UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549-1004

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the year ended December 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from to

Commission file number 1-3579

PITNEY BOWES INC.

State of Incorporation	IRS Employer Identification No.
Delaware	06-0495050

World Headquarters
Stamford, Connecticut 06926-0700
Telephone Number: (203) 356-5000

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

Title of each class	Name of each exchange on which registered
Common Stock ($2 par value)	New York Stock Exchange
$2.12 Convertible Cumulative Preference Stock (no par value)	New York Stock Exchange
Preference Share Purchase Rights	New York Stock Exchange

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

4% Convertible Cumulative Preferred Stock ($50 par value)

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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, and (2) has been subject to such filing requirements for the past 90 days. Yes X No

The aggregate market value of voting stock (common stock and $2.12 preference stock) held by non-affiliates of the Registrant as of March 14, 1997 is $9,078,238,584.

Number of shares of common stock, $2 par value, outstanding as of March 14, 1997 is 147,050,608.

DOCUMENTS INCORPORATED BY REFERENCE:

1. Only the following portions of the Pitney Bowes Inc. 1996 Annual

Report to Stockholders are incorporated by reference into Parts I, II and IV of this Form 10-K Annual Report.

(a) Financial Statements, pages 26 to 46.

(b) Management's Discussion and Analysis of Results of Operations and Financial Condition and Summary of Selected Financial Data on pages 17 to 25 excluding the information on page 24 relating to Dividend Policy.

(c) Stock Information and Stock Exchanges, on page 47.

2. Pitney Bowes Inc. Notice of the 1997 Annual Meeting and Proxy Statement dated April 3, 1997 pages 3, 4, 7, 8, 9, 11-14, 20 and portions of pages 2, 5, 6, 15 and 19 are incorporated by reference into Part III of this Form 10-K Annual Report.

PART I

Item 1. Business

Pitney Bowes Inc. and its subsidiaries (the company) operate within three industry segments: business equipment, business services, and commercial and industrial financing. The company operates in two geographic areas: the United States and outside the U.S. Financial information concerning revenue, operating profit and identifiable assets by industry segment and geographic area appears on pages 43 and 44 of the Pitney Bowes Inc. 1996 Annual Report to Stockholders and is incorporated herein by reference.

Business Equipment. Business equipment consists of four products, supplies and service classes: mailing systems, copying systems, facsimile systems and related financing. These products and services are sold, rented or leased by the company while supplies and services are sold. Some of the company's products are sold through dealers outside the U.S.

Mailing systems include postage meters, mailing machines, address hygiene software, manifest systems, letter and parcel scales, mail openers, mailroom furniture, folders, and paper handling and shipping equipment.

Copying systems include a wide range of copying systems and supplies.

Facsimile systems include a wide range of facsimile systems and supplies.

The financial services operations provide lease financing for the company's products in the U.S., Canada, the United Kingdom, Germany, France, certain other European countries and Australia.

The company sold its Dictaphone Corporation (Dictaphone) and Monarch Marking Systems, Inc. (Monarch) subsidiaries in 1995. Dictaphone and Monarch have been classified in the Consolidated Statement of Income as discontinued operations; revenue and income from continuing operations exclude the results of Dictaphone and Monarch for all periods presented. (See Note 12, Discontinued operations, of the Notes to the Consolidated Financial Statements in the Pitney Bowes Inc. 1996 Annual Report to Stockholders).

Business Services. Business services consists of facilities management and mortgage servicing.

Facilities management services are provided by the company's Pitney Bowes Management Services, Inc. subsidiary (P.B.M.S.). P.B.M.S. is a leader in providing on-and off-site services which help customers manage the creation, processing, storage, retrieval, distribution and tracking of documents and messages in both paper and digital form. P.B.M.S. provides customers with a variety of business support services to manage mail, copy and repographic centers, facsimile, electronic printing and imaging services, and records management.

Mortgage servicing is provided by Atlantic Mortgage & Investment Corporation (A.M.I.C.) a wholly-owned subsidiary of Pitney Bowes Credit Corporation. A.M.I.C. provides billing, collecting and processing services for major investors in residential first mortgages for a fee.

Commercial and Industrial Financing. The commercial and industrial financing segment provides large ticket financing programs, covering a broad range of products, and other financial services to the commercial and industrial markets in the U.S. Products financed include both commercial and non-commercial aircraft, over-the-road trucks and trailers, railcars and locomotives and high-technology equipment such as data processing and communications equipment as well as commercial real estate properties. The finance operations have also participated, on a select basis, in certain other types of financial transactions including: sale of certain lease transactions, senior secured loans in connection with acquisitions, leveraged buyout and recapitalization financings, residual value insurance and certain project financings. The company also finances a broad range of other commercial and industrial products to small and medium-sized businesses throughout the United States, marketing exclusively through a nationwide network of brokers and independent lessors.

Consolidated financial services operations financed 39 percent of consolidated sales from continuing operations in 1996 and 1995, and 41 percent in 1994. The lower percentage of sales financed compared to 1994, is a direct result of the increasing significance of the facilities management business to the company's revenue. The facilities management business does not utilize traditional financing services used by the other businesses within the company.

Financial services' (which includes commercial and industrial, and internal financing) borrowing strategy is to use a balanced mix of debt maturities, variable- and fixed-rate debt and interest rate swap agreements to control its sensitivity to interest rate volatility. The company utilizes interest rate swap agreements when it considers the economic benefits to be favorable. Swap agreements have been principally utilized to fix interest rates on commercial paper and/or obtain a lower cost on debt than would otherwise be available absent the swap. The financial services businesses may borrow through the sale of commercial paper, under its confirmed bank lines of credit, and by private and public offerings of intermediate- or long-term debt securities. While the company's funding strategy may reduce sensitivity to interest rate changes over the long-term, effective interest costs have been and will continue to be impacted by interest rate changes. The company periodically adjusts prices on its new leasing and financing transactions to reflect changes in interest rates; however, the impact of these rate changes on revenue is usually less immediate than the impact on borrowing costs.

Nonrecurring Items, Net. Through December 31, 1996, the company successfully implemented the plan adopted in the third quarter of 1994, which was designed to address the impact of technology on workforce requirements and to further refine its strategic focus on core businesses. The plan resulted in a $93.2 million charge against earnings in 1994. The details of this plan are discussed in Note 13 to the Consolidated Financial Statements. The company made severance and benefit payments of approximately $65 million, the majority of which were paid in 1995 to employees separated under the strategic focus initiatives.

Completion of the actions contemplated under the strategic initiatives cost the company approximately $5 million in excess of that initially provided in 1994. This excess was recorded in selling, service and administrative expense in 1995. Also, the company has written down assets and incurred certain other exit costs, as planned, by approximately $19 million and $3 million, respectively, the majority of which occurred in 1994. As of December 31, 1996, the company has successfully completed its plan.

Support Services. The company maintains extensive field service organizations in the U.S. and certain other countries to provide support services to customers who have rented, leased or purchased equipment. Such support services, provided primarily on the basis of annual maintenance contracts, accounted for 12 percent of revenue in 1996 and 1995, and 13 percent in 1994.

Marketing. The company's products and services are marketed through an extensive network of offices in the U.S. and through a number of subsidiaries and independent distributors and dealers in many countries throughout the world as well as through direct marketing and outbound telemarketing. The company sells to a variety of business, governmental, institutional and other organizations (See Regulatory Matters below). It has a broad base of customers, and is not dependent upon any one customer or type of customer for a significant part of its business. The company does not have significant backlog or seasonality relating to its businesses.

Operations Outside the United States. The company's manufacturing operations outside the U.S. are in the United Kingdom.

Competition. The company has historically been a leading supplier of certain products and services in its business segments, particularly postage meters and mailing machines. However, all segments have strong competition from a number of companies. In particular, it is facing competition in many countries for new placements from several postage meter and mailing machine suppliers, and its mailing systems products face some competition from products and services offered as alternative means of message communications. P.B.M.S., a market leader in providing mail and related support services to the corporate, financial services, and professional services markets, competes against national, regional and local firms specializing in facilities management. The company believes that its long experience and reputation for product quality, and its sales and support service organizations are important factors in influencing customer choices with respect to its products and services.

The financing business is highly competitive with aggressive rate competition. Leasing companies, commercial finance companies, commercial banks and other financial institutions compete, in varying degrees, in the several markets in which the finance operations do business and range from very large, diversified financial institutions to many small, specialized firms. In view of the market fragmentation and absence of any dominant competitors which result from such competition, it is not possible to provide a meaningful description of the finance operations' competitive position in these markets.

Research and Development/Patents. The company has research and development programs that are directed towards developing new products and improving the economy and efficiency of its operations, including its production and service methods. Expenditures on research and development totaled $81.7 million, $81.8 million and $78.6 million in 1996, 1995 and 1994, respectively.

As a result of its research and development efforts, the company has been awarded a number of patents with respect to several of its existing and planned products. However, the company believes its businesses are not materially dependent on any one patent or any group of related patents. The company also believes its businesses are not materially dependent on any one license or any group of related licenses.

Material Supplies. The company believes it has adequate sources for most parts and materials for the products it manufactures. However, products manufactured by the company rely to an increasing extent on microelectronic components, and temporary shortages of these components have occurred from time to time due to the demands by many users of such components.

The company purchases copiers, facsimile equipment and scales, primarily from Japanese suppliers. The company believes that it has adequate sources available to it for the foreseeable future for such products.

Environmental Regulation. The company is subject to federal, state and local laws and regulations relating to the environment and is currently named as a member of various groups of potentially responsible parties in administrative or court proceedings. As we previously announced, in 1996 the Environmental Protection Agency (EPA) issued an administrative order directing the company to be part of a soil cleanup program at the Sarney Farm site in Amenia, New York. The site was operated as a landfill between the years 1968 and 1970 by parties unrelated to Pitney Bowes, and wastes from a number of industrial sources were disposed of there. The company does not concede liability for the condition of the site, but is working with the EPA to identify, and then seek reimbursement from, other potentially responsible parties. The company estimates the total cost of our remediation effort to be in the range of $3 million to $5 million over the next 18 months.

The administrative and court proceedings referred to above are in different states. It is impossible to estimate with any certainty the total cost of remediating, the timing or extent of remedial actions which may be required by governmental authorities, or the amount of liability, if any. If and when it is possible to make a reasonable estimate of the liability in any of these matters, a provision will be made as appropriate. Based on the facts presently known, the company believes that the outcome of any current proceeding will not have a material adverse effect on its financial condition or results of operations.

Regulatory Matters. In June 1995, the United States Postal Service (U.S.P.S.) issued final regulations on the manufacture, distribution and use of postage meters. The regulations cover four general categories: meter security, administrative controls, Computerized Meter Resetting Systems (C.M.R.S.) and other issues.

In general, the regulations put reporting and performance obligations on meter manufacturers, outline potential administrative sanctions for failure to meet these obligations and require changes in the fund management system of C.M.R.S. (such as the company's Postage by Phone (R) System) to give the U.S.P.S. more direct control over meter licensee deposits.

The company is working with the U.S.P.S. to ensure that these regulations provide mailing customers and the U.S.P.S. with the intended benefits, and that the company also benefits. The company has begun to implement these changes, including modifying our Postage by Phone (R) system so that customers deposit prepayments of postage into a U.S.P.S. account rather than a trust account. Resetting meters through Postage by Phone (R) still requires the customer to request an authorization and a reset code from the company, a service for which it charges a fee. The company continues to believe that the financial impact of implementing these regulations will not be material to the company.

