk the Company maintains a diversified loan portfolio, has no significant concentration in any particular industry and originates loans primarily within its footprint.

Deposits

Total deposits were $9.8 billion at June 30, 2021, up $703.6 million, or 7.7%, from December 31, 2020. Total average deposits increased $1.5 billion, or 17.9%, from the same period last year. The growth was driven primarily by an increase of $788.3 million, or 29.8%, in demand deposits, combined with an increase in interest-bearing deposits of $670.8 million, or 12.2%, due to growth in money market deposit accounts ("MMDA"), NOW deposit accounts and savings deposit accounts, partly offset by a decrease in time accounts. The high rate of deposit growth was primarily due to funding of PPP loans and various government support programs.

Borrowed Funds

The Company's borrowed funds consist of short-term borrowings and long-term debt. Short-term borrowings totaled $90.6 million at June 30, 2021 compared to $168.4 million at December 31, 2020. The notional value of interest rate swaps hedging cash flows related to short-term borrowings totaled $25.0 million at December 31, 2020 and matured during the six months ended June 30, 2021. Long-term debt was $14.0 million at June 30, 2021 and $39.1 million at December 31, 2020.

For more information about the Company's borrowing capacity and liquidity position, see "Liquidity Risk" below.

Subordinated Debt

On June 23, 2020, the Company issued $100.0 million of 5.00% fixed-to-floating rate subordinated notes due 2030. The subordinated notes, which qualify as Tier 2 capital, bear interest at an annual rate of 5.00%, payable semi-annually in arrears commencing on January 1, 2021, and a floating rate of interest equivalent to the three-month Secured Overnight Financing Rate plus a spread of 4.85%, payable quarterly in arrears commencing on October 1, 2025. The subordinated debt issuance cost, which is being amortized on a straight-line basis, was $2.2 million. As of June 30, 2021 and December 31, 2020 the subordinated debt net of unamortized issuance costs was $98.3 million and $98.1 million, respectively.

Capital Resources

Stockholders' equity of $1.2 billion represented 10.58% of total assets at June 30, 2021 compared with $1.2 billion, or 10.86%, as of December 31, 2020. Stockholders' equity was consistent with December 31, 2020 as net income of $80.1 million for the six months ending June 30, 2021 was offset by a decrease in accumulated other comprehensive income of $9.7 million, dividends declared of $23.5 million during the period and repurchase of common stock of $9.9 million.

The Company repurchased 23,627 shares of common stock during the second quarter of 2021 at a weighted average price of $36.03 per share excluding commissions under a previous announced plan. As of June 30, 2021, there were 1,719,342 shares available for repurchase under this plan authorized on October 28, 2019, amended on March 23, 2020 and January 27, 2021, and set to expire on December 31, 2021.

The Board of Directors considers the Company's earnings position and earnings potential when making dividend decisions. The Board of Directors approved a third-quarter 2021 cash dividend of $0.28 per share at a meeting held on July 26, 2021. The dividend, which represents a $0.01, or 3.7% increase, will be paid on September 15, 2021 to shareholders of record as of September 1, 2021.

As the capital ratios in the following table indicate, the Company remained "well capitalized" at June 30, 2021 under applicable bank regulatory requirements. Capital measurements are well in excess of regulatory minimum guidelines and meet the requirements to be considered well capitalized for all periods presented. To be considered well capitalized, tier 1 leverage, common equity tier 1 capital, tier 1 capital and total risk-based capital ratios must be 5%, 6.5%, 8% and 10%, respectively.

Capital Measurements	**June 30, 2021**	**December 31, 2020**
Tier 1 leverage ratio	**9.40%**	9.56%
Common equity tier 1 capital ratio	**12.12%**	11.84%
Tier 1 capital ratio	**13.34%**	13.09%
Total risk-based capital ratio	**15.78%**	15.62%
Cash dividends as a percentage of net income	**29.29%**	45.22%
Per common share:		
Book value	**$ 28.19**	$ 27.22
Tangible book value(1)	**$ 21.50**	$ 20.52
Tangible equity ratio(2)	**8.28%**	8.41%

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

In March 2020, the Office of the Comptroller of the Currency ("OCC"), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation ("FDIC") announced an interim final rule to delay the estimated impact on regulatory capital stemming from the implementation of CECL. Under the modified CECL transition provision, the regulatory capital impact of the January 1, 2020 CECL adoption date adjustment to the allowance for credit losses (after-tax) has been deferred and will phase into regulatory capital at 25% per year commencing January 1, 2022. For the ongoing impact of CECL, the Company is allowed to defer the regulatory capital impact of the allowance for credit losses in an amount equal to 25% of the change in the allowance for credit losses (pre-tax) recognized through earnings for each period between January 1, 2020 and December 31, 2021. The cumulative adjustment to the allowance for credit losses between January 1, 2020 and December 31, 2021, will also phase into regulatory capital at 25% per year commencing January 1, 2022. The Company adopted the capital transition relief over the permissible five-year period.

Liquidity and Interest Rate Sensitivity Management

Market Risk

Interest rate risk is the most significant market risk affecting the Company. Other types of market risk, such as foreign currency exchange rate risk and commodity price risk, do not arise in the normal course of the Company's business activities or are immaterial to the results of operations.

Interest rate risk is defined as an exposure to a movement in interest rates that could have an adverse effect on the Company's net interest income. Net interest income is susceptible to interest rate risk to the degree that interest-bearing liabilities mature or reprice on a different basis than earning assets. When interest-bearing liabilities mature or reprice more quickly than earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Similarly, when earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in net interest income.

To manage the Company's exposure to changes in interest rates, management monitors the Company's interest rate risk. The Management's Asset Liability Committee ("ALCO") meets monthly to review the Company's interest rate risk position and profitability and to recommend strategies for consideration by the Board of Directors. Management also reviews loan and deposit pricing and the Company's securities portfolio, formulates investment and funding strategies and oversees the timing and implementation of transactions to assure attainment of the Board's objectives in the most effective manner. Notwithstanding the Company's interest rate risk management activities, the potential for changing interest rates is an uncertainty that can have an adverse effect on net income.

In adjusting the Company's asset/liability position, the Board and management aim to manage the Company's interest rate risk while minimizing net interest margin compression. At times, depending on the level of general interest rates, the relationship between long and short-term interest rates, market conditions and competitive factors, the Board and management may determine to increase the Company's interest rate risk position somewhat in order to increase its net interest margin. The Company's results of operations and net portfolio values remain vulnerable to changes in interest rates and fluctuations in the difference between long and short-term interest rates.

The primary tool utilized by the ALCO to manage interest rate risk is earnings at risk modeling (interest rate sensitivity analysis). Information, such as principal balance, interest rate, maturity date, cash flows, next repricing date (if needed) and current rates are uploaded into the model to create an ending balance sheet. In addition, the ALCO makes certain assumptions regarding prepayment speeds for loans and mortgage related investment securities along with any optionality within the deposits and borrowings. The model is first run under an assumption of a flat rate scenario (i.e. no change in current interest rates) with a static balance sheet. Three additional models are run in which a gradual increase of 200 bps, a gradual increase of 100 bps and a gradual decrease of 50 bps takes place over a 12-month period with a static balance sheet. Under these scenarios, assets subject to prepayments are adjusted to account for faster or slower prepayment assumptions. Any investment securities or borrowings that have callable options embedded in them are handled accordingly based on the interest rate scenario. The resulting changes in net interest income are then measured against the flat rate scenario. The Company also runs other interest rate scenarios to highlight potential interest rate risk.

In the declining rate scenario, net interest income is projected to decrease when compared to the forecasted net interest income in the flat rate scenario through the simulation period. The decrease in net interest income is a result of earning assets rolling over at lower yields while interest-bearing liabilities remain at or near their floors. In the rising rate scenarios, net interest income is projected to experience a modest increase from the flat rate scenario; however, the potential impact on earnings may be affected by the ability to lag deposit repricing on NOW, savings, MMDA and time accounts. Net interest income for the next twelve months in the +200/+100/-50 bp scenarios, as described above, is within the internal policy risk limits of not more than a 7.5% change in net interest income. The following table summarizes the percentage change in net interest income in the rising and declining rate scenarios over a 12-month period from the forecasted net interest income in the flat rate scenario using the June 30, 2021 balance sheet position:

Interest Rate Sensitivity Analysis

Change in interest rates (in bps points)	Percent change in net interest income
+200	6.07%
+100	2.80%
-50	(0.87%)

The Company anticipates that the trajectory of net interest income will depend significantly on the timing and path of the recovery from the recent economic downturn. In response to the economic impact of the pandemic, the federal funds rate was reduced by 150 bps in March 2020, and term interest rates fell sharply across the yield curve. The Company has reduced deposit rates, but future reductions are likely to be smaller and more selective. With deposit rates near their lower bound, the Company will focus on managing asset yields in order to maintain the net interest margin. Competitive pressure may limit the Company's ability to maintain asset yields in the current environment, however.