In May 1996, the U.S.P.S. issued a proposed schedule for the phase out of mechanical meters in the United States marketplace. The schedule proposed that:

- - as of June 1, 1996, placements of mechanical meters will be available only as replacements for existing licensed mechanical meters
- - as of March 1, 1997, mechanical meters may not be used by persons or firms who process mail for a fee
- - as of December 31, 1997, mechanical meters that interface with mail machines or processors will no longer be approved
- - as of March 1, 1999, all other mechanical meters (stand-alone meters) will no longer be approved.

The company has voluntarily halted new placements of mechanical meters in the United States as of June 1, 1996. The company also has been actively and voluntarily pursuing removal from the market by March 1997, of mechanical meters used by persons or firms who process mail for a fee as set forth in the U.S.P.S. proposed schedule for that segment of meter users. Further, the company agreed, in March 1997, to use its best efforts to remove from the market mechanical systems meters (meters that interface with mail machines or processors), by a revised target date of December 31, 1998, in lieu of the December 31, 1997 date specified in the U.S.P.S. proposed schedule.

The company continues to work with the U.S.P.S. to reach agreement on all aspects of a mechanical meter migration schedule that reflects the interests of its customers while minimizing any negative impact on the company. The company's constant focus on bringing new technologies into the mailing market has already resulted in a significant shift in the makeup of the company's meter base. In the last 10 years, 1986 to 1996, the percentage of electronic meters in the company's U.S. installed base has risen from 6% to nearly 60%. Until a mechanical meter migration plan is finalized, the financial impact, if any, on the company cannot be determined with certainty. However, based on the proposed schedule and agreements reached to date the company believes that the plan will not cause a material adverse financial impact on the company.

The May 1996 U.S.P.S. proposed document also discusses a change in metering technology that would include use of a digital, information-based indicia standard. This standard has not yet been developed, although initial specifications were proposed by the U.S.P.S. in July 1996. At some undetermined date in the future, the U.S.P.S. believes that digital metering will eventually replace electronic metering in the United States. The company supports a digital product migration strategy, and the company anticipates working with the U.S.P.S. to achieve a timely and effective substitution plan. However, until the U.S.P.S. finalizes standards for a digital information-based indicia program (and clarifies transition to the new standard), the impact of this proposal, if any, on the company cannot be determined. The company has taken the lead in deploying digital meters in the marketplace, with over 100,000 digital printing meters already placed into service during 1995 and 1996.

Employee Relations. At December 31, 1996, 24,054 persons were employed by the company in the U.S. and 4,571 outside the U.S. Employee relations are considered to be satisfactory. The great majority of employees are not represented by any labor union. Management follows the policy of keeping employees informed of its decisions, and encourages and implements employee suggestions whenever practicable.

Item 2. Properties

The company's World Headquarters and certain other office and manufacturing facilities are located in Stamford, Connecticut. Additional office facilities are located in Shelton, Connecticut. The company maintains research and development operations at a corporate engineering and technology center in Shelton, Connecticut. A sales and service training center is located near Atlanta, Georgia. The company believes that its current manufacturing, administrative and sales office properties are adequate for the needs of all of its business segments.

Business Equipment. Business equipment products are manufactured in a number of plants principally in Connecticut, as well as in Harlow, England. Most of these facilities are owned by the company. There are 153 sales, support services, and finance offices, substantially all of which are leased, located throughout the U.S. and in a number of other countries. Executive and administrative offices of the financing operations within the U.S. are located in Norwalk, Connecticut. Offices outside the U.S. are maintained in London, England; Heppenheim, Germany; Paris, France; Mississauga, Ontario, Canada; North Ryde, Australia; Oslo, Norway; and Dublin, Ireland.

Business Services. The company's P.B.M.S. subsidiary is headquartered in Stamford, Connecticut and leases facilities in 39 cities located throughout the U.S. as well as leased facilities in Montreal, Quebec and Toronto, Ontario, Canada; and London, England. The Atlantic Mortgage and Investment Corporation operates in Jacksonville, Florida.

Commercial and Industrial Financing. Pitney Bowes Credit Corporation leases executive and administrative offices in Norwalk, Connecticut and Tualatin, Oregon. There are nine leased regional and district sales offices located throughout the U.S.

Item 3. Legal Proceedings

In the course of normal business, the company is occasionally party to lawsuits. These may involve litigation by or against the company relating to, among other things:

- - contractual rights under vendor, insurance or other contracts
- - intellectual property or patent rights
- - equipment, service or payment disputes with customers
- - disputes with employees

The company is currently a defendant in a number of lawsuits, none of which should have, in the opinion of management and legal counsel, a material adverse effect on the company's financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Executive Officers of the Registrant

Name	Age	Title	Executive Officer Since
Michael J. Critelli	48	Chairman and Chief Executive Officer	1988
Marc C. Breslawsky	54	President and Chief Operating Officer	1985
Amy C. Corn	43	Corporate Secretary and Senior Associate General Counsel	1996
Meredith B. Fischer	44	Vice President - Communications, Marketing and Future Strategy	1996
Arlen F. Henock	40	Vice President - Controller and Chief Tax Counsel	1996
John N. D. Moody	52	President - U.S. Mailing Systems	1997
Sara E. Moss	50	Vice President - General Counsel	1996
Murray L. Reichenstein	59	Vice President - Chief Financial Officer	1996
Douglas A. Riggs	52	Vice President - Chief Corporate Affairs Officer	1988
Carole F. St. Mark	54	President and Chief Executive Officer -	1985

Pitney Bowes Business Services

Johnna G. Torsone	46	Vice President - Personnel	1993
Joseph E. Wall	45	Vice President - Chief Technology Officer	1996

There is no family relationship among the above officers, all of which have served in various corporate, division or subsidiary positions with the company for at least the past five years except S. E. Moss, M. L. Reichenstein and J. E. Wall.

Ms. Moss joined the company from the New York law firm of Howard, Darby & Levin, where she had been a Senior Partner since 1985. Before joining Howard, Darby & Levin, Ms. Moss was an Assistant United States Attorney in the Southern District of New York. Ms. Moss served as a law clerk for the Honorable Constance Baker Motley, United States District Judge, Southern District of New York.

Mr. Reichenstein joins the company with over 31 years of experience with Ford Motor Company. During his time with Ford he held a variety of positions of increasing responsibility in the U.S. and Europe, including Director of Manufacturing Services, Vice President, Car Product Planning, and Chief Financial Officer, Ford Europe; Vice President & Controller of Ford Automotive Operations Worldwide; and Vice President & Controller of Ford Motor Company.

Dr. Wall was most recently the Vice President - Technology of Emerson Electric, which he joined in 1986 as Director of Research and Development for its since-divested Rosemount Aerospace Division. Prior to joining Emerson, Dr. Wall held positions of increasing responsibility at Honeywell, including Section Chief and Senior Principal Research Engineer.

George B. Harvey, former Chairman and Chief Executive Officer, retired at year end 1996 in accordance with the company's retirement age of 65.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholders' Matters

The sections entitled "Stock Information" and "Stock Exchanges" on page 47 of the Pitney Bowes Inc. 1996 Annual Report to Stockholders are incorporated herein by reference. At December 31, 1996, the company had 32,258 common stockholders of record.

Item 6. Selected Financial Data

The section entitled "Summary of Selected Financial Data" on page 25 of the Pitney Bowes Inc. 1996 Annual Report to Stockholders is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The section entitled "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 17 to 24 of the Pitney Bowes Inc. 1996 Annual Report to Stockholders is incorporated herein by reference, except for the section on page 24 relating to "Dividend Policy".

The section under "Legal, Environmental and Regulatory Matters" titled "Regulation" on page 23 of the "Management's Discussion and Analysis of Results of Operations and Financial Condition" incorporated herein by reference as mentioned above should be read in conjunction with the discussion under "Regulatory Matters" in Part I, Item 1 on page 5 of this

Annual Report on Form 10-K.

The company cautions readers that any forward-looking statements (those which talk about the company's or management's current expectations as to the future) in this Form 10-K or made by company management involve risks and uncertainties which may change based on various important factors. Some of the factors which could cause future financial performance to differ materially from the expectations as expressed in any forward-looking statement made by or on behalf of the company include:

- - changes in postal regulations
- - timely development and acceptance of new products
- - success in gaining product approval in new markets where regulatory approval is required
- - successful entry into new markets
- - mailer's utilization of alternative means of communication or competitor's products
- - the company's success at managing customer credit risk

Item 8. Financial Statements and Supplementary Data

The financial statements, together with the report thereon of Price Waterhouse LLP dated January 30, 1997, appearing on pages 26 to 46 of the Pitney Bowes Inc. 1996 Annual Report to Stockholders are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Except for information regarding the company's executive officers (see "Executive Officers of the Registrant" on page 8 of this form 10-K), the information called for by this Item is incorporated herein by reference to the sections entitled "Election of Directors" and "Security Ownership of Directors and Executive Officers"
on pages 2 to 5 and 6 to 8 of the Pitney Bowes Inc.
Notice of the 1997 Annual Meeting and Proxy Statement.

Item 11. Executive Compensation

The sections entitled "Directors' Compensation", "Executive Officer Compensation", "Severance and Change of Control Arrangements" and "Pension Benefits" on pages 8, 9, 11 to 15, and 19 to 20 of the Pitney Bowes Inc. Notice of the 1997 Annual Meeting and Proxy Statement are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The section entitled "Security Ownership of Directors and Executive Officers" on pages 6 to 8 of the Pitney Bowes Inc. Notice of the 1997 Annual Meeting and Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

None.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1. Financial statements - see Item 8 on page 10 and "Index to Financial Schedules" on page 19.

2. Financial statement schedules - see "Index to Financial Schedules" on page 19.

3. Exhibits (numbered in accordance with Item 601 of Regulation S-K).

Reg. S-K Exhibits	Description	Status or Incorporation by Reference
(3)(a)	Restated Certificate of Incorporation, as amended	Incorporated by reference to Exhibit (3a) to Form 10-K as filed with the Commission on March 30, 1993. (Commission file number 1-3579)
(b)	By-laws, as amended	Incorporated by reference to Exhibit (3b) to Form 10-K as filed with the Commission on April 1, 1996. (Commission file number 1-3579)
(4)(a)	Form of Indenture dated as of November 15, 1987 between the company and Chemical Bank, as Trustee	Incorporated by reference to Exhibit (4a) to Form 10-K as filed with the Commission on March 24, 1988. (Commission file number 1-3579)
(b)	Form of Debt Securities	Incorporated by reference to Exhibit (4b) to Form 10-K as filed with the Commission on March 24, 1988. (Commission file number 1-3579)
(c)	Form of First Supplemental Indenture dated as of June 1, 1989 between the company and Chemical Bank, as Trustee	Incorporated by reference to Exhibit (1) to Form 8-K as filed with the Commission on June 16, 1989. (Commission file number 1-3579)
(d)	Form of Indenture dated as of April 15, 1990 between the company and Chemical Bank, as successor to Manufacturers Hanover Trust Company, as Trustee	Incorporated by reference to Exhibit (4.1) to Registration Statement on Form S-3(No. 33-33948) as filed with the Commission on March 28, 1990.
(e)	Forms of Debt Securities	Incorporated by reference to Exhibit (4) to Form 10-Q as filed with the Commission on May 14, 1990. (Commission file number 1-3579)
(f)	Form of Indenture dated as of May 1, 1985 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4a) to Registration Statement on Form S-3(No. 2-97411) as filed with the Commission on May 1, 1985.
(g)	Letter Agreement between Pitney Bowes Inc. and Bankers Trust	Incorporated by reference to Exhibit (4b) to Registration Statement on Form S-3 (No. 2-97411) as filed with the

	Company, as Trustee	Commission on May 1, 1985.
(h)	Form of First Supplemental Indenture dated as of December 1, 1986 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4b) to Registration Statement on Form S-3 (No. 33-10766) as filed with the Commission on December 12, 1986.
(i)	Form of Second Supplemental Indenture dated as of February 15, 1989 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4c) to Registration Statement on Form S-3(No. 33-27244) as filed with the Commission on February 24, 1989.
(j)	Form of Third Supplemental Indenture dated as of May 1, 1989 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (1) to Form 8-K as filed with the Commission on May 16, 1989. (Commission file number 1-3579)
(k)	Indenture dated as of November 1, 1995 between the company and Chemical Bank, as Trustee	Incorporated by reference to Exhibit (4a) to Amendment No. 1 to Registration Statement on Form S-3 (No. 33-62485) as filed with the Commission on November 2, 1995.
(l)	Preference Share Purchase Rights Agreement dated December 11, 1995 between the company and Chemical Mellon Shareholder Services, LLC., as Rights Agent	Incorporated by reference to Exhibit (4) to Form 8-K as filed with the Commission on March 13, 1996. (Commission file number 1-3579)

The company has outstanding certain other long-term indebtedness. Such long-term indebtedness does not exceed 10% of the total assets of the company; therefore, copies of instruments defining the rights of holders of such indebtedness are not included as exhibits. The company agrees to furnish copies of such instruments to the Securities and Exchange Commission upon request.

Executive Compensation Plans:

(10) (a)	Retirement Plan for Directors of Pitney Bowes Inc.	Incorporated by reference to Exhibit (10a) to Form 10-K as filed with the Commission on March 30, 1993. (Commission file number 1-3579)
(b)	Pitney Bowes Inc. Directors' Stock Plan. (as amended and restated 1997)	Exhibit (i)
(c)	Pitney Bowes 1991 Stock Plan	Incorporated by reference to Exhibit (10b) to Form 10-K as filed with the

		Commission on March 25,1992 (Commission file number 1-3579)
(c.1)	First Amendment to Pitney Bowes 1991 Stock Plan	Exhibit (ii)
(d)	Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated)	Incorporated by reference to Exhibit (10c) to Form 10-K as filed with the Commission on March 25,1992 (Commission file number 1-3579)
(d.1)	First Amendment to Pitney Bowes Inc. Key Employees Incentive Plan (as Amended and Restated: June 10, 1991)	Exhibit (iii)
(e)	1979 Pitney Bowes Stock Option Plan (as amended and restated)	Incorporated by reference to Exhibit (10d) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)
(f)	Pitney Bowes Severance Plan, as amended, dated December 12, 1988	Incorporated by reference to Exhibit (10) to Form 10-K as filed with the Commission on March 23, 1989. (Commission file number 1-3579)
(g)	Pitney Bowes Executive Severance Policy, adopted December 11, 1995.	Incorporated by reference to Exhibit (10h) to Form 10-K as filed with the Commission on April 1, 1996. (Commission file number 1-3579)
(h)	Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors.	Exhibit (iv)
(i)	Pitney Bowes Inc. Deferred Incentive Savings Plan	Exhibit (v)
(11)	Statement re computation of per share earnings	Exhibit (vi)
(12)	Computation of ratio of earnings to fixed charges	Exhibit (vii)
(13)	Portions of annual report to security holders	Exhibit (viii)
(21)	Subsidiaries of the registrant	Exhibit (ix)
(23)	Consent of experts and counsel	Exhibit (x)
(27)	Financial Data Schedule	Exhibit (xi)

(b) No reports on Form 8-K were filed for the three months ended December 31, 1996.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Pitney Bowes Inc.

By /s/ Michael J. Critelli
(Michael J. Critelli)
Chairman and Chief
Executive Officer

Date March 31, 1997

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael J. Critelli Michael J. Critelli	Chairman and Chief Executive Officer - Director	March 31, 1997
/s/ Marc C. Breslawsky Marc C. Breslawsky	President and Chief Operating Officer - Director	March 31, 1997
/s/ Murray L. Reichenstein Murray L. Reichenstein	Vice President - Chief Financial Officer	March 31, 1997
/s/ Arlen F. Henock Arlen F. Henock	Vice President - Controller and Chief Tax Counsel (principal accounting officer)	March 31, 1997
/s/ Linda G. Alvarado Linda G. Alvarado	Director	March 31, 1997
/s/ William E. Butler William E. Butler	Director	March 31, 1997

/s/ Colin G. Campbell Colin G. Campbell	Director	March 31, 1997

Signature	Title	Date
/s/ Charles E. Hugel Charles E. Hugel	Director	March 31, 1997
/s/ David T. Kimball David T. Kimball	Director	March 31, 1997
/s/ Leroy D. Nunery Leroy D. Nunery	Director	March 31, 1997
/s/ Michael I. Roth Michael I. Roth	Director	March 31, 1997
/s/ Phyllis S. Sewell Phyllis S. Sewell	Director	March 31, 1997
/s/ Arthur R. Taylor Arthur R. Taylor	Director	March 31, 1997

INDEX TO FINANCIAL SCHEDULES

The financial schedules should be read in conjunction with the financial statements in the Pitney Bowes Inc. 1996 Annual Report to Stockholders. Schedules not included herein have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto. Also, separate financial statements of less than 100 percent owned companies, which are accounted for by the equity method, have been omitted because they do not constitute significant subsidiaries.

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of Pitney Bowes Inc.

Our audits of the consolidated financial statements referred to in our report dated January 30, 1997 appearing on page 46 of the Pitney Bowes Inc. 1996 Annual Report to Stockholders (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed by reference in Item 14(a)2 of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Price Waterhouse LLP

Stamford, Connecticut
January 30, 1997

PITNEY BOWES INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR THE YEARS ENDED DECEMBER 31, 1994 TO 1996

(Dollars in thousands)

Description	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Balance at end of year
Allowance for doubtful accounts				
1996	$13,050	$ 9,894	$ 6,784(3)	$ 16,160
1995	$16,909	$ 4,126(1)	$ 7,985(2)(3)	$ 13,050
1994	$16,691	$ 4,262	$ 4,044(3)	$ 16,909
Allowance for credit losses on finance receivables				
1996	$113,506	$74,785	$74,554(3)	$113,737
1995	$113,091	$68,275	$67,860(3)	$113,506
1994	$116,512	$64,933	$68,354(3)	$113,091
Reserve for transition costs(4)				
1996	$ 22,986	$ -	$17,258(5)	$ 5,728(6)
1995	$ 64,893	$ 5,145	$47,052(5)	$ 22,986
1994	$ 344	$93,258	$28,709(5)	$ 64,893
Valuation allowance for deferred tax asset(4)				

1996	$48,693	$ 3,066	$ 5,158	$ 46,601
1995	$37,532	$12,076	$ 915	$ 48,693
1994	$25,975	$12,867	$ 1,310	$ 37,532

<FN>

(1) Includes $382 of additions applicable to a business at acquisition.
(2) Includes $2,406 of deductions applicable to a business disposition.
(3) Principally uncollectible accounts written off.
(4) Included in balance sheet as a liability.
(5) Includes amounts for asset write downs and amounts paid as well as reclassifications.
(6) Remaining amount represents $4 million and $2 million for separation and benefit costs and other.

EXHIBIT (i)
PITNEY BOWES INC. DIRECTORS' STOCK PLAN
AMENDED AND RESTATED 1997

1. PURPOSE AND EFFECTIVE DATE OF PLAN: This plan shall be known as the Pitney Bowes Inc. Directors' Stock Plan. The purpose of this plan is to enable Pitney Bowes Inc. (the "Company") to attract and retain persons of outstanding competence to serve as directors of the Company by paying such persons a portion of their compensation in stock of the Company pursuant to the terms of this plan. The plan shall become effective on the date the plan is initially approved by the stockholders of the Company.

2. STOCK AVAILABLE FOR THE PLAN: An aggregate of 200,000 shares of Common Stock, $2 par value per share, of the Company ("Common Stock"), after giving effect to the stock split in 1992, shall be available for issuance pursuant to the provisions of this plan. Such shares shall be authorized and unissued shares or shares which have been reacquired by the Company.

3. ELIGIBILITY FOR PARTICIPATION IN PLAN: Persons who serve as directors of the Company and who are not "employees" of the Company or its subsidiaries within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") shall be considered "Eligible Directors" for purposes of this plan. It is intended that all Eligible Directors participate in the plan.

4. AWARDS OF RESTRICTED STOCK: Each Eligible Director then serving as a director of the Company shall receive an award of 700 restricted shares of Common Stock on the date of the first meeting of directors after each annual stockholders meeting (including the first meeting of directors after this plan is approved).

5. TRANSFER RESTRICTIONS, REMOVAL OF RESTRICTIONS, AND TERMS AND CONDITIONS OF AWARDS OF RESTRICTED STOCK: (a) Each participant shall have the right to receive all dividends and other distributions made with respect to the shares registered in his or her name and shall have the right to vote or execute proxies with respect to such registered shares. The Company may elect to record the ownership of the shares in book entry form or issue certificates representing the shares. The Company may elect to have the Treasurer of the Company retain possession of the certificates of restricted shares for the benefit of Eligible Directors, until the provisions of the plan relating to removal of the restrictions have been satisfied.

(b) Shares of restricted stock may not be sold, assigned, pledged or otherwise transferred by the Eligible Director unless and until all of the transfer restrictions imposed by this plan have been removed pursuant to the provisions of this plan.

(c) Awarded shares shall remain subject to the plan's restrictions prohibiting sale or transfer of such shares until the later of (i) the termination of the Eligible Director's services as a director of the Company or, if earlier, the occurrence of a "Change of Control" (as defined below) or (ii) for a period of six (6) months after the award of such restricted shares. Notwithstanding any other provision of this plan, the issuance or delivery of any shares may be postponed for such period as may be required to comply with any applicable requirements of any national securities exchange or any requirements under any other law or regulation applicable to the issuance or delivery of such shares, and the Company shall not be obligated to issue or deliver any such shares if the issuance or delivery thereof shall constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange.

6. STOCK OPTIONS. Each Eligible Director who elects to defer cash compensation for serving as director in accordance with the terms of the Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors (the "Directors' Deferral Plan"), and who selects the Pitney Bowes Stock Option return on such deferred amount, shall be granted a stock option under the terms of this Section 6 (an "Option").

(a) Each Option shall represent the right to purchase a number of shares of Common Stock determined by (i) dividing the deferred amount by the per share Fair Market Value, as hereinafter defined, of the Common Stock on the date the deferred compensation would otherwise have been paid (the "Date of Grant") and (ii) multiplying the result times two; provided, however, that the method for determining the number of shares subject to Options may be modified from time to time by the Board.

(b) The exercise price of each Option shall be the per share Fair Market Value on the Date of Grant.

(c) The duration of the Option shall be coextensive with the deferral period selected by the Eligible Director in respect of his or her deferred compensation relating to the Option.