Liquidity Risk

Liquidity involves the ability to meet the cash flow requirements of depositors wanting to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. ALCO is responsible for liquidity management and has developed guidelines, which cover all assets and liabilities, as well as off-balance sheet items that are potential sources or uses of liquidity. Liquidity policies must also provide the flexibility to implement appropriate strategies, regular monitoring of liquidity and testing of the contingent liquidity plan. Requirements change as loans grow, deposits and securities mature and payments on borrowings are made. Liquidity management includes a focus on interest rate sensitivity management with a goal of avoiding widely fluctuating net interest margins through periods of changing economic conditions.

The primary liquidity measurement the Company utilizes is called “Basic Surplus,” which captures the adequacy of its access to reliable sources of cash relative to the stability of its funding mix of average liabilities. This approach recognizes the importance of balancing levels of cash flow liquidity from short and long-term securities with the availability of dependable borrowing sources, which can be accessed when necessary. At June 30, 2021, the Company’s Basic Surplus measurement was 28.9% of total assets or approximately $3.3 billion as compared to the December 31, 2020 Basic Surplus of 25.7% or $2.8 billion and was above the Company’s minimum of 5% (calculated at $578.7 million and $546.6 million, of period end total assets as June 30, 2021 and December 31, 2020, respectively) set forth in its liquidity policies.

At June 30, 2021 and December 31, 2020, Federal Home Loan Bank (“FHLB”) advances outstanding totaled $14.0 million and $64.1 million, respectively. At June 30, 2021 and December 31, 2020, the Bank had $105.0 million and $74.0 million, respectively, of collateral encumbered by municipal letters of credit. The Bank is a member of the FHLB system and had additional borrowing capacity from the FHLB of approximately $1.7 billion at June 30, 2021 and $1.6 billion at December 31, 2020. In addition, unpledged securities could have been used to increase borrowing capacity at the FHLB by an additional $934.8 million and $839.4 million at June 30, 2021 and December 31, 2020, respectively, or used to collateralize other borrowings, such as repurchase agreements. The Company also has the ability to issue brokered time deposits and to borrow against established borrowing facilities with other banks (federal funds), which could provide additional liquidity of $2.0 billion at June 30, 2021 and $1.8 billion at December 31, 2020. In addition, the Bank has a “Borrower-in-Custody” program with the FRB with the addition of the ability to pledge automobile loans as collateral. At June 30, 2021 and December 31, 2020, the Bank had the capacity to borrow $609.2 million and $658.1 million, respectively, from this program. The Company’s internal policies authorize borrowing up to 25% of assets. Under this policy, remaining available borrowing capacity totaled $2.8 billion at June 30, 2021 and $2.6 billion at December 31, 2020.

This Basic Surplus approach enables the Company to appropriately manage liquidity from both operational and contingency perspectives. By tempering the need for cash flow liquidity with reliable borrowing facilities, the Company is able to operate with a more fully invested and, therefore, higher interest income generating securities portfolio. The makeup and term structure of the securities portfolio is, in part, impacted by the overall interest rate sensitivity of the balance sheet. Investment decisions and deposit pricing strategies are impacted by the liquidity position. The Company considered its Basic Surplus position to be strong. However, certain events may adversely impact the Company’s liquidity position in 2021. The large inflow of deposits experienced in the second quarter of 2020 could reverse itself and flow out. In the current economic environment, draws against lines of credit could drive asset growth higher. Disruptions in wholesale funding markets could spark increased competition for deposits. These scenarios could lead to a decrease in the Company’s Basic Surplus measure below the minimum policy level of 5%. Significant monetary and fiscal policy actions taken by the federal government have helped to mitigate these risks. Enhanced liquidity monitoring was put in place to quickly respond to the changing environment during the COVID-19 pandemic including increasing the frequency of monitoring and adding additional sources of liquidity.

At June 30, 2021, a portion of the Company’s loans and securities were pledged as collateral on borrowings. Therefore, once on-balance-sheet liquidity is depleted, future growth of earning assets will depend upon the Company’s ability to obtain additional funding, through growth of core deposits and collateral management and may require further use of brokered time deposits or other higher cost borrowing arrangements.

The Company’s primary source of funds is the Bank. Certain restrictions exist regarding the ability of the subsidiary bank to transfer funds to the Company in the form of cash dividends. The approval of the OCC is required to pay dividends when a bank fails to meet certain minimum regulatory capital standards or when such dividends are in excess of a subsidiary bank’s earnings retained in the current year plus retained net profits for the preceding two years as specified in applicable OCC regulations. At June 30, 2021, approximately $188.7 million of the total stockholders’ equity of the Bank was available for payment of dividends to the Company without approval by the OCC. The Bank’s ability to pay dividends is also subject to the Bank being in compliance with regulatory capital requirements. The Bank is currently in compliance with these requirements. Under the State of Delaware General Corporation Law, the Company may declare and pay dividends either out of accumulated net retained earnings or capital surplus.

Item 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information called for by Item 3 is contained in the Liquidity and Interest Rate Sensitivity Management section of the Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4 - CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2021, the Company's disclosure controls and procedures were effective.

PART II OTHER INFORMATION

Item 1 – LEGAL PROCEEDINGS

There are no material legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of their property is subject, except as described in the Company's 2020 Annual Report on Form 10-K.

Item 1A – RISK FACTORS

There are no material changes to the risk factors as previously discussed in Part I, Item 1A of our 2020 Annual Report on Form 10-K.

Item 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Not applicable

(b) Not applicable

(c) The table below sets forth the information with respect to purchases made by the Company or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934) of our common stock during the quarter ended June 30, 2021:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares That May Yet be Purchased Under the Plans(1)
4/1/21 - 4/30/21	-	$ -	-	1,742,969
5/1/21 - 5/31/21	-	-	-	1,742,969
6/1/21 - 6/30/21	23,627	36.03	23,627	1,719,342
Total	23,627	$ 36.03	23,627	1,719,342

(1) The Company purchased 23,627 shares of its common stock during the second quarter of 2021 at an average price of $36.03 per share under a previously announced plan. As of June 30, 2021, there were 1,719,342 shares available for repurchase under this plan announced on October 28, 2019, amended on March 23, 2020 and January 27, 2021, and set to expire on December 31, 2021.

Item 3 – DEFAULTS UPON SENIOR SECURITIES

None

Item 4 – MINE SAFETY DISCLOSURES

None

Item 5 – OTHER INFORMATION

On August 5, 2021, NBT entered into an employment agreement with Scott A. Kingsley, Executive Vice President and Chief Financial Officer of NBT (the “Employment Agreement”). The Employment Agreement will terminate upon the earlier occurrence of the executive’s death, “disability,” discharge for “cause,” resignation, termination “without cause” (as such terms are defined in the Employment Agreement), or January 1, 2023. On December 31, 2022 and on each December 31 thereafter, the term of the Employment Agreement will automatically extend for one additional year unless either NBT or Mr. Kingsley provides timely, prior notice of non-renewal.

Mr. Kingsley’s annual base salary will be $500,000 and will be subject to annual adjustments, but in no case will his salary be less than $500,000. In addition to an annual base salary, the Employment Agreement provides that Mr. Kingsley will be eligible to be considered for a performance bonus commensurate with his title and salary grade in accordance with the compensation policies of NBT and provides for the ability to participate in stock benefit plans, employee benefit plans, and other fringe benefits applicable to executive personnel, including, without limitation, use of an NBT provided car and country club membership paid by NBT. Mr. Kingsley is also eligible to receive an annual contribution to his deferred compensation account in an amount determined by the Board of Directors of NBT in its sole discretion.

The Employment Agreement also (i) sets forth Mr. Kingsley’s right to severance payments and/or benefits upon his termination of employment and (ii) contains customary non-competition and non-solicitation covenants that apply during the term and until the second anniversary of the expiration or termination of Mr. Kingsley’s employment.

The foregoing description of the Employment Agreement is not complete and is qualified in its entirety by reference to the Employment Agreement, a copy of which is filed as Exhibit 10.1 hereto and the terms of which are incorporated herein by reference.

Item 6 – EXHIBITS

3.1	Restated Certificate of Incorporation of NBT Bancorp Inc. as amended through July 1, 2015 (filed as Exhibit 3.1 to Registrant's Form 10-Q, filed on August 10, 2015 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of NBT Bancorp Inc. effective May 22, 2018 (filed as Exhibit 3.1 to Registrant's Form 8-K, filed on May 23, 2018 and incorporated herein by reference).
3.3	Certificate of Designation of the Series A Junior Participating Preferred Stock (filed as Exhibit A to Exhibit 4.1 of the Registrant's Form 8-K, filed on November 18, 2004 and incorporated herein by reference).
10.1	Employment Agreement, dated August 5, 2021 by and between NBT Bancorp Inc. and Scott A. Kingsley
31.1	Certification by the Chief Executive Officer pursuant to Rules 13(a)-14(a)/15(d)-14(e) of the Securities and Exchange Act of 1934.
31.2	Certification by the Chief Financial Officer pursuant to Rules 13(a)-14(a)/15(d)-14(e) of the Securities and Exchange Act of 1934.
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, this 6th day of August 2021.