(d) Options will not be exercisable until the third anniversary of the Date of Grant, at which time they will become exercisable in full. Notwithstanding the foregoing, all Options will become exercisable in full in the event of a Change of Control, as hereinafter defined.

(e) If an Eligible Director ceases to serve as a director, all Options held by such Eligible Director that are not exercisable at the time of such cessation will be forfeited. Upon termination of service as a director, any Option held by the

affected director that
is exercisable at the time of such termination shall be exercisable for three months following the date of such termination. Notwithstanding the foregoing, if an Eligible Director shall die while serving as a director

or during the three month period after termination of service as a director, any Option held by the deceased Eligible Director that is exercisable at the time of death shall remain exercisable by such Eligible Director's legal representative for one year following the date of death.

(f) Fair Market Value shall mean fair market value, as determined by such methods or procedures as shall be established from time to time by the Board.

7. DEFERRED SHARES. Each Eligible Director who has elected to defer cash compensation for serving as a director in accordance with the terms of the Directors' Deferral Plan, and who has selected the Pitney Bowes Phantom Share Fund return on such deferred amount, shall, at the time such deferred amounts are to be paid or distributed in accordance with the terms of the Directors' Deferral Plan, receive shares of Common Stock or the value thereof under the terms of this Section 7 ("Deferred Shares"). The number of Deferred Shares distributed to an Eligible Director shall be equal to the number of shares credited to the Deferral Account, as defined in the Directors' Deferral Plan, of such Eligible Director at the time such Eligible Director becomes entitled to a distribution thereof in accordance with the terms of the Directors' Deferral Plan. Each such Deferred Share shall be distributed in the form of one share of Common Stock, or, at the election of the Board, an amount in cash equal to the Fair Market Value thereof at the time of such distribution, or any combination of shares and cash value; provided; however, that no fractional shares shall be distributed in kind. Notwithstanding any other provision of this Section 7, all Deferred Shares shall be distributed upon the occurrence of a Change in Control.

8. CHANGE OF CONTROL. For purposes of this Plan, a "Change of Control" shall be deemed to have occurred if:

(a) There is an acquisition, in any one transaction or a series of transactions, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of Common Stock of the Company or the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by the Company or any of its subsidiaries; or any employee benefit plan (or related trust) of the Company or its subsidiaries; or any corporation with respect to which, following such acquisition, more than 50% of the then-outstanding shares of Common Stock of such corporation and the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by the individuals and entities who were the

beneficial owners, respectively, of the Common Stock and voting securities of the Company immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then-outstanding shares of Common Stock of the Company or the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors, as the case may be; or

(b) individuals who, as of September 12, 1988 constitute the Board of Directors (as of such date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to September 12, 1988, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 or Regulation 14A promulgated under the Exchange Act) or

(c) There is an approval by the stockholders of the Company of (1) a reorganization, merger or consolidation, in each case, with respect to which the individuals and entities who were the respective beneficial owners of the Common Stock and voting securities of the Company immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of Common Stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation, or (2) a complete liquidation or dissolution of the Company or of the sale or other disposition of all or substantially all of the assets of the Company. "Change of Control" provisions only apply if Pitney Bowes Inc. is subject to a "Change of Control."

9. AMENDMENT OR TERMINATION OF PLAN: The Company reserves the right to amend, modify or terminate this plan at any time by action of its Board of Directors, provided that such action shall not adversely affect any Eligible Director's rights under the provisions of this plan with respect to awards of restricted stock, Options or Deferred Shares which were made prior to such action.

10. NONTRANSFERABILITY: Options and Deferred Shares prior to distribution thereof shall not be transferable except by will or the laws of descent and distribution, and during the holder's lifetime, Options may be exercisable only by such holder.

11. ADMINISTRATION OF PLAN: This plan shall be administered by the Nominating and Organization Affairs Committee of the Board of Directors or any successor

committee having responsibility for the remuneration of the directors (hereinafter referred to as the "Administrator"). All decisions which are made by the Administrator with respect to interpretation of the terms of the plan, or with respect to any questions or disputes arising under this plan, shall be final and binding on the Company and on the Eligible Directors and their heirs or beneficiaries.

12. RECAPITALIZATION: In the event of any change in the number or kind of outstanding shares of Common Stock of the Company by reason of a recapitalization, merger, consolidation, dividend, combination of shares or any other change in the corporate structure or shares of stock of the Company, the Board of Directors of the Company will make appropriate adjustments in the number of shares available for delivery pursuant to the provisions of this plan, the number of shares to be awarded to each Eligible Director under Section 4, and in the number of shares, exercise price and any other affected provisions of any Options or Deferred Shares outstanding under the plan, to prevent enlargement or diminution of the benefits intended to be granted under the plan.

EXHIBIT (ii)
FIRST AMENDMENT TO

PITNEY BOWES 1991 STOCK PLAN

The Pitney Bowes 1991 Stock Plan (the "Plan") is hereby amended, effective as of the date set forth below, as follows:

1. This Amendment shall be effective if and only if it is approved by the stockholders of Pitney Bowes Inc. (the "Company") at their annual meeting in 1996, and if so approved, this Amendment shall be effective as of January 1, 1996.

2. Section 2 of the Plan is hereby amended to add the following new definitions:

"Covered Award" means an Award, other than an Option or other Award with an exercise price per Share not less than the Fair Market Value of a Share on the date of grant of such Award, to a Covered Employee, if it is designated as such by the Committee at the time it is granted. Covered Awards are subject to the provisions of Section 13 of this Plan.

"Covered Employees" means Participants who are desig nated by the Committee prior to the grant of an Award who are, or are expected to be at the time taxable income will be realized with respect to the Award, "covered employees" within the meaning of Sec tion 162(m).

"Performance Goals" means one or more objective performance goals, established by the Committee at the time an Award is granted, and based upon the attainment of targets for one or any combination of the following criteria: operating income, revenues, return on operating assets, earnings per share, return on stockholder equity, stock price, or achievement of cost control, of the Company or such subsidiary, division or department of the Company for or within which the participant is primarily employed. Performance Goals also may be based upon attaining specified levels of Company performance based upon one or more of the criteria described above relative to prior periods or the performance of other corporations. Performance Goals shall be set by the Committee within the time period prescribed by Section 162(m).

"Section 162(m)" means Section 162(m) of the Code or any successor thereto, and the Treasury Regulations thereunder.

3. There is added to Section 4(a) of the Plan a new sen tence at the end thereof, reading in its entirety as follows:

The maximum number of Shares that may be the subject of Awards made to a single Participant in any one calendar year shall be 200,000.

4. There is added to the Plan a new Section 13, reading in its entirety as follows:

13. (a) The provisions of this Section 13 shall be applicable to all Covered Awards. Covered Awards shall be made subject to the achievement of one or more prees tablished Performance Goals, in accordance with

procedures to be established by theCommittee from time to time. Notwithstanding any provision of the Plan to the contrary, the Committee shall not have discretion to waive or amend such Performance Goals or to increase the number of Shares subject to Covered Awards or the amount payable pursuant to Covered Awards after the Performance Goals have been established; provided, however, that the Committee may, in its sole discretion, reduce the number of Shares subject to Covered Awards or the amount which would otherwise be payable pursuant to Covered Awards; and provided, further, that the provisions of Section 8 shall override any contrary provision of this Section 13.

(b) No Shares shall be delivered and no payment shall be made pursuant to a Covered Award unless and until the Committee shall have certified in writing that the applicable Performance Goals have been attained.

(c) The Committee may from time to time establish procedures pursuant to which Covered Employees will be permitted or required to defer receipt of amounts payable under Awards made under the Plan.

(d) Notwithstanding any other provision of the Plan, for all purposes involving Covered Awards, the Committee shall consist of at least two members of the Board of Directors, each of whom is an "outside director" within the meaning of Section 162(m).

5. Except as provided above, the Plan shall continue in effect without amendment.

EXHIBIT (iii)
FIRST AMENDMENT TO

PITNEY BOWES INC.

KEY EMPLOYEES' INCENTIVE PLAN

(As Amended and Restated: June 10, 1991)

The Pitney Bowes Inc. Key Employees' Incentive Plan, as amended and restated June 10, 1991 (the "Plan"), is hereby amended, effective as of the date set forth below, as follows:

1. This Amendment shall be effective if and only if it is approved by the stockholders of Pitney Bowes Inc. (the "Company") at their annual meeting in 1996, and if so approved, this Amendment shall be effective as of January 1, 1996.

2. Section 6(E) of the Plan is amended to read in its entirety as follows:

(E) For purposes of this Plan, a "Change of Control" shall be deemed to have occurred if:

(i) There is an acquisition, in any one transaction or a series of transactions, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20 percent or more of either the then outstanding shares of common stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by the Company or any of its subsidiaries, or any employee benefit plan (or re lated trust) of the Company or its subsidiaries, or any corporation with respect to which, following such acquisition, more than 50 percent of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then benefi cially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the common stock and voting securities of the Company immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of common stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, as the case may be; or

(ii) Individuals who, as of September 12, 1988, con stitute the Board of Directors (as of such date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to September 12, 1988, whose election, or nomination for election by the

Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 or Regulation 14A promulgated under the Exchange Act); or

(iii) There is (x) an approval by the shareholders of the Company of a reorganization, merger or con solidation, in each case, with respect to which the indi viduals and entities who were the respective beneficial owners of the common stock and voting securities of the Company immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50 percent of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation, or (y) an approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or of the sale or other disposition of all or substantially all of the assets of the Company.

3. There is added to the Plan a new Section 10, reading in its entirety as follows:

10. (A) The provisions of this Section 10 shall be applicable to awards under the Plan to "Covered Employees" if the Committee so provides at the time of grant (such awards being referred to as "Covered Awards"). For purposes of this Section 10, "Covered Employees" means participants in the Plan who are designated by the Committee prior to the grant of an award hereunder who are, or are expected to be at the time taxable income will be realized with respect to the award, "covered employees" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, or any successor thereto, and the Treasury Regulations thereunder ("Section 162(m)").

(B) Covered Awards shall be made subject to the achievement of one or more preestablished Perfor mance Goals (as defined below), in accordance with procedures to be established by the Committee from time to time. Notwithstanding any provision of the Plan to the contrary, the Committee shall not have discretion to waive or amend such Performance Goals or to increase the amount payable pursuant to Covered Awards after the Performance Goals have been established; provided, however, that the Committee may, in its sole dis

cretion, reduce the amount which would otherwise be payable with respect to any Covered Award; and provided, further, that the provisions of Section 8 shall override any contrary provision of this Section 10.

(C) "Performance Goals" means one or more objective performance goals, established by the Committee at the time an award is granted, and based upon the attainment of targets for one or any combination of the following criteria: operating in come, revenues, return on operating assets, earnings per share, return on stockholder equity, stock price, or achievement of cost control, of the Company or such subsidiary, division or department of the Company for or within which the participant is pri marily employed. Performance Goals also may be based upon attaining specified levels of Company per formance based upon one or more of the criteria described above relative to prior periods or the performance of other corporations. Performance Goals shall be set by the Committee within the time period prescribed by Section 162(m).

(D) No payment shall be made pursuant to a Covered Award unless and until the Committee shall have certified in writing that the applicable Per formance Goals have been attained. The maximum amount payable pursuant to Covered Awards to a particular Covered Employee for any fiscal year of the Company shall be $5,000,000.

(E) The Committee may from time to time establish procedures pursuant to which Covered Employees will be permitted or required to defer receipt of awards under the Plan.