NBT BANCORP INC.

By: /s/ Scott A. Kingsley

Scott A. Kingsley
Executive Vice President
Chief Financial Officer

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (the "Agreement") is made and entered into as of August 5, 2021, by and between SCOTT A. KINGSLEY ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB").

W I T N E S S E T H :

WHEREAS, NBTB and NBT Bank, National Association, a national banking association which is a wholly-owned subsidiary of NBTB ("NBT Bank") (together with NBTB, the "Company") desires to secure the continued employment of Executive, subject to the provisions of this Agreement; and

WHEREAS, Executive desires to enter into the Agreement for such periods and upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, intending to be legally bound, the parties agree as follows:

1. Employment; Responsibilities and Duties.

(a) NBTB hereby agrees to employ Executive and to cause NBT Bank and any successor organization to NBT Bank to employ Executive, and Executive hereby agrees to serve as Executive Vice President and Chief Financial Officer of NBTB and NBT Bank, and of any successor organization to NBTB or NBT Bank, as applicable, during the Term of Employment (as defined in Section 2 below). During the Term of Employment, Executive shall perform all duties and shall have the responsibilities and authority as set forth in the bylaws of NBTB or NBT Bank, as applicable, or as may otherwise be determined and assigned to him by NBTB or NBT Bank. During the Term of Employment, Executive shall report directly to the Chief Executive Officer of NBTB or his designee.

(b) Executive shall devote his full working time and best efforts to the performance of his responsibilities and duties hereunder. During the Term of Employment, Executive shall not, without the prior written consent of the Chief Executive Officer of NBTB or his designee, render services in any capacity, whether as an employee, independent contractor, or otherwise, whether or not compensated, to any person or entity other than the Company or its affiliates; provided, that Executive may, where involvement in such activities does not, as reasonably determined by the Board of Directors of NBTB (the "Board"), individually or in the aggregate, significantly interfere with the performance of his duties or violate the provisions of Section 4 hereof, (i) render services to charitable organizations, (ii) manage his personal investments in compliance with any Company limits or policies, and (iii) with the prior permission of the Chief Executive Officer of NBTB or his designee, hold such other directorships or part-time academic appointments or have such other business affiliations as would otherwise be prohibited under this Section 1.

2. Term of Employment.

(a) The term of this Agreement (the "Term of Employment") shall be the period commencing on the date of this Agreement (the "Commencement Date") and continuing until the "Termination Date," which, subject to Section 2(b) hereof, shall mean the earliest to occur of:

(i) January 1, 2023; provided, however, that on December 31, 2022 and on each December 31 thereafter (each, a "Renewal Date"), the remaining Term of Employment shall automatically be extended by one additional year, unless either the Company or Executive provides written notice to the other party of non-renewal at least ninety (90) days prior to the applicable Renewal Date;

(ii) the death of Executive;

(iii) Executive's inability to engage in any substantial gainful activity, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months ("Disability");

(iv) the discharge of Executive by NBTB or NBT Bank for "Cause," which shall mean the termination of Executive's employment on account of: (A) any willful or gross misconduct by Executive with respect to the business and affairs of NBTB or NBT Bank, or with respect to any of their affiliates, for which Executive is assigned material responsibilities or duties; (B) the conviction of Executive of a felony (after the earlier of (I) the expiration of any applicable appeal period without perfection of an appeal by Executive or (II) the denial of any appeal as to which no further appeal or review is available to Executive), whether or not committed in the course of his employment with NBTB and NBT Bank; (C) Executive's willful neglect, failure, or refusal to carry out his duties hereunder in a reasonable manner (other than any such failure resulting from Disability or death or from termination by Executive for Good Reason, as hereinafter defined); or (D) the breach by Executive of any representation or warranty in Section 4 hereof or of any provision of this Agreement which breach is material and adverse to NBTB, NBT Bank, or any of their affiliates for which Executive is assigned material responsibilities or duties; provided, however, in each case, the Company shall provide prior written notice to Executive that specifically identifies the event which NBTB or NBT Bank believes constitutes Cause hereunder, and to the extent applicable, Executive shall have sixty (60) days from receiving such notice to cure;

(v) Executive's resignation from his position as Executive Vice President and Chief Financial Officer of NBTB and NBT Bank other than for Good Reason (as hereinafter defined);

(vi) the termination of Executive's employment by NBTB or NBT Bank "without Cause," which shall mean Executive's termination of employment for any reason, other than those set forth in Subsections (i)-(v) of this Section 2(a) (except as otherwise provided below), at any time, upon the thirtieth (30th) day following notice to Executive; provided, that the Company's providing notice of non-renewal of the Agreement in accordance with Section 2(a)(i): (A) shall not constitute a termination of Executive's employment without Cause for purposes of Section 6(b), (B) shall constitute a termination of Executive's employment without Cause for purposes of Section 6(c) if the applicable Term of Employment is scheduled to end within twenty-four (24) months following a Change in Control, and (C) shall not give rise to any severance benefits hereunder, other than as provided in Sections 6(a) and 6(c), as applicable; or

(vii) Executive's resignation for Good Reason. "Good Reason" shall mean, without Executive's express written consent, reassignment of Executive to a material reduction in duties, responsibilities, or position other than for Cause, a material decrease in the amount or level of Executive's Base Salary or benefits from the amount or level established in Section 3 hereof, or a relocation of Executive's principal place of employment by more than sixty (60) miles, except for required travel on the Company's business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Company as of the date of the relocation. Notwithstanding the foregoing, if there exists (without regard to this sentence) an event or condition that constitutes Good Reason, NBTB shall have thirty (30) days from the date on which Executive gives the written notice thereof to cure such event or condition (such notice to be given by Executive within ninety (90) days from the date the event or condition first occurs) and, if NBTB does so cure, such event or condition shall cease to constitute Good Reason thirty (30) days after the end of the cure period.

(b) Notwithstanding anything to the contrary in Section 2(a) hereof, in the event a tender offer or exchange offer is made by a Person (including any individual, corporation, partnership, group, association, or other "person," as such term is used in Section 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than the Company or any employee benefit plan(s) sponsored by the Company) for more than thirty percent (30%) of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors ("Voting Securities"), including shares of common stock, no par value, of the Company (the "Company Shares"), Executive agrees that he will not leave the employ of the Company (other than as a result of Disability) and will render services to the Company in the capacity in which he then serves until such tender offer or exchange offer has been abandoned or terminated or a Change in Control of the Company has occurred as a result of such tender offer or exchange offer. If, during the period Executive is obligated to continue in the employ of the Company pursuant to this Section 2(b), the Company terminates Executive's employment without Cause or Executive provides written notice of his decision to terminate his employment for Good Reason, Executive's obligations under this Section 2(b) shall thereupon terminate, and Executive will be entitled to payments provided under Section 6(b).

(c) A Termination Date shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and, for purposes of any such provision of this Agreement, any references to a "termination," "termination of employment," or like terms shall mean a "separation from service."

3. Compensation. For the services to be performed by Executive for the Company and its affiliates under this Agreement, Executive shall be compensated in the following manner:

(a) Base Salary. During the Term of Employment:

(i) The Company shall pay Executive a salary, which on an annual basis shall be five hundred thousand dollars ($500,000) ("Base Salary"), subject to annual adjustments based on recommendations from the NBTB Compensation and Benefits Committee and in line with compensation for comparable positions in companies of similar size and structure, but in no case less than five hundred thousand dollars ($500,000). The Base Salary shall be payable in accordance with the normal payroll practices of the Company, with respect to executive personnel as presently in effect or as they may be modified by the Company from time to time.

(ii) Executive shall be eligible to be considered for performance bonuses commensurate with Executive's title and salary grade in accordance with the compensation policies of the Company with respect to executive personnel in effect as of the Commencement Date or as they may be modified by the Company from time to time. For the 2021 performance year, Executive will be eligible for a target bonus equal to 42.3% of Executive's Base Salary, and the amount paid, if any, shall be determined based upon satisfaction of applicable Company and personal performance metrics and will be pro-rated based on Executive's start date.

(b) Employee Benefit Plans or Arrangements. During the Term of Employment, Executive shall be entitled to participate in all employee benefit plans of the Company, as presently in effect as of the Commencement Date or as they may be modified by the Company from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB, NBT Bank, or their affiliates, including, without limitation, plans providing retirement benefits, stock options, restricted stock, or stock units, medical insurance, life insurance, disability insurance, long term care insurance, and accidental death or dismemberment insurance, provided that there be no duplication of such benefits as are provided under any other provision of this Agreement.

(c) Equity Awards.

(i) During the Term of Employment, Executive shall be eligible for awards, as determined by and in the sole discretion of the Board, under NBTB's 2018 Omnibus Incentive Plan, or any successor thereto (the "Plan"), as applicable to officers of Executive's rank.

(ii) In connection with Executive's commencement of employment, (A) as soon as reasonably practicable following the Commencement Date, NBTB will grant Executive an award of 3,500 restricted stock units pursuant to the terms of the Plan and an award agreement thereunder, and (B) as soon as reasonably practicable following the first anniversary of the Commencement Date, NBTB will grant Executive an award of 3,000 restricted stock units pursuant to the terms of the Plan and award agreement thereunder (together, the "Sign-On RSUs"). Each Sign-On RSU grant will vest in three equal annual installments on the 15th of the month in which the award is granted, subject to Executive's continued service through each such date and such other terms and conditions as set forth in the Plan and the applicable award agreement.

(d) Paid Time Off. During the Term of Employment, Executive shall be entitled to paid time off in accordance with the policies of the Company applicable to officers of Executive's rank employed by NBTB, NBT Bank, or their affiliates, as in effect as of the Commencement Date or as may be modified by the Company from time to time, but in no event shall Executive be entitled to less than six (6) weeks of paid time off per year, beginning January 1, 2022.

(e) Automobile. During the Term of Employment, Executive shall be entitled to the use of an automobile owned by NBTB, NBT Bank, or any of their affiliates, the make, model, and year of which automobile shall be appropriate to an officer of Executive's rank and which shall be replaced every four (4) years (or earlier if accumulated mileage exceeds seventy five thousand (75,000) miles). Executive shall be responsible for all expenses of ownership and use of any such automobile, subject to reimbursement of expenses for business use in accordance with Section 3(i).

(f) Enhanced Retirement Benefit. During the Term of Employment, Executive shall be eligible to receive a contribution to his deferred compensation account on an annual basis in an amount as determined by and in the sole discretion of the Board.

(g) Country Club Dues. During the Term of Employment, Executive shall be reimbursed for dues and assessments incurred in relation to Executive's membership at a country club mutually agreed upon by NBTB and Executive, subject to specific Internal Revenue Service rules. Executive shall be responsible for any income taxes associated with the use of such club membership.

(h) Withholding. All compensation to be paid to Executive hereunder shall be subject to applicable federal, state, and local taxes and all other required withholdings. Executive hereby acknowledges and agrees that he is responsible for all taxes in connection with any benefits, fringe benefits, or perquisites provided under this Agreement, and he is not entitled to a Gross Up.

(i) Expenses. During the Term of Employment, Executive shall be reimbursed for reasonable travel and other expenses incurred or paid by Executive in connection with the performance of his services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as may from time to time be requested by the Company, in accordance with such policies of the Company as are in effect as of the Commencement Date and as may be modified by the Company from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB, NBT Bank, or their affiliates. All expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive (provided that if any such reimbursements constitute taxable income to Executive, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement of expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

4. Confidential Business Information; Non-Competition; Non-Solicitation.

(a) Executive acknowledges that certain business methods, creative techniques, and technical data of the Company and any of its affiliates and the like are deemed by the Company to be and are in fact confidential business information of the Company or its affiliates or are entrusted to third parties. Such confidential information includes, but is not limited to, procedures, methods, sales relationships developed while in the service of the Company or its affiliates, knowledge of customers and their requirements, marketing plans, marketing information, studies, forecasts, and surveys, competitive analyses, mailing and marketing lists, new business proposals, lists of vendors, consultants, and other persons who render service or provide material to the Company or its affiliates, and compositions, ideas, plans, and methods belonging to or related to the affairs of the Company or its affiliates (collectively, "Confidential Information"). In this regard, the Company asserts proprietary rights in all of its Confidential Information and that of its affiliates, except for such information as is clearly in the public domain. Notwithstanding the foregoing, information that would be generally known or available to persons skilled in Executive's fields shall be considered to be "clearly in the public domain" for the purposes of the preceding sentence. Executive acknowledges that in connection with his employment with the Company, Executive has had or may have access to such Confidential Information, and he agrees that he will not disclose or divulge to any third party, except as may be required by his duties hereunder, by law, regulation, or order of a court or government authority, or as directed by the Company, nor shall he use to the detriment of the Company or its affiliates or use in any business or on behalf of any business competitive with or substantially similar to any business of the Company or its affiliates, any Confidential Information obtained during the course of his employment by the

Company. In the event that disclosure is required by law, regulation, or order of a court or government authority, Executive agrees that as soon as practical and in any event no later than thirty (30) days after receiving notice that Executive is required to make such disclosure, Executive will provide notice to the Company of such requirement by law, regulation, or order of a court or government authority. This Section 4(a) shall not be construed as restricting Executive from disclosing such information to the employees of the Company or its affiliates. On or before the Termination Date, Executive shall promptly deliver to the Company any and all Confidential Information in his possession, whether tangible, electronic, or intangible in form.

(b) Executive acknowledges that in the course of employment with the Company, Executive has had and will have access to and gained knowledge of the trade secrets and other Confidential Information of the Company and its affiliates; has had and will have substantial relationships with the customers of the Company and its affiliates; and has performed and will perform services of special, unique, and extraordinary value to the Company and its affiliates. Therefore, Executive agrees that notwithstanding the termination of this Agreement for any reason, from the Commencement Date until the second (2nd) anniversary of the Termination Date, the Executive shall not, directly or indirectly, on behalf of himself or any other person or entity, without the written consent of the Company:

(i) become an officer, employee, consultant, director, or trustee of any savings bank, savings and loan association, savings and loan holding company, bank or bank holding company, where such position entails providing services to such company in any city, town, or county in which the Company or its affiliates has an office, determined as of the Termination Date, where Executive's position or service for such business is competitive with or otherwise similar to any of Executive's positions or services for the Company or its affiliates;

(ii) induce or solicit any customer, supplier, or agent of the Company or its affiliates about whom Executive has gained Confidential Information or with whom Executive, by virtue of his employment with the Company, has established a relationship or had frequent contact, to terminate or curtail an existing business or commercial relationship with the Company or its affiliates;

(iii) induce or solicit any customer or supplier of the Company or its affiliates about whom Executive has gained Confidential Information or with whom Executive, by virtue of his employment with the Company, has established a relationship or had frequent contact, to provide or purchase goods or services similar to the goods or services provided by it to or purchased by it from the Company or its affiliates; provided, however, that the provisions of this clause (iii) only apply to those persons or entities who are customers or suppliers of the Company or its affiliates as of the Termination Date or who were customers of the Company or its affiliates during the one-year period prior to the Termination Date; or

(iv) solicit, induce, recruit, offer employment to, hire, or take any other action intended, or that a reasonable person acting in like circumstances would expect, to have the effect of causing any officer or employee of NBTB, NBT Bank, or their affiliates, to terminate his or her employment.

(c) Executive acknowledges and agrees that irreparable injury will result to the Company in the event of a breach of any of the provisions of this Section 4 (the "Designated Provisions") and that the Company will have no adequate remedy at law with respect thereto. Accordingly, in the event of a material breach of any Designated Provision, and in addition to any other legal or equitable remedy the Company may have, the Company shall be entitled to the entry of a preliminary and permanent injunction (including, without limitation, specific performance) by a court of competent jurisdiction in Chenango County, New York, or elsewhere, to restrain the violation or breach thereof by Executive, and Executive submits to the jurisdiction of such court in any such action.

(d) It is the desire and intent of the parties that the provisions of this Section 4 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Section 4 shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. In addition, should any court determine that the provisions of this Section 4 shall be unenforceable with respect to scope, duration, or geographic area, such court shall be empowered to substitute, to the extent enforceable, provisions similar hereto or other provisions so as to provide to the Company, to the fullest extent permitted by applicable law, the benefits intended by this Section 4. The existence of any claim or cause of action by Executive against the Company shall not constitute a defense to the enforcement by the Company of the provisions of Section 4, but such claim or cause of action shall be determined separately.

(e) The length of time for which the covenants in Section 4 shall be in force shall be extended by an amount of time equal to the period of time during which a violation of such covenant is deemed by a court of competent jurisdiction to have occurred (including any period required for litigation during which the Company seeks to enforce such covenant).

(f) U.S. federal law (18 U.S.C. section 1833(b)) states that an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (i) is made (A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. That law further states that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual: (1) files any document containing the trade secret under seal; and (2) does not disclose the trade secret, except pursuant to court order. For the avoidance of doubt, nothing in this Agreement is intended to, nor shall be construed to, conflict with 18 U.S.C. section 1833(b).