(F) Notwithstanding any other provision of the Plan, for all purposes involving Covered Awards, the Committee shall consist of at least two members of the Board of Directors, each of whom is an "outside director" within the meaning of Section 162(m).

4. Except as provided above, the Plan shall continue in effect without amendment.

EXHIBIT (iv)

PITNEY BOWES INC.
DEFERRED INCENTIVE SAVINGS PLAN

FOR THE BOARD OF DIRECTORS

Effective as of April 1, 1997

PITNEY BOWES INC.
DEFERRED INCENTIVE SAVINGS PLAN
FOR THE BOARD OF DIRECTORS

ARTICLE 1.

Purpose and Effective Date

The purpose of the Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors (hereinafter referred to as the "Plan") is to aid Pitney Bowes Inc. in retaining and attracting capable outside directors by providing them with savings and tax deferral opportunities. The Plan shall be effective for deferral elections made hereunder on or after April 1, 1997.

ARTICLE 2.

Definitions

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

Section 3. Beneficiary. "Beneficiary" means the person, persons or entity designated by the Participant to receive any benefits payable under the Plan pursuant to Article VIII.

Section 4. Board. "Board" means the Board of Directors of Pitney Bowes Inc.

Section 5. Change of Control. For purposes of this Plan, a "Change of Control" shall be deemed to have occurred if:

0.0.0.1. there is an acquisition, in any one transaction or a series of transactions, other than from Pitney Bowes Inc., by any individual, entity or group (within the meaning of Section 1 3(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), of beneficial ownership (within the meaning of Rule 13(d)(3) promulgated under the Exchange Act) of 20% or more of either the then outstanding shares of Common Stock or the combined voting power of the then outstanding voting securities of Pitney Bowes Inc. entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by Pitney Bowes Inc. or any of its subsidiaries, or any employee benefit plan (or related trust) of Pitney Bowes Inc. or its subsidiaries, or any corporation with respect to which, following such acquisition, more than 50% of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the common stock and voting securities of Pitney Bowes Inc. immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of Common Stock or the combined voting power of the then outstanding voting securities of Pitney Bowes Inc. entitled to vote generally in the election of directors, as the case may be; or

0.0.0.2. individuals who, as of January 1, 1997, constitute the Board (as of such date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to such date, whose election, or nomination for election by Pitney Bowes' shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Pitney Bowes Inc. (as such terms are used in Rule 14(a)(11) or Regulation 14A promulgated under the Exchange Act); or

0.0.0.2.1. there occurs either (A) the consummation of a reorganization, merger or consolidation, in each case, with respect to which the individuals and entities who were the respective beneficial owners of the common stock and voting securities of Pitney Bowes Inc. immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation, or (B) an approval by the shareholders of Pitney Bowes Inc. of a complete liquidation of dissolution of Pitney Bowes Inc. or of the sale or other disposition of all or substantially all of the assets of Pitney Bowes Inc. Section 0.1.0.2.1.. Committee. "Committee" means the Nominating and Organization Affairs Committee of the Board of Directors. Any action authorized hereunder to be taken by the Committee is also authorized to be taken by the Board.

Section 0.0.0.2.2. Common Stock. "Common Stock" means the common stock of Pitney Bowes Inc.

Section 0.0.0.2.3. Company. "Company" means Pitney Bowes Inc., its successors, and any organization into which or with which Pitney Bowes Inc. may merge or consolidate or to which all or substantially all of its assets may be transferred.

Section 0.0.0.2.4. Deferral Account. "Deferral Account" means the account maintained on the books of the Committee for each Participant pursuant to Article 6.

Section 0.0.0.2.5. Deferral Period. "Deferral Period" is defined in Section 4.02.

Section 0.0.0.2.6. Deferred Amount. "Deferred Amount" is defined in Section 4.02.

Section 0.0.0.2.7. Eligible Compensation. "Eligible Compensation" means any cash compensation payable by the Company to a Participant for service on the Board or any Committee thereof.

Section 0.0.0.2.8. Fair Market Value. "Fair Market Value" of a share of Common Stock means the closing price of the Common Stock on the New York Stock Exchange on the most recent day on which the Common Stock was so traded that precedes the date as of which Fair Market Value is to be determined.

Section 0.0.0.2.9. Option. "Option" means an option to acquire shares of Common Stock granted pursuant to the Directors' Stock Plan or any successor thereto.

Section 0.0.0.2.10. Participant. "Participant" means any director who is eligible to participate in this Plan and who elects to participate by filing a Participation Agreement as provided in Article 4.

Section 0.0.0.2.11. Participation Agreement. "Participation Agreement" means an agreement filed by a Participant in accordance with Article 4.

Section 0.0.0.2.12. Plan Year. "Plan Year" means a twelve-month period beginning January 1 and ending the following December 31; provided, however that the first Plan Year shall consist of the period from April 1, 1997 through December 31, 1997.

Section 0.0.0.2.13. Termination of Service. "Termination of Service" means the cessation of a Participant's services as a director of the Company.

Section 0.0.0.2.14. Treasury Rate of Return. "Treasury Rate of Return" means a rate of return equal to (i) the annualized rate payable on United States Treasury Notes with a five-year maturity, plus (ii) 100 basis points. Such Treasury Rate of Return shall be determined for each month of the Deferral Period based on the monthly 5 year Treasury rates appearing in the Wall Street Journal, plus 100 basis points and such earnings shall be compounded monthly.

Section 0.0.0.2.15. Valuation Date. Valuation Date" means the last day of each calendar month or such other date as the Committee in its sole discretion may determine.

ARTICLE 0.0.0.2.16.

Administration

Section 0.0.0.2.17. Committee. (a) This Plan shall be administered by the Committee. A majority of the members of the Committee shall constitute a quorum for the transaction of business. All resolutions or other action taken by the Committee shall be by a vote of a majority of its members present at any meeting or, without a meeting, by an instrument in writing signed by all its members. Members of the Committee may participate in a meeting of such committee by means of a conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

The Committee shall be responsible for the administration of this Plan and shall have all powers necessary to administer this Plan, including discretionary authority to determine eligibility for benefits and to decide claims under the terms of this Plan. The Committee may from time to time establish rules for the administration of this Plan, and it shall have the exclusive right to interpret this Plan and to decide any matters arising in connection with the administration and operation of this Plan. All rules, interpretations and decisions of the Committee shall be conclusive and binding on the Company, Participants and Beneficiaries.

The Committee may delegate responsibility for performing certain administrative and ministerial functions under this Plan, including without limitation, issues related to eligibility, investment choices, distribution of Deferred Amounts, determination of account balances, crediting of hypothetical earnings and of Deferred Amounts and debiting of hypothetical losses and of distributions, in-service withdrawals, deferral elections and any other duties concerning the day-to-day operation of this Plan.

No member of the Board nor any member of the Committee shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated or for anything done or omitted to be done in connection with this Plan. The Committee shall keep records of all of its proceedings and shall keep records of all payments made to Participants or Beneficiaries and payments made for expenses or otherwise. The Company shall, to the fullest extent permitted by law, indemnify each director, officer or employee of the Company (including the heirs, executors, administrators and other personal representatives of such person) and each member of the Committee against expenses (including attorneys' fees), judgments, fines, amounts paid in settlement, actually and reasonably incurred by such person in connection with any threatened, pending or actual suit, action or proceeding (whether civil, criminal, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he or she is or was serving this Plan in any capacity at the request of the Company.

Any expense incurred by the Company or the Committee relative to the administration of this Plan shall be paid by the Company.

ARTICLE 0.0.0.2.18.

Participation

Section 0.0.0.2.19. Participation. Participation in the Plan shall be limited to members of the Board who (i) are not employees of the Company or meet such eligibility criteria as the Committee shall establish from time to time, and (ii) elect to participate in this Plan by filing a Participation Agreement with the Committee. A Participation Agreement must be filed prior to the beginning of the Plan Year with respect to services in which the Eligible Compensation relates.

Section 0.0.0.2.20. Participation Agreement. Subject to Article 7, each Participation Agreement shall set forth: (i) the amount of Eligible Compensation for the Plan Year to which the Participation Agreement relates that is to be deferred under the Plan (the "Deferred Amount"), expressed as either a dollar amount or a percentage of the total Eligible Compensation for such Plan Year; provided, that the minimum Deferred Amount for any Plan Year shall not be less than $2,000; (ii) the period after which payment of the Deferred Amount is to be made or begin to be made (the "Deferral Period"), expressed as (A) a number of full years, not less than three, following the end of the Plan Year to which the Participation Agreement relates, or (B) the period ending upon the Termination of Service of the Participant, or (C) a period ending upon the earlier or later of (A) or (B); and (iii) the form in which payments are to be made, which may be a lump sum or in equal annual installments of five, ten or fifteen years.

Section 0.0.0.2.21. Changes to Participation Agreement. A Participation Agreement may not be amended or revoked after December 31st of the Plan Year in which it is made, except that the Deferral Period maybe extended and the form of payment may be altered if an amended Participation Agreement is filed with the Committee at least one full calendar year before the Deferral Period (as in effect before such amendment) ends; provided, that only one such amended Participation Agreement may be filed with respect to each Participation Agreement. Upon a Participant's Termination of Service, the most recent Participation Agreement received by the Committee prior to Termination of Service shall supersede all previous Participation Agreements on file with regard to Termination of Service elections and the entire amount in the Participant's Deferral Account shall be distributed at Termination of Service in accordance with such elections.

ARTICLE 0.0.0.2.22.

Deferred Incentive Compensation

Section 0.0.0.2.23. Elective Deferred Incentive Compensation. Except as provided in Section 6.02(c), the Deferred Amount of a Participant with respect to each Plan Year of participation in the Plan shall be credited by the Committee to the Participant's Deferral Account as and when such Deferred Amount would otherwise have been paid to the Participant. To the extent that the Company is required to withhold any taxes or other amounts from the Deferred Amount pursuant to any state, Federal or local law, such amounts shall first be taken out of compensation to the Participant that is not deferred under this Plan, if any.

Section 0.0.0.2.24. Vesting of Deferral Account. Except as provided in Section 7.04, a Participant shall be 100% vested in his/her Deferral Account at all times.

ARTICLE 0.0.0.2.25

Maintenance and Investment of Accounts

Section 0.0.0.2.26. Maintenance of Accounts. Separate Deferral Accounts shall be maintained for each Participant. More than one Deferral Account may be maintained for a Participant as necessary to reflect (a) various investment choices and/or (b) separate Participation Agreements specifying different Deferral Periods and/or forms of payment. A Participant's Deferral Account(s) shall be utilized solely as a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan, and shall not constitute or be treated as a trust fund of any kind. The Committee shall determine the balance of each Deferral Account, as of each Valuation Date, by adjusting the balance of such Deferral Account as of the immediately preceding Valuation Date to reflect changes in the value of the deemed investments thereof, credits and debits pursuant to Section 5.01 and Section 6.02 and distributions pursuant to Article 7 with respect to such Deferral Account since the preceding Valuation Date Investment Choices.

Section 0.0.0.2.27. Investment Choices 0.0.0.2.27. Each Participant shall be entitled to direct the manner in which his/her Deferral Accounts will be deemed to be invested, selecting among the investment choices specified in Appendix A hereto, as amended by the Committee from time to time, and in accordance with such rules, regulations and procedures as the Committee may establish from time to time.