(g) Executive understands that nothing in this Agreement or any other agreement that Executive may have with the Company restricts or prohibits Executive from initiating communications directly with, responding to any inquiries from, providing testimony before, reporting possible violations of law or regulation to, filing a claim with or assisting with an investigation by a self-regulatory authority or a government agency or entity, including but not limited to the U.S. Securities and Exchange Commission and the federal Occupational Safety and Health Administration (collectively, "Government Agencies"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation, and Executive does not need the Company's prior authorization to engage in such conduct.

5. Life Insurance. In light of the unusual abilities and experience of Executive, NBTB (or NBT Bank or their affiliates) in its discretion may apply for and procure as owner and for its own benefit insurance on the life of Executive, in such amount and in such form as NBTB may choose. NBTB shall make all payments for such insurance and shall receive all benefits from it. Executive shall have no interest whatsoever in any such policy or policies but, at the request of NBTB, shall submit to medical examinations and supply such information and execute such documents as may reasonably be required by the insurance company or companies to which NBTB has applied for insurance.

6. Payments Upon Termination.

(a) Generally. In the event that the Term of Employment shall be terminated for any reason, Executive shall, in consideration for Executive's covenants pursuant to Section 4 hereof, be entitled to receive, upon the occurrence of any such event:

(i) any unpaid Base Salary, payable pursuant to Section 3(a)(i) hereof, which shall have been earned and accrued as of the Termination Date; and

(ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to Section 3 hereof, any right to reimbursement for expenses accrued as of the Termination Date pursuant to Section 3(i) hereof, and the right to receive the cash equivalent of paid annual leave accrued but unpaid as of the Termination Date pursuant to Section 3(d) hereof.

(b) Termination without Cause or Resignation for Good Reason. Subject to Sections 6(c) and 6(d) of this Agreement, in the event that the Term of Employment shall be terminated for the reason set forth in Section 2(a)(vi) (termination without Cause) or Section 2(a)(vii) (resignation for Good Reason) of this Agreement, Executive shall be entitled to receive, in addition to the amounts and rights set forth in Section 6(a) hereof, a lump sum payment equal to the unpaid portion of the Executive's Base Salary for the remaining unexpired Term of Employment (measured from the Termination Date through the end of the then-current Term of Employment), but in no event less than one-half (1/2) of the Executive's Base Salary, payable within thirty (30) days of Executive's Termination Date.

(c) Change in Control.

(i) Subject to Section 6(d) hereof, in the event that the Term of Employment shall be terminated for the reason set forth in Section 2(a)(vi) (termination without Cause) or Section 2(a)(vii) (resignation for Good Reason) hereof within twenty-four (24) months following a Change in Control (it being recognized that more than one such event may occur, in which case the twenty-four (24)-month period shall run from the date of each such occurrence), Executive shall be entitled to receive, in addition to the amounts and rights set forth in Section 6(a) hereof and in lieu of the amounts and rights set forth in Section 6(b), the following:

(A) A payment equal to the product of 2.99 multiplied by the sum of (1) Executive's Base Salary for the calendar year in which the Change in Control occurs and (2) Executive's average bonus earned for the three (3) previous calendar years; provided that such payment shall be paid in three (3) equal, annual installments, with the first installment to be made within thirty (30) days of Executive's Termination Date and the remaining two (2) installments made on the first business day of January of each of the next two (2) calendar years; provided, further, that under no circumstances shall two (2) installment payments be made during a single tax year of Executive; and

(B) (1) the Company shall maintain in full force and effect, for Executive's continued benefit and, if applicable, for the continued benefit of Executive's spouse and dependents, for three (3) years after the Termination Date, or such longer period as may be provided by the terms of the appropriate plan, certain noncash employee benefit plans, programs, or arrangements (including, without limitation, life insurance and health, dental, vision, and long-term care insurance plans, but excluding disability or accidental death and dismemberment insurance) in which Executive was entitled to participate immediately prior to the Termination Date, as in effect at the Termination Date, or, if more favorable to Executive and, if applicable, Executive's spouse and dependents, as in effect generally at any time thereafter with respect to executive employees of the Company or any successor; provided that Executive's continued eligibility for and participation in such plans, programs, and arrangements is possible after Termination Date under the general terms and provisions of such plans, programs, and arrangements; provided, however, that if Executive becomes eligible to participate in a benefit plan, program, or arrangement of another employer which confers substantially similar benefits upon Executive, Executive shall cease to receive benefits under this subsection in respect of such plan, program, or arrangement; provided, further, that for health benefits that extend beyond the COBRA limitation period, the Company shall pay Executive an amount equal to the benefits that Executive would have received under this Section 6(c)(i)(B)(1) without regard to such limitation, and (2) Executive's benefit under any retirement plans maintained by the Company in which Executive is a participant shall be fully vested upon the Termination Date. In the event that Executive's participation in any such plan, program, or arrangement is not possible after the Termination Date under the general terms and provisions of such plans, programs, and arrangements, the Company shall arrange to provide Executive with benefits substantially similar to those which Executive is entitled to receive under such plans, programs, and arrangements or alternatively, pay an amount equal to the reasonable value of such substantially similar benefits. If Executive elects or, if applicable, his spouse or dependents elect, COBRA continuation coverage after the Termination Date, the Company will pay the applicable COBRA premium for the maximum period during which such coverage is available. Executive and, if applicable, Executive's spouse and dependents may elect, in lieu of COBRA continuation coverage, to have the acquiring entity obtain an individual or group health insurance coverage and the acquiring entity will pay premiums thereunder for the maximum period during which you and, if applicable, your spouse and family could have elected to receive COBRA continuation coverage.

(ii) In the event that the Term of Employment shall be terminated for the reason set forth in Section 2(a)(iii) (termination on account of Disability) hereof within twenty-four (24) months of a Change in Control (it being recognized that more than one such event may occur, in which case the twenty-four (24)-month period shall run from the date of each such occurrence), Executive's benefits shall thereafter be determined in accordance with the Company's long-term disability income insurance plan. If the Company's long-term disability income insurance plan is modified or terminated following a Change in Control, the Company shall substitute such a plan with benefits applicable to Executive substantially similar to those provided by such plan prior to its modification or termination. During any period that Executive fails to perform his duties hereunder as a result of incapacity due to physical or mental illness, Executive shall continue to receive his Base Salary at the rate then in effect until his employment is termi-nated by the Company for Disability.

(iii) A "Change in Control" of the Company shall mean the occurrence of one of the following:

(A) A change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A, as in effect on the date hereof, pursuant to the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Person hereafter becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of thirty percent (30%) or more of the combined voting power of NBTB's Voting Securities;

(B) During any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by NBTB's shareholders, of each new director was approved by a vote of at least two-thirds (2/3) of the directors then still in office, who were directors at the beginning of the period;

(C) There shall be consummated (x) any consolidation or merger of NBTB in which NBTB is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of NBTB in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of NBTB, provided that any such consolidation, merger, sale, lease, exchange, or other transfer consummated at the insistence of an appropriate banking regulatory agency shall not constitute a change in control of NBTB;

(D) Approval by the shareholders of NBTB of any plan or proposal for the liquidation or dissolution of NBTB; or

(E) Any event which would be described in Subsections (A), (B), (C), or (D) of this Section 6(c)(iii) if "NBT Bank" were substituted for "NBTB" therein.

In no event, however, shall a Change in Control be deemed to have occurred as a result of any acquisition of securities or assets of the Company, the Bank, or any subsidiary of either of them, (1) by NBTB, NBT Bank, or any subsidiary of either of them or (2) by any employee benefit plan maintained by any of them.

(iv) Within five (5) days following the consummation of a Change in Control of the Company, the Company (or its successor) shall establish a trust that conforms in all regards with the model trust published in Revenue Procedure 92-64 and deposit an amount sufficient to satisfy all liabilities of the Company under Section 6(c) of this Agreement. The trust shall be established with an independent trustee, if the Executive so chooses, and the Company (or its successor) shall be responsible for all set-up and ongoing fees associated with the trust until the satisfaction of all obligations under the trust.

(d) Release. Payment and provision of the benefits described in Sections 6(b) and 6(c) of this Agreement (the "Severance Payments") are subject to Executive's execution and delivery to NBTB of a Separation Agreement and Release, in substantially the form attached hereto as **Exhibit A** (the "Release"), which shall be incorporated by reference into this Agreement and become a part hereof, within sixty (60) days of Executive's termination of employment, which has (and not until it has) become irrevocable, releasing NBTB, NBT Bank, and any of their affiliates, and their directors, officers, and employees, from any and all claims or potential claims arising from or related to Executive's employment with NBTB, NBT Bank, or any of their affiliates or Executive's termination of employment. If the Release is executed and delivered and no longer subject to revocation as provided in the preceding sentence, payments or benefits shall commence upon the first scheduled payment date immediately after the date the Release is executed and no longer subject to revocation (the "Release Effective Date"). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Agreement applied as though such payments commenced immediately upon Executive's Termination Date, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Executive's Termination Date.

The Company may provide, in its sole discretion, that Executive may continue to participate in any benefits delayed pursuant to this Section 6(d) during the period of such delay, provided that Executive shall bear the full cost of such benefits during such delay period. Upon the date such benefits would otherwise commence pursuant to this Section 6(d), the Company may reimburse Executive the Company's share of the cost of such benefits, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, in each case had such benefits commenced immediately upon Executive's Termination Date. Any remaining benefits shall be reimbursed or provided by the Company in accordance with the schedule and procedures specified herein.

(e) Retirement. In the event that the Term of Employment is terminated as a result of Executive's Retirement prior to age 65, in addition to any other amounts payable pursuant to this Section 6, Executive shall, in consideration for Executive's covenants pursuant to Section 4 hereof, be entitled to continue to participate, at the then-active employee premium rate, in the Company's pre-age 65 medical plan until age 65; provided, however, that if Executive becomes eligible to participate in a benefit plan, program, or arrangement of another employer which confers substantially similar benefits upon Executive, Executive shall cease to receive benefits under this subsection in respect of such plan, program, or arrangement. Solely for this purpose, "Retirement" means Executive's termination of employment without Cause or resignation from employment for any reason after both age 55 and three (3) years of service with the Company.

(f) No Mitigation. Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor, except as expressly set forth in Section 6(c)(i)(B) or Section 6(e) of this Agreement, shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned or benefits received by Executive as the result of employment by another employer after the Termination Date or otherwise.

(g) Regulatory Limits. Notwithstanding any other provision in this Agreement, the Company may terminate or suspend this Agreement and the employment of Executive hereunder, as if such termination were for Cause, to the extent required by the applicable federal or state statue related to banking, deposit insurance, or bank or savings institution holding companies, or by regulations or orders issued by the Office of the Controller of the Currency, the Federal Deposit Insurance Corporation, or any other state or federal banking regulatory agency having jurisdiction over NBTB or NBT Bank, and no payment shall be required to be made to or for the benefit of Executive under this Agreement to the extent such payment is prohibited by applicable law, regulation, or order issued by a banking agency or a court of competent jurisdiction; provided, that it shall be the Company's burden to prove that any such action was so required.

7. Maximization of After-Tax Amounts. Notwithstanding anything contained herein to the contrary, in the event any payments or benefits Executive becomes entitled to pursuant to this Agreement or any other payments or benefits received or to be received by Executive in connection with a Change in Control or termination of employment (whether pursuant to the terms of any other agreement, plan, or arrangement, or otherwise, with the Company, any Person whose actions result in a Change in Control, or any affiliate of the Company or such Person) (collectively the "Payments") will be subject to the tax (the "Excise Tax") imposed by Code Section 4999, the payments or benefits due under this Agreement shall be reduced so that the Payments will not result in the imposition of such Excise Tax. The Payment reduction contemplated by the preceding sentence shall be implemented by determining the "Parachute Payment Ratio" (as defined below) for each "parachute payment" within the meaning of Code Section 280G ("Section 280G"), and then reducing the "parachute payments" in order beginning with the "parachute payment" with the highest Parachute Payment Ratio. For "parachute payments" with the same Parachute Payment Ratio, such "parachute payments" shall be reduced based on the time of payment of such "parachute payments" with amounts having later payment dates being reduced first. For "parachute payments" with the same Parachute Payment Ratio and the same time of payment, such "parachute payments" shall be reduced on a pro rata basis (but not below zero) prior to reducing "parachute payments" with a lower Parachute Payment Ratio. For purposes hereof, the term "Parachute Payment Ratio" shall mean a fraction, the numerator of which is the value of the applicable "parachute payment" for purposes of Section 280G and the denominator of which is the intrinsic value of such "parachute payment." For purposes of determining whether any of the Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) the entire amount of the Payments shall be treated as "parachute payments" within the meaning of Code Section 280G(b)(2) and as subject to the Excise Tax, unless and to the extent, in the written opinion of the Company's independent accountants and as reasonably acceptable to Executive, such payments (in whole or in part) are not subject to the Excise Tax; and (ii) the value of any noncash benefits or any deferred payment or benefit (constituting a part of the Payments) shall be determined by the Company's independent auditors in accordance with the principles of Code Sections 280G(d)(3) and (4). Notwithstanding the foregoing, if (i) the Payments exceed three (3) times Executive's "base amount" as defined within Section 280G and (ii) Executive would receive at least $50,000 more on a net after-tax basis if his Payments were not reduced pursuant to this Section 7 (after Executive's payment of the Excise Tax), then the Company will not reduce the Payments to Executive, and Executive shall be responsible for the Excise Tax related thereto. For purposes of determining the net after-tax benefit, Executive shall be deemed to pay federal income taxes at the highest marginal rate of the federal income taxation applicable to individuals (without taking into account surtaxes or loss or reduction of deductions) for the calendar year in which the Termination Date occurs and state and local income taxes at the highest marginal rates of taxation in the state and locality of your residence on the Termination Date.

8. Representations and Warranties.

(a) Executive represents and warrants to the Company that his execution, delivery, and performance of this Agreement will not result in or constitute a breach of or conflict with any term, covenant, condition, or provision of any commitment, contract, or other agreement or instrument, including, without limitation, any other employment agreement, to which Executive is or has been a party.

(b) Executive shall indemnify, defend, and hold harmless the Company for, from, and against any and all losses, claims, suits, damages, expenses, or liabilities, including court costs and counsel fees, which the Company has incurred or to which the Company may become subject, insofar as such losses, claims, suits, damages, expenses, liabilities, costs, or fees arise out of or are based upon any failure of any representation or warranty of Executive in Section 8(a) hereof to be true and correct when made.

9. Notices. All notices, consents, waivers, or other communications which are required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered personally or by messenger, transmitted by telex or telegram, by express courier, or sent by registered or certified mail, return receipt requested, postage prepaid. All communications shall be addressed to the appropriate address of each party as follows:

If to NBTB or NBT Bank:

NBT Bancorp Inc.

52 South Broad Street

Norwich, New York 13815

Attention: Chief Executive Officer

With a required copy to:

Richard Schaberg

Hogan Lovells US L.L.P.

555 13th Street, N.W.

Washington, D.C. 20004-1109

Fax: (202) 637-5910

If to Executive, to Executive's most recent address on file with the Company.

All such notices shall be deemed to have been given on the date delivered, transmitted, or mailed in the manner provided above.

10. Assignment; Successors. Neither party may assign this Agreement or any rights or obligations hereunder without the consent of the other party. This Agreement shall inure to the benefit of, and be binding upon, any corporate or other successor or assignee of the Company which shall acquire, directly or indirectly, by merger, consolidation, purchase, or otherwise, all or substantially all of the business or assets of the Company. The Company shall require any such successor, by an agreement in form and substance satisfactory to Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place. This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributes, devisees, and legatees. If Executive should die while any amount would still be payable to Executive hereunder if Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee, or if there is no such designee, to Executive's estate.

11. Governing Law. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of law thereof. The parties hereby designate Chenango County, New York to be the proper jurisdiction and venue for any suit or action arising out of this Agreement. Each of the parties consents to personal jurisdiction in such venue for such a proceeding and agrees that it may be served with process in any action with respect to this Agreement or the transactions contemplated thereby by certified or registered mail, return receipt requested, or to its registered agent for service of process in the State of New York. Each of the parties irrevocably and unconditionally waives and agrees, to the fullest extent permitted by law, not to plead any objection that it may now or hereafter have to the laying of venue or the convenience of the forum of any action or claim with respect to this Agreement or the transactions contemplated thereby brought in the courts aforesaid.

12. Entire Agreement; Amendment; Waiver. This Agreement constitutes the entire understanding between the Company and Executive relating to the subject matter hereof. Any previous discussions, agreements, commitments, or understandings between the parties hereto or between Executive and NBTB, NBT Bank, or any of their affiliates, whether oral or written, regarding the subject matter hereof, including without limitation the terms and conditions of employment, compensation, benefits, retirement, competition following employment, and the like (including the NBTB Enhanced Separation Pay Plan), are superseded by this Agreement. Without limitation, this Agreement expressly supersedes any previous employment agreement and that certain offer letter, dated June 24, 2021, from the Company to Executive. Neither this Agreement nor any provisions hereof can be modified, changed, discharged, or terminated except by an instrument in writing signed by the party against whom

any waiver, change, discharge, or termination is sought. No waiver, by either party hereto at any time, of any breach by the other party hereto or of compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same, or at any prior or subsequent, time.