0.0.0.3. The investment choices available for Deferral Accounts from time to time may include a "Phantom Share Fund." The Phantom Share Fund shall consist of deemed investments in shares of Common Stock. Deferred Amounts that are deemed to be invested in the Phantom Share Fund shall be converted into deemed shares based upon the Fair Market Value of the Common Stock on the date(s) the Deferred Amounts are to be credited to a Deferral Account. The portion of any Deferral Account that is invested in the Phantom Share Fund shall be credited, as of each Valuation Date, with additional shares of Common Stock with respect to cash dividends paid on the Common Stock with record dates during the period beginning on the day after the most recent preceding Valuation Date and ending on such Valuation Date, as follows. The credit shall be for a number of additional deemed shares of Common Stock having a Fair Market Value, as of the payment date for a cash dividend, equal to the dollar amount of such cash dividend paid with respect to a number of actual shares of Common Stock equal to the number of deemed shares in such Deferral Account as of such Valuation Date minus the number of such deemed shares that were distributed to the Participant before such Valuation Date but after the most recent prior Valuation Date.

0.0.0.4. When a deemed reinvestment or a distribution of all or a portion of a Deferral Account that is invested in the Phantom Share Fund is to be made, the balance in such a Deferral Account shall be determined by reference to the Fair Market Value of the Common Stock on the most recent Valuation Date preceding the date of such reinvestment or distribution. Upon such a lump sum distribution, the amounts in the Phantom Share Fund shall be distributed in the form of cash having a value equal to the Fair Market Value of the deemed shares being distributed, actual shares of Common Stock, or a combination thereof, in accordance with the terms of the Pitney Bowes Inc. Directors' Stock Plan (the "Stock Plan").

0.0.0.5. In the event of a stock dividend, split-up or combination of the Common Stock, merger, consolidation, reorganization, recapitalization, or other change in the corporate structure or capitalization affecting the Common Stock, such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan, then the Committee may make appropriate adjustments to the number of deemed shares credited to any Deferral Account. The determination of the Committee as to such adjustments, if any, to be made shall be conclusive.

0.0.0.6. Notwithstanding any other provision of this Plan, the Committee may adopt such procedures as it may determine are desirable to ensure that, with respect to any Participant who is subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, the crediting of deemed shares to, or the distribution of amounts from, his or her Deferral Account is not deemed to be a non-exempt purchase or sale for purposes of such Section 16(b).

0.0.0.6.1. The Committee may authorize Options as an investment choice under the Plan. The terms and conditions under which Options may be made available as an investment choice shall be determined and communicated by the Committee to Participants from time to time.

Section 0.0.0.6.2. Statement of Accounts. The Committee shall submit to each Participant quarterly statements of his/her Deferral Account(s), in such form as the Committee deems desirable, setting forth the balance to the credit of such Participant in his/her Deferral Account(s) as of the end of the most recently completed quarter.

ARTICLE 0.0.0.6.3.

Benefits

Section 0.0.0.6.4. Time and Form of Payment. At the end of the Deferral Period for each Deferral Account, the Company shall pay to the Participant the balance of such Deferral Account at the time or times elected by the Participant in the applicable Participation Agreement; provided that if the Participant has elected to receive payments from a Deferral Account in a lump sum, the Company shall pay the balance in such Deferral

Account (determined as of the most recent Valuation Date preceding the end of the Deferral Period) in a lump sum in cash (plus any shares of Common Stock distributed in accordance with the Stock Plan in respect of any investment in the Phantom Share Fund) as soon as practicable after the end of the Deferral Period. If the Participant has elected to receive payments from a Deferral Account in installments, the Company shall make annual cash only payments from such Deferral Account, each of which shall consist of an amount equal to (i) the balance of such Deferral Account as of the most recent Valuation Date preceding the payment date times (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining installments (including the installment being paid). The first such installment shall be paid as soon as practicable after the end of the Deferral Period and each subsequent installment shall be paid on or about the anniversary of such first payment. Each such installment shall be deemed made on a pro rata basis from each of the different deemed investments of the Deferral Account (if there is more than one such deemed investment).

Section 0.0.0.6.5. Termination of Service. If a Participant has elected to have the balance of his/her Deferral Account distributed upon Termination of Service, the account balance of the Participant (determined as of the most recent Valuation Date preceding such Termination of Service) shall be distributed upon Termination of Service in installments or a lump sum in accordance with the Plan and as elected in the Participation Agreement.

Section 0.0.0.6.6. In-Service Distributions. Subject to Section 7.02 hereof, if a Participant has elected to defer Eligible Compensation under the Plan for a stated number of years, the account balance of the Participant (determined as of the most recent Valuation Date preceding such Deferral Period) shall be distributed in installments or a lump sum in accordance with the Plan and as elected in the Participation Agreement.

Section 0.0.0.6.7. Voluntary Early Withdrawal. Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant shall be entitled to elect to withdraw all of the balance in his/her Deferral Account(s) in accordance with this Section 7.04 by filing with the Committee such form, in accordance with such procedures, as the Committee shall determine from time to time. As soon as practicable after receipt of such form by the Committee, the Company shall pay an amount equal to ninety percent of the balance in such Participant's Deferral Account(s) (determined as of the most recent Valuation Date preceding the date such election is filed) to the electing Participant in a lump sum in cash, and the Participant shall forfeit the remainder of such Deferral Account(s). All Participation Agreements previously filed by a Participant who elects to make a withdrawal under this Section 7.04 shall be null and void after such election is filed (including without limitation Participation Agreements with respect to Plan Years or performance periods that have not yet been completed), and such a Participant shall not thereafter be entitled to file any Participation Agreements under the Plan with respect to the first Plan Year that begins after such election is made.

Section 0.0.0.6.8. Payments in Connection with Change of Control. Notwithstanding anything contained in this Plan to the contrary, upon a Change of Control, the Company shall immediately pay to each Participant in a lump sum in cash the balance in his/her Deferral Account(s) (determined as of the most recent Valuation Date preceding the Change of Control).

Section 0.0.0.6.9. Withholding of Taxes. Notwithstanding any other provision of this Plan, the Company shall withhold from payments made hereunder any amounts required to be so withheld by any applicable law or regulation.

ARTICLE 0.0.0.6.10.

Beneficiary Designation

Section 0.0.0.6.11. Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person, persons or entity as his Beneficiary or Beneficiaries. A Beneficiary designation shall be made, and may be amended, by the Participant by filing a written designation with the Committee, on such form and in accordance with such procedures as the Committee shall establish from time to time.

Section 0.0.0.6.12. No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then the Participant's Beneficiary shall be deemed to be the Participant's estate.

ARTICLE 0.0.0.6.13.

Amendment and Termination of Plan

Section 0.0.0.6.14. Amendment. The Board or the Committee may at any time amend this Plan in whole or in part, provided, however, that no amendment shall be effective to decrease the balance in any Deferral Account as accrued at the time of such amendment, nor shall any amendment otherwise have a retroactive effect.

Section 0.0.0.6.15. Company's Right to Terminate. The Board or the Committee may at any time terminate the Plan with respect to future Participation Agreements. The Board or the Committee may also terminate the Plan in its entirety at any time for any reason, including without limitation if, in its judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interests of the Company, and upon any such termination, the Company shall immediately pay to each Participant in a lump sum the accrued balance in his Deferral Account (determined as of the most recent Valuation Date preceding the termination date).

ARTICLE 0.0.0.6.16.

Miscellaneous

Section 0.0.0.6.17. Unfunded Plan. This Plan is intended to be an unfunded plan. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

Section 0.0.0.6.18. Nonassignability. Except as specifically set forth in the Plan with respect to the designation of Beneficiaries, neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Section 0.0.0.6.19. Validity and Severability. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 0.0.0.6.20. Governing Law. The validity, interpretation, construction and performance of this Plan shall in all respects be governed by the laws of the State of Connecticut, without reference to principles of conflict of law, except to the extent pre-empted by federal law.

Section 0.0.0.6.21. Status as a Director. This Plan does not constitute a contract of employment or impose on the Participant or the Company any obligation for the Participant to remain a director of the Company or change the policies of the Company and its affiliates regarding termination of services as a director.

Section 0.0.0.6.22. Underlying Compensation Arrangements. Nothing in this Plan shall prevent the Company or the Board from modifying, amending or terminating the compensation arrangements for directors of the Company.

APPENDIX A

Effective as of January 1, 1997, the deemed investment choices under the Plan are as follows:

Mutual Funds

- Merrill Lynch Capital Funds, Inc.
- Merrill Lynch Global Allocation Fund, Inc.
- Merrill Lynch Basic Value Fund, Inc.

Other

- Merrill Lynch Equity Index Trust
- Treasury Rate of Return
- Pitney Bowes Phantom Share Fund
- Pitney Bowes Stock Options

EXHIBIT (v)

PITNEY BOWES INC.

DEFERRED INCENTIVE SAVINGS PLAN

Effective as of September 9, 1996

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

PITNEY BOWES INC.
DEFERRED INCENTIVE SAVINGS PLAN

ARTICLE I

PURPOSE AND EFFECTIVE DATE

The purpose of the Pitney Bowes Inc. Deferred Incentive Savings Plan (hereinafter referred to as the "Plan") is to aid Pitney Bowes Inc. and its subsidiaries in retaining and attracting executive employees by providing them with savings and tax deferral opportunities. The Plan shall be effective for deferral elections made hereunder on or after September 9, 1996.

ARTICLE II

DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

Section 2.01 Administrative Committee. "Administrative Committee" means the committee comprised of the Vice President of Personnel, the Executive Director of Corporate Compensation and the Executive Director of Corporate Benefits.

Section 2.02 Beneficiary. "Beneficiary" means the person, persons or entity designated by the Participant to receive any benefits payable under the Plan pursuant to Article VIII.

Section 2.03 Board. "Board" means the Board of Directors of Pitney Bowes Inc.

Section 2.04 CIU Award. "CIU Award" means any Cash Incentive Unit Award granted pursuant to the long-term incentive program under the Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated as of June 10, 1991).

Section 2.05 Change of Control. For purposes of this Plan, a "Change of Control" shall be deemed to have occurred if:

(i) there is an acquisition, in any one transaction or a series of transactions, other than from Pitney Bowes Inc., by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), of beneficial ownership (within the meaning of Rule 13(d)(3) promulgated under the Exchange Act) of 20% or more of either the then outstanding shares of Common Stock or the combined voting power of the then outstanding voting securities of Pitney Bowes Inc. entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by Pitney Bowes Inc. or any of its subsidiaries, or any employee benefit plan (or related trust) of Pitney Bowes Inc. or its subsidiaries, or any corporation with respect to which, following such acquisition, more than 50% of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the common stock and voting securities of Pitney Bowes Inc. immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of Common Stock or the combined voting power of the then outstanding voting securities of Pitney Bowes Inc. entitled to vote generally in the election of directors, as the case may be; or

(ii) individuals who, as of September 9, 1996, constitute the Board (as of such date, the "Incumbent

Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to September 9, 1996, whose election, or nomination for election by Pitney Bowes' shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Pitney Bowes Inc. (as such terms are used in Rule 14(a)(11) or Regulation 14A promulgated under the Exchange Act); or

(iii) there occurs either (A) the consummation of a reorganization, merger or consolidation, in each case, with respect to which the individuals and entities who were the respective beneficial owners of the common stock and voting securities of Pitney Bowes Inc. immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation, or (B) an approval by the shareholders of Pitney Bowes Inc. of a complete liquidation of dissolution of Pitney Bowes Inc. or of the sale or other disposition of all or substantially all of the assets of Pitney Bowes Inc.