13. Illegality; Severability.

(a) Notwithstanding anything in this Agreement to the contrary, this Agreement is not intended and shall not be construed to require any payment to Executive which would violate any federal or state statute or regulation, including without limitation the “golden parachute payment regulations” of the Federal Deposit Insurance Corporation codified to Part 359 of title 12, Code of Federal Regulations.

(b) If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever:

(i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and

(ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provisions held to be invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

14. 409A Compliance.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Code Section 409A and the regulations and guidance promulgated thereunder and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall NBTB, NBT Bank, or any of their directors, officers, employees, or agents be liable for any additional tax, interest, or penalty that may be imposed on Executive by Code Section 409A or damages for failing to comply with Code Section 409A. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes “deferred compensation” for purposes of Code Section 409A be subject to offset, counterclaim, or recoupment by any other amount payable to Executive unless otherwise permitted by Code Section 409A. For purposes of Code Section 409A, Executive’s right to receive any installment payment pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

(b) Notwithstanding any other payment schedule provided herein to the contrary, if Executive is deemed on the Termination Date a “specified employee” within the meaning of that term under Code Section 409A, then each of the following shall apply:

(i) With regard to any payment that is considered deferred compensation under Code Section 409A payable on account of a “separation from service,” such payment shall be made on the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of Executive’s “separation from service,” and (B) the date of Executive’s death (the “Delay Period”), to the extent required under Code Section 409A. Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 14 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein; and

(ii) To the extent that any benefits to be provided during the Delay Period are considered deferred compensation under Code Section 409A provided on account of a “separation from service,” and such benefits are not otherwise exempt from Code Section 409A, Executive shall pay the cost of such benefits during the Delay Period, and the Company shall reimburse Executive, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, the Company’s share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be reimbursed or provided by the Company in accordance with the procedures specified herein.

15. Arbitration. Subject to the right of each party to seek specific performance (which right shall not be subject to arbitration) and to seek injunctive relief or other equitable relief in connection with or by reason of a breach or threatened breach of Section 4 (where the party has elected not to pursue such relief in arbitration pursuant to this Section 15), if a dispute arises out of or is in any way related to this Agreement or the asserted breach thereof, such dispute shall be referred to arbitration before the American Arbitration Association the (“AAA”) pursuant to the AAA’s National Rules for the Resolution of Employment Disputes (the “Arbitration Rules”). A dispute subject to the provisions of this Section 15 will exist if either party notifies the other party in writing that a dispute subject to arbitration exists and states, with reasonable specificity, the issue subject to arbitration (the “Arbitration Notice”). The parties agree that, after the issuance of the Arbitration Notice, the parties will try in good faith between the date of the issuance of the Arbitration Notice and the date the dispute is set for arbitration to resolve the dispute by mediation in accordance with the Arbitration Rules. If the dispute is not resolved by the date set for arbitration, then any controversy or claim arising out of this Agreement or the asserted breach hereof shall be resolved by binding arbitration and judgment upon any award rendered by arbitrator(s) may be entered in a court having jurisdiction. In the event any claim or dispute involves an amount in excess of $100,000, either party may request that the matter be heard and resolved by a single arbitrator. The arbitrator shall have the same power to compel the attendance of witnesses and to order the production of documents or other materials and to enforce discovery as could be exercised by a United States District Court judge sitting in

Chenango County, New York. In the event of any arbitration, each party shall have a reasonable right to conduct discovery to the same extent permitted by the Federal Rules of Civil Procedure, provided that discovery shall be concluded within ninety (90) days after the date the matter is set for arbitration. The arbitrator or arbitrators shall have the power to award reasonable attorneys' fees to the prevailing party. Any provisions in this Agreement to the contrary notwithstanding, this Section 15 shall be governed by the Federal Arbitration Act, and the parties have entered into this Agreement pursuant to such act.

16. Costs of Litigation. In the event litigation is commenced to enforce any of the provisions hereof, or to obtain declaratory relief in connection with any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorneys' fees. In the event this Agreement is asserted in any litigation as a defense to any liability, claim, demand, action, cause of action, or right asserted in such litigation, the party prevailing on the issue of that defense shall be entitled to recovery of reasonable attorneys' fees.

17. Company Right to Recover. If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company as a result of misconduct, with regard to any financial reporting requirement under the securities laws, and Executive is subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 and Executive knowingly engaged in the misconduct, was grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct, or was grossly negligent in failing to prevent the misconduct, Executive shall reimburse the Company the amount of any payment earned or accrued during the twelve (12)-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

Notwithstanding anything in this Agreement, if the Company is required to prepare an accounting restatement, Executive will forfeit any payments made based on the achievement of pre-established performance goals that are later determined, as a result of the accounting restatement, not to have been achieved.

To the extent that any payment is made to Executive pursuant to this Agreement and information later becomes available that would have led to supervisory disapproval of the payment, then the Company and its successors expressly reserve the right to suspend or deny full allocation of all remaining payments and/or compel repayment of any or all dispersed payments, should later information warrant such action. Subsequent information which would lead to the exercise of these rights would include, without limitation, any information indicating that Executive has committed, is substantially responsible for, or has violated the respective acts or omissions, conditions, or offenses outlined in 12 C.F.R. section 359.4(a)(4).

18. Cooperation. The parties agree that certain matters in which Executive will be involved during the Term of Employment may necessitate Executive's cooperation in the future. Accordingly, following the termination of Executive's employment for any reason, to the extent reasonably requested by the Board, Executive shall cooperate with the Company in connection with matters arising out of Executive's service to the Company; provided, that the Company shall make reasonable efforts to minimize disruption of Executive's other activities. The Company shall reimburse Executive for reasonable expenses incurred in connection with such cooperation and, to the extent that Executive is required to spend substantial time on such matters, the Company shall compensate the Executive at an hourly rate based on Executive's Base Salary on the Termination Date or at another mutually agreed upon rate.

19. Affiliation. A company will be deemed to be an "affiliate" of, or "affiliated" with NBTB or NBT Bank according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

20. Headings. The section and subsection headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

21. Survival. Sections 4, 8, 13, 15, 16, 17, and 18 shall survive the expiration or termination of this Agreement for any reason and, as applicable, shall be fully enforceable thereafter in accordance with the terms of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be executed as of the day and year first above written.

NBT BANCORP INC.
By: /s/ John H. Watt, Jr.
Name: John H. Watt, Jr.
Title: President & Chief Executive Officer

EXECUTIVE
By: /s/ Scott A. Kingsley
Scott A. Kingsley

Exhibit A

SEPARATION AGREEMENT AND RELEASE

I. In consideration of receipt and acceptance of the separation payments described in the Employment Agreement and listed on Appendix A between NBT BANCORP INC. ("NBTB") and SCOTT A. KINGSLEY ("Executive"), dated August 5, 2021 (the "Employment Agreement"), into which this Separation Agreement and Release ("Separation Agreement") is incorporated by reference, Executive, on behalf of himself and his agents, heirs, executors, administrators, successors, and assigns, unconditionally and generally releases NBTB and NBT Bank, National Association ("NBT Bank"), their respective current and former owners, officers, directors, parents, affiliates, subsidiaries, related entities, agents and employees, and the heirs, executors, administrators, successors and assigns of all of the foregoing (collectively, "Releasee"), from or in connection with, and Executive hereby waives and/or settles, with prejudice, any and all complaints, causes of action, suits, controversies, or any liability, claims, demands, or damages, known or unknown and of any nature whatsoever and which Executive ever had, now has or shall or may have as of the date of this Separation Agreement, including without limitation, those arising directly or indirectly pursuant to or out of any aspect of Executive's employment or termination from employment with NBTB, NBT Bank or any other Releasee.

II. Specifically, without limitation of the foregoing, and except as to the enforcement of this Separation Agreement and any rights which cannot be waived as a matter of law, the release and waiver of claims under this Separation Agreement shall include and apply to any rights and/or claims (i) arising under any contract or employment arrangement, express or implied, written or oral; (ii) for wrongful dismissal or termination of employment; (iii) arising under any applicable federal, state, local or other statutes, laws, ordinances, regulations or the like, or case law, that relate to employment or employment practices and/or specifically, that prohibit discrimination based upon age, race, religion, sex, national origin, disability, genetic information or any other unlawful bases, including without limitation, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Civil Rights Act of 1866, the Equal Pay Act of 1963, the Family Medical Leave Act of 1993, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, Executive Order 11246, the Worker Adjustment and Retraining Notification Act, the New York State Human Rights Law, the New York City Human Rights Law, the New York Labor Law, all as amended, and any other statutes, orders, laws, ordinances, regulations applicable to Employee's employment, of any state or city in which any Releasee is subject to jurisdiction, and/or any political subdivision thereof; (iv) based upon any other federal, state or local statutes, orders, laws, ordinances, regulations, case law, public policy, or common law or the like; (v) concerning recruitment, hiring, discharge, promotions, transfers, employment status, right to reemployment, wages, bonus or incentive pay, severance pay, stock or stock options, employment benefits (including, without limitation, sick or other leave, medical, disability, life, or any other insurance, 401(k), pension, other retirement plans or benefits, or any other fringe benefits), workers' compensation, intentional or negligent misrepresentation and/or infliction of emotional distress, interference with contract, fraud, libel, slander, defamation, invasion of privacy or loss of consortium, together with any and all tort, contract, or other claims which have been or might have been asserted by Executive or on his behalf in any suit, charge of discrimination, or claim against the Releasee; and (vi) for damages, including without limitation, punitive or compensatory damages, or for attorneys' fees, expenses, costs, wages, injunctive or equitable relief.