Section 2.06 Common Stock. "Common Stock" means the common stock of Pitney Bowes Inc.

Section 2.07 Company. "Company" means Pitney Bowes Inc., its successors, any subsidiary or affiliated organizations authorized by the Board or the Executive Committee to participate in the Plan and any organization into which or with which Pitney Bowes Inc. may merge or consolidate or to which all or substantially all of its assets may be transferred.

Section 2.08 Deferral Account. "Deferral Account" means the account maintained on the books of the Administrative Committee for each Participant pursuant to Article VI.

Section 2.09 Deferral Period. "Deferral Period" is defined in Section 4.02.

Section 2.10 Deferred Amount. "Deferred Amount" is defined in Section 4.02.

Section 2.11 Disability. "Disability" means eligibility for disability benefits under the terms of the Company's Long-Term Disability Plan as in effect from time to time.

Section 2.12 Eligible Compensation. "Eligible Com pensation" means any cash award otherwise payable as PBC compensation or a CIU Award by the Company to a Participant

with respect to a Plan Year or a performance period pursuant to the Pitney Bowes Inc. Key Employees' Incentive Plan.

Section 2.13 ERISA. "ERISA" means the Employee

Retirement Income Security Act of 1974, as amended.

Section 2.14 Executive Committee. "Executive Com mittee" means the Executive Compensation Committee of the Board.

Section 2.15 Fair Market Value. "Fair Market Value" of a share of Common Stock means the closing price of the Common Stock on the New York Stock Exchange on the most recent day on which the Common Stock was so traded that precedes the date as of which Fair Market Value is to be determined.

Section 2.16 Option. "Option" means an option to acquire shares of Common Stock granted pursuant to the Pitney Bowes 1991 Stock Plan or any successor thereto.

Section 2.17 PBC. "PBC" means the Pitney Bowes' Performance Based Compensation Incentive Program, or any successor thereto, and the "PBC-like" compensation incentive program, or any successor thereto.

Section 2.18 Participant. "Participant" means any individual who is eligible to participate in this Plan and who elects to participate by filing a Participation Agreement as provided in Article IV.

Section 2.19 Participation Agreement. "Participation Agreement" means an agreement filed by a Participant in accordance with Article IV.

Section 2.20 Plan Year. "Plan Year" means a twelve-month period beginning January 1 and ending the following December 31; provided that the first Plan Year shall be the partial year beginning on September 9, 1996 and ending on December 31, 1996.

Section 2.21 Retirement. "Retirement" means retirement of a Participant under the Pitney Bowes Inc. Retirement Plan after attaining age 65 or age 55 with at least ten years of Company service, or retirement under the applicable retirement plan in the case of a Participant employed by a Company that does not participate in the Pitney Bowes Inc. Retirement Plan.

Section 2.22 Termination of Employment. "Termination of Employment" means the cessation of a Participant's services as a full-time employee of the Company and its affiliates for any reason other than Retirement.

Section 2.23 Treasury Rate of Return. "Treasury Rate of Return" means a rate of return equal to (i) the annualized rate payable on United States Treasury Notes with a five-year maturity, plus (ii) 100 basis points. Such Treasury Rate of Return shall be determined for each

month of the Deferral Period
based on the monthly 5 year Treasury rates appearing in the Wall Street Journal, plus 100 basis points and such earnings shall be compounded monthly.

Section 2.24 Unforeseeable Emergency. "Unforeseeable Emergency" means severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

Section 2.25 Valuation Date. "Valuation Date" means the last day of each calendar month or such other date as the Administrative Committee in its sole discretion may determine.

ARTICLE III

ADMINISTRATION

Section 3.01 Executive and Administrative Committees; Duties. (a) This Plan shall be administered by the Executive Committee, which shall be the named fiduciary of this Plan. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business. All resolutions or other action taken by the Executive Committee shall be by a vote of a majority of its members present at any meeting or, without a meeting, by an instrument in writing signed by all its members. Members of the Executive Committee may participate in a meeting of such committee by means of a conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

The Executive Committee shall be responsible for the administration of this Plan and shall have all powers necessary to administer this Plan, including discretionary authority to determine eligibility for benefits and to decide claims under the terms of this Plan, except to the extent that any such powers are vested in any other fiduciary of this Plan by the Executive Committee. The Executive Committee may from time to time establish rules for the administration of this Plan, and it shall have the exclusive right to interpret this Plan and to decide any matters arising in connection with the administration and operation of this Plan. All rules, interpretations and decisions of the Executive Committee shall be conclusive and binding on the Company, Participants and Beneficiaries.

The Executive Committee has delegated to the Administrative Committee responsibility for performing certain administrative and ministerial functions under this Plan. The Administrative Committee shall be responsible for determining in the first instance issues related to eligibility, investment choices, distribution of Deferred Amounts, determination of account balances, crediting of hypothetical earnings and of Deferred Amounts and debiting of hypothetical losses and of distributions, in-service withdrawals, deferral elections and any other duties concerning the day-to-day operation of this Plan. The Executive Committee shall have discretion to delegate to the Administrative Committee such additional duties as it may determine. The Administrative Committee may designate one of its members as a chairperson and may retain and supervise outside providers and professionals (including in-house professionals) to perform any or all of the duties delegated to it hereunder.

Neither the Executive Committee nor a member of the Board nor any member of the Administrative Committee shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated or for anything done or omitted to be done in connection with this Plan. The Executive Committee and the Administrative Committee shall keep records of all of their respective proceedings and the Administrative Committee shall keep records of all payments made to Participants or Beneficiaries and payments made for expenses or otherwise.

The Company shall, to the fullest extent permitted by law, indemnify each director, officer or employee of the Company (including the heirs, executors, administrators and other personal representatives of such person) each member of the Executive Committee and Administrative Committee against expenses (including attorneys' fees), judgments, fines, amounts paid in settlement, actually and reasonably incurred by such person in connection with any threatened, pending or actual suit, action or proceeding (whether civil, criminal, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he or she is or was serving this Plan in any capacity at the request of the Company.

Any expense incurred by the Company, the Executive Committee or the Administrative Committee relative to the administration of this Plan shall be paid by the Company.

Section 3.02 Claim Procedure. If a Participant or Beneficiary makes a written request alleging a right to receive payments under this Plan or alleging a right to receive an adjustment in benefits being paid under this Plan, such actions shall be treated as a claim for benefits. All claims for benefits under this Plan shall be sent to the Administrative Committee. If the Administrative Committee determines that any individual who has claimed a right to receive benefits, or different benefits, under this Plan is not entitled to receive all or any part of the benefits claimed, the Administrative Committee shall inform the claimant in writing of such determination and the reasons therefor in terms calculated to be understood by the claimant. The notice shall be sent within 90 days of the claim unless the Administrative Committee determines that additional time, not exceeding 90 days, is needed. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and shall describe any additional material or information that is necessary. Such notice shall, in addition, inform the claimant of the procedure that the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may within 90 days thereafter submit in writing to the Administrative Committee a notice that the claimant contests the denial of his or her claim and desires a further review by the Executive Committee. The Executive Committee shall within 60 days thereafter review the claim and

authorize
the claimant to review pertinent documents and submit issues and comments relating to
the claim to the Executive Committee. The Executive Committee will render a final
decision on behalf of the Company with specific reasons therefor in writing and will
transmit it to the claimant within 60 days of the written request for review, unless
the Chairperson of the Executive Committee determines that additional time,
not exceeding 60 days, is needed, and so notifies the Participant. If the Committee
fails to respond to a claim filed in accordance with the foregoing within 60 days
or any such extended period, the Company shall be deemed to have denied the claim.

ARTICLE IV

PARTICIPATION

Section 4.01 Participation. Participation in the Plan shall be limited to executives who (i) meet such eligibility criteria as the Executive Committee shall establish from time to time, and (ii) elect to participate in this Plan by filing a Participation Agreement with the Administrative Committee. A Participation Agreement must be filed (i) with respect to a PBC award, prior to the December 1st immediately preceding the Plan Year with respect to which the award relates and (ii) with respect to a CIU Award, prior to the December 1st that occurs during the year prior to the last year of the performance period to which the award relatess; provided, that the Participation ; provided that the Participation Agreement for deferral of PBC awards and CIU Awards that are otherwise payable in 1997 must be filed no later than December 1, 1996. The Administrative Committee shall have the discretion to establish special deadlines regarding the filing of Participation Agreements for specified groups of Participants.

Section 4.02 Contents of Participation Agreement. Subject to Article VII, each Participation Agreement shall set forth: (i) the amount of Eligible Compensation for the Plan Year or performance period to which the Participation Agreement relates that is to be deferred under the Plan (the "Deferred Amount"), expressed as either a dollar amount or a percentage of the total Eligible Compensation for such Plan Year or performance period; provided, that the minimum Deferred Amount for any Plan Year or performance period shall not be less than $2,000; (ii) the period after which payment of the Deferred Amount is to be made or begin to be made (the "Deferral Period"), which shall be the earlier of (A) a number of full years, not less than three and (B) the period ending upon the Retirement of the Participant and (iii) the form in which payments are to be made, which may be a lump sum or in equal annual installments of five, ten or fifteen years.

Section 4.03 Changes to Participation Agreement. A Participation Agreement may not be amended or revoked after December 1st of the Plan Year in which it is made, except that the Deferral Period may be extended and the form of payment may be altered if an amended Participation Agreement is filed with the Administrative Committee at least one full calendar year before the Deferral Period (as in effect before such amendment) ends; provided, that only one such amended Participation Agreement may be filed with respect to each Participation Agreement.

ARTICLE V

DEFERRED INCENTIVE COMPENSATION

Section 5.01 Elective Deferred Incentive Compensation. The Deferred Amount of a Participant with respect to each Plan Year of participation in the Plan shall be credited by the Administrative Committee to the Participant's Deferral Account as and when such Deferred Amount would otherwise have been paid to the Participant. To the extent that the Company is required to withhold any taxes or other amounts from the Deferred Amount pursuant to any state, Federal or local law, such amounts shall be taken out of compensation to the Participant that is not deferred under this Plan.

Section 5.02 Vesting of Deferral Account. Except as provided in Section 7.06, a Participant shall be 100% vested in his/her Deferral Account at all times.

ARTICLE VI

MAINTENANCE AND INVESTMENT OF ACCOUNTS

Section 6.01 Maintenance of Accounts. Separate Deferral Accounts shall be maintained for each Participant. More than one Deferral Account may be maintained for a Participant as necessary to reflect (a) various investment choices and/or (b) separate Participation Agreements specifying different Deferral Periods and/or forms of payment. A Participant's Deferral Account(s) shall be utilized solely as a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan, and shall not constitute or be treated as a trust fund of any kind. The Administrative Committee shall determine the balance of each Deferral Account, as of each Valuation Date, by adjusting the balance of such Deferral Account as of the immediately preceding Valuation Date to reflect changes in the value of the deemed investments thereof, credits and debits pursuant to Section 5.01 and Section 6.02 and distributions pursuant to Article VII with respect to such Deferral Account since the preceding Valuation Date.