III. Executive expressly understands and acknowledges that it is possible that unknown losses or claims exist or that present losses may have been underestimated in amount or severity, and Executive explicitly took that into account in determining the amount of consideration to be paid for the giving of the release in this Separation Agreement, and a portion of said consideration and the mutual covenants were given in exchange for a full satisfaction and discharge of such claims.

IV. Executive and NBT Bank acknowledge that the above release and waiver of claims shall not apply to the obligation of NBT Bank to make payments (if any) of any vested benefit under NBT Bank's tax-qualified employee benefit plans nor to Executive's right to continue healthcare insurance under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985.

V. Executive represents and warrants that he has not filed or commenced any complaints, claims, actions or proceeding of any kind against any Releasee with any federal, state or local court or any administrative or regulatory body. Executive agrees not to commence or participate as a party in any proceeding in any court or forum against any Releasee which is based upon any act, omission or occurrence up to and including the date of the execution of this Separation Agreement. Executive further agrees not to encourage or participate in any action or proceeding brought by any person (except a government agency) against any Releasee. Notwithstanding the foregoing, this Separation Agreement does not affect Executive's right to file a charge or complaint with any state, local or federal agency or to participate or cooperate in such a matter. However, Executive acknowledges that he is not entitled to monetary damages resulting from any such actions. Executive acknowledges and agrees that while this Separation Agreement sets forth a broad release under Title VII of the Civil Rights Act of 1964, as amended, the New York State Human Rights Law, as amended, and any other federal, state, or local law that prohibits sexual harassment, Executive has never asserted a claim for sexual harassment and has no such claim against NBTB, NBT Bank or any other Releasee as of the date of this Separation Agreement. Executive further acknowledges and agrees that no portion of the separation payments under the Employment Agreement that Executive is receiving under the terms of the Employment Agreement, if any, relates in any way to a claim for sexual harassment.

VI. This Separation Agreement is not and shall not be construed as an admission by any Releasee or Executive of any wrongdoing or illegal acts or omissions, and each party expressly denies that they engaged in any wrongdoing or illegal or acts or omissions. Executive shall not, except as may be required by law, make any oral or written negative, disparaging or adverse statements, suggestions, or representations of or concerning NBT Bank or any Releasee.

VII. Executive agrees to cooperate reasonably with and to be readily available to NBT Bank to assist in any matter, including government agency investigations, court litigation or potential litigation, about which Executive may have knowledge. If Executive receives a subpoena or other legal process relating in any way to same, Executive immediately will provide NBT Bank notice of the contact or the service of such subpoena or other legal process, and shall cooperate with NBT Bank in responding.

VIII. Except as prohibited by law, each Releasee shall be excused from any obligation to make payment of the separation payments in the Employment Agreement in the event that paragraphs I through IV of this Separation Agreement are determined to be void or unenforceable, in whole or in part; or Executive is found to have made a material misstatement in any term, condition, representation or acknowledgement in this Separation Agreement, in either of which event Executive shall also be liable for any damages and costs suffered or incurred by any Releasee by reason of such misstatement or breach.

IX. This Separation Agreement shall be incorporated by reference into the Employment Agreement and shall be made a part thereof.

X. Executive agrees and acknowledges that:

(a) With respect to the General Release in Section II hereof, Executive agrees and understands that he is specifically releasing all claims under the Age Discrimination in Employment Act, as amended, 29 U.S.C. § 621 et seq. Executive acknowledges that he has read and understands this Agreement and executes it voluntarily and without coercion;

(b) Executive has been advised by NBT Bank to consult with an attorney before executing this Separation Agreement and has been given twenty-one (21) days to review this Separation Agreement and to consider whether to sign this Separation Agreement. Executive may elect to sign this Separation Agreement prior to the expiration of the twenty-one (21) day consideration period specified herein, and Executive agrees that if he elects to do so, such election is knowing and voluntary and comes after full opportunity to consult with an attorney;

(c) Executive has the right to revoke this Separation Agreement within the seven (7) day period following the date Executive signs this Separation Agreement (the “Revocation Period”) and any revocation shall be made by providing a signed notice in writing, delivered personally or by fax to the Chief Human Resources Officer at NBT Bancorp, 52 South Broad Street, Norwich, New York, 13815 no later than 5:00 p.m. on the seventh calendar day following his execution of this Separation Agreement;

(d) This Separation Agreement will not be effective or enforceable, and the separation payments under the Employment Agreement are not required and shall not be delivered or paid, until Executive has delivered a signed, notarized original of this Separation Agreement to the Chief Human Resources Officer at NBT Bancorp, 52 South Broad Street, Norwich, New York, 13815 and the Revocation Period has expired without revocation of this Separation Agreement. It is not necessary that any Releasee sign this Separation Agreement following Executive’s full and complete execution of it for it to become fully effective and enforceable;

(e) Executive relied solely on his own judgment and/or that of his attorney regarding the consideration for and the terms of this Separation Agreement and is signing this Separation Agreement knowingly and voluntarily of his own free will;

(f) Executive is not entitled to the separation payments under the Employment Agreement unless he agrees to and honors the terms of this Separation Agreement; and

(g) Executive has read and understands this Separation Agreement and further understands that, subject to the limitations contained herein, it includes a general release of any and all known and unknown, foreseen or unforeseen claims presently asserted or otherwise arising through the date of his signing of this Separation Agreement that he may have against any Releasee.

XI. Executive understands all of the terms of this Separation Agreement, and agrees that such terms are fair, reasonable and are not the result of any fraud, duress, coercion, pressure or undue influence exercised by or on behalf of any Releasee; and Executive has agreed to and entered into this Separation Agreement and all of its terms, knowingly, freely and voluntarily.

XII. There are no other agreements of any nature between any Releasee and Executive with respect to the matters discussed in this Separation Agreement, except as expressly stated herein, and in signing this Separation Agreement, Executive is not relying on any agreements or representation, except those expressly contained in this Separation Agreement.

XIII. This Separation Agreement shall be governed by the laws of New York, excluding the choice of law rules thereof.

XIV. This Separation Agreement may be executed in counterparts, each of which shall be deemed an original, and, when executed by all parties to this Separation Agreement, shall constitute one and the same instrument. Facsimile or PDF transmissions of this Separation Agreement signed by any party hereto shall be deemed an original counterpart and binding.

[Remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Separation Agreement.

____
Date__________________________________
Scott A. Kingsley

STATE OF NEW YORK)
: ss.:
COUNTY OF)

On the ____ day of _________, 20__, personally came __________________ and being duly sworn, acknowledged that he is the person described in and who executed the foregoing Separation Agreement and acknowledged that he executed same.

____
Notary Public

NBT BANCORP INC.

By:________________________________
Date:___________________________

Title:________________________________

Appendix A

[Separation Payments]

Exhibit B

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John H. Watt, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of NBT Bancorp Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2021

By: /s/ John H. Watt, Jr.
John H. Watt Jr.
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott A. Kingsley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NBT Bancorp Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2021

By: /s/ Scott A. Kingsley
Scott A. Kingsley
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

Written Statement of the Chief Executive Officer Pursuant to Section 906 of the SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer of NBT Bancorp Inc. (the "Company"), hereby certifies that to his knowledge on the date hereof:

(a) the Form 10-Q of the Company for the Quarterly Period Ended June 30, 2021, filed on the date hereof with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John H. Watt, Jr.

John H. Watt, Jr.
Chief Executive Officer
August 6, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to NBT Bancorp Inc. and will be retained by NBT Bancorp Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Written Statement of the Chief Financial Officer Pursuant to Section 906 of the SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Financial Officer of NBT Bancorp Inc. (the "Company"), hereby certifies that to his knowledge on the date hereof:

(a) the Form 10-Q of the Company for the Quarterly Period Ended June 30, 2021, filed on the date hereof with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott A. Kingsley

Scott A. Kingsley
Executive Vice President and
Chief Financial Officer
August 6, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to NBT Bancorp Inc. and will be retained by NBT Bancorp Inc. and furnished to the Securities and Exchange Commission or its staff upon request.