Section 6.02 Investment Choices. (a) Each Participant shall be entitled to direct the manner in which his/her Deferral Accounts will be deemed to be invested, selecting among the investment choices specified in Appendix A hereto, as amended by the Executive Committee from time to time, and in accordance with such rules, regulations and procedures as the Executive Committee may establish from time to time. Notwithstanding anything to the contrary herein, earnings and losses based on a Participant's investment elections shall begin to accrue as of the date such Participant's Deferral Amounts are credited to his/her Deferral

Accounts; provided, however, that with respect to a Participant who is participating in the Plan as a "PBC-like" employee whose incentive award is determined on other than an annual basis, Deferral Amounts shall not be considered to be invested until the January 1 following the Plan Year to which the Deferral Amounts relate. Upon the Termination of Employment of a Participant who is participating in the Plan as a "PBC-like" employee, amounts credited to his/her Deferral Account for which earnings or losses have not begun to accrue as provided herein at the time of such Termination of Employment shall be paid his/her Deferred Amount in cash in one lump sum without regard to any earnings or losses. Notwithstanding anything to the contrary in this Plan, if a distribution is made of Deferred Amounts on account of voluntary Termination of Employment other than death before the third anniversary of the crediting of such Deferred Amounts to the Deferral Account, the net cumulative earnings credited with respect to such Deferred Amount shall be equal to the Treasury Rate of Return; provided, however, that if a Change of Control occurs within three years of such third anniversary and before such Termination of Employment has occurred, the net cumulative earnings shall be based on the greater of (i) the rate of return based on the actual investment elections of the Participant and (ii) the Treasury Rate of Return.

(b) (i) The investment choices available for Deferral Accounts from time to time may include a "Phantom Share Fund." The Phantom Share Fund shall consist of deemed investments in shares of Common Stock. Deferred Amounts that are deemed to be invested in the Phantom Share Fund shall be converted into deemed shares based upon the Fair Market Value of the Common Stock on the date(s) the Deferred Amounts are to be credited to a Deferral Account.

The portion of any Deferral Account that is invested in the Phantom Share Fund shall be credited, as of each Valuation Date, with additional shares of Common Stock with respect to cash dividends paid on the Common Stock with record dates during the period beginning on the day after the most recent preceding Valuation Date and ending on such Valuation Date, as follows. The credit shall be for a number of additional deemed shares of Common Stock having a Fair Market Value, as of the payment date for a cash dividend, equal to the dollar amount of such cash dividend paid with respect to a number of actual shares of Common Stock equal to the number of deemed shares in such Deferral Account as of such Valuation Date minus the number of such deemed shares that were distributed to the Participant before such Valua tion Date but after the most recent prior Valuation Date.

(ii) When a deemed reinvestment or a distribution of all or a portion of a Deferral Account that is invested in the Phantom Share Fund is to be made, the balance in such a Deferral Account shall be determined by reference to the Fair Market Value of the Common Stock on the most recent Valuation Date preceding the date of such reinvestment or distribution. Upon a lump sum distribution, the amounts in the Phantom Share Fund shall be distributed in the form of cash having a value equal to the Fair Market Value of the deemed shares being distributed, actual shares of Common Stock, or a combination thereof, as determined by the Executive Committee.

(iii) In the event of a stock dividend, split-up or combination of the Common Stock, merger, consolidation, reorganization, recapitalization, or other change in the corporate structure or capitalization affecting the Common Stock, such that an adjustment is determined by the Executive Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan, then the Executive Committee may make appropriate adjustments to the number of deemed shares credited to any Deferral Account. The determination of the Executive Committee as to such adjustments, if any, to be made shall be conclusive.

(iv) Notwithstanding any other provision of this Plan, the Executive Committee shall adopt such procedures as it may determine are necessary to ensure that with respect to any Participant who is actually or potentially subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, the crediting of deemed shares to his or her Deferral Account is not deemed to be a non-exempt purchase for purposes of such Section 16(b), including without limitation requiring that no shares of Common Stock or cash relating to such deemed shares may be distributed for six months after being credited to such Deferral Account.

(c) The Executive Committee may authorize Options as an investment choice under the Plan. The terms and conditions under which Options may be made available as an investment choice shall be determined and communicated by the Executive Committee to Participants from time to time. Any Options issuable under the Plan will be made pursuant to the Pitney Bowes 1991 Stock Plan.

Section 6.03 Statement of Accounts. The Administrative Committee shall submit to each Participant quarterly statements of his/her Deferral Account(s), in such form as the Administrative Committee deems desirable, setting forth the balance to the credit of such Participant in his/her Deferral Account(s) as of the end of the most recently completed quarter.

ARTICLE VII

BENEFITS

Section 7.01 Time and Form of Payment. (a) At the end of the Deferral Period for each Deferral Account, the Company shall pay to the Participant the balance of such Deferral Account at the time or times elected by the Participant in the applicable Participation Agreement; provided that if the Participant has elected to receive payments from a Deferral Account in a lump sum, the Company shall pay the balance in such Deferral Account (determined as of the most recent Valuation Date preceding the end of the Deferral Period) in a lump sum in cash (plus any shares of Common Stock that the Committee elects to deliver from any investment in the Phantom Share Fund) as soon as practicable after the end of the Deferral Period. If the Participant has elected to receive payments from a Deferral Account in installments, the Company shall make annual cash only payments from such Deferral Account, each of which shall consist of an amount equal to (i) the balance of such Deferral Account as of the most recent Valuation Date preceding the payment date times (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining installments (including the installment being paid). The first such installment shall be paid as soon as practicable after the end of the Deferral Period and each subsequent installment shall be paid on or about the anniversary of such first payment. Each such installment shall be deemed made on a pro rata basis from each of the different deemed investments of the Deferral Account (if there is more than one such deemed investment).

(b) The most recent Participation Agreement making Retirement elections which is filed with the Administrative Committee at least one year prior to a Participant's Retirement shall supersede all previous and future Participation Agreements on file and the entire amount in the Participant's Deferral Account shall be distributed at Retirement in accordance with such Retirement elections. If a Participant has never made a valid affirmative election to defer payment of his/her Deferral Account until Retirement but nevertheless has a Termination of Employment following satisfaction of the definition of Retirement, the remaining account balance of such Participant (determined as of the most recent Valuation Date preceding such termination) shall be distributed to him/her in five (5) equal annual installments following Termination of Employment unless the balance in his/her Deferral Account is less than $50,000 as of such date in which case the balance shall then be distributed in a lump sum.

Section 7.02 Retirement. Subject to Section 7.01(b) and 7.04 hereof, if a Participant has elected to have the balance of his/her Deferral Account distributed upon Retirement, the account balance of the Participant (determined as of the most recent Valuation Date preceding such Retirement) shall be distributed upon Retirement in installments or a lump sum in accordance with the Plan and as elected in the Participant Agreement.

Section 7.03 In-Service Distributions. Subject to Section 7.01(b) and Section 7.04 hereof, if a Participant has elected to defer Eligible Compensation under the Plan for a stated number of years, the account balance of the Participant (determined as of the most recent

Valuation Date preceding such
Deferral Period) shall be distributed in installments or a lump sum in accordance with the Plan and as elected in the Participant Agreement.

Section 7.04 Other Than Retirement. Notwithstanding the provisions of Section 7.02 and Section 7.03 hereof and any Participation Agreement, if a Participant dies, has a Termination of Employment or Disability prior to Retirement and prior to receiving full payment of his/her Deferral Account(s), the Company shall pay the remaining balance (determined as of the most recent Valuation Date preceding such event) to the Participant or the Participant's Beneficiary or Beneficiaries (as the case may be) in a lump sum in cash only (notwithstanding Section 7.01 hereof) as soon as practicable following the occurrence of such event, unless the Administrative Committee in its sole discretion determines otherwise. Subject to Section 6.02(a) hereof, the amount distributable under the preceding sentence of this Section 7.04 shall be based on the Participant's investment elections.

Section 7.05 Hardship Withdrawals. Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant shall be entitled to early payment of all or part of the balance in his/her Deferral Account(s) in the event of an Unforeseeable Emergency, in accordance with this Section 7.05. A distribution pursuant to this Section 7.05 may only be made to the extent reasonably needed to satisfy the Unforeseeable Emergency need, and may not be made if such need is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets to the extent such liquidation would not itself cause severe financial hardship, or (iii) by cessation of participation in the Plan. An application for an early payment under this Section 7.05 shall be made to the Administrative Committee in such form and in accordance with such procedures as the Administrative Committee shall determine from time to time. The determination of whether and in what amount and form a distribution will be permitted pursuant to this Section 7.05 shall be made by the Administrative Committee.

Section 7.06 Voluntary Early Withdrawal. Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant shall be entitled to elect to withdraw all of the balance in his/her Deferral Account(s) in accordance with this Section 7.06 by filing with the Administrative Committee such forms, in accordance with such procedures, as the Administrative Committee shall determine from time to time. As soon as practicable after receipt of such form by the Administrative Committee, the Company shall pay an amount equal to ninety percent of the balance in such Participant's Deferral Account(s) (determined as of the most recent Valuation Date preceding the date such election is filed) to the electing Participant in a lump sum in cash, and the Participant shall forfeit the remainder of such Deferral Account(s). All Participation Agreements previously filed by a Participant who elects to make a withdrawal under this Section 7.06 shall be null and void after such election is filed (including without limitation Participation Agreements with respect to Plan Years or performance periods that have not yet been completed), and such a Participant shall not thereafter be entitled to file any Participation Agreements under the Plan with respect to the first Plan Year that begins after such election is made.

Section 7.07 Payments in Connection with Change of Control. Notwithstanding anything contained in this Plan to the contrary, upon a Change of Control, the Company shall immediately pay to each Participant in a lump sum in cash the balance in his/her Deferral Account(s) (determined as of the most recent Valuation Date preceding the Change of Control).

Section 7.08 Withholding of Taxes. Notwithstanding any other provision of this Plan, the Company shall withhold from payments made hereunder any amounts required to be so withheld by any applicable law or regulation.

ARTICLE VIII

BENEFICIARY DESIGNATION

Section 8.01 Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person, persons or entity as his Beneficiary or Beneficiaries. A Beneficiary designation shall be made, and may be amended, by the Participant by filing a written designation with the Administrative Committee, on such form and in accordance with such procedures as the Administrative Committee shall establish from time to time.

Section 8.02 No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then the Participant's Beneficiary shall be deemed to be the

Participant's estate.

ARTICLE IX

AMENDMENT AND TERMINATION OF PLAN

Section 9.01 Amendment. The Board or the Executive Committee may at any time amend this Plan in whole or in part, provided, however, that no amendment shall be effective to decrease the balance in any Deferral Account as accrued at the time of such amendment, nor shall any amendment otherwise have a retroactive effect.

Section 9.02 Company's Right to Terminate. The Board or the Executive Committee may at any time terminate the Plan with respect to future Participation Agreements. The Board or the Executive Committee may also terminate the Plan in its entirety at any time for any reason, including without limitation if, in its judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interests of the Company, and upon any such termination, the Company shall immediately pay to each Participant in a lump sum the accrued balance in his Deferral Account (determined as of the most recent Valuation Date preceding the termination date).

ARTICLE X

MISCELLANEOUS

Section 10.01 Unfunded Plan. This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Section 401 of ERISA. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

Section 10.02 Nonassignability. Except as specifically set forth in the Plan with respect to the designation of Beneficiaries, neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Section 10.03 Validity and Severability. The inval idity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.04 Governing Law. The validity, inter pretation, construction and performance of this Plan shall in all respects be governed by the laws of the State of Connecticut, without reference to principles of conflict of law, except to the extent pre-empted by federal law.

Section 10.05 Employment Status. This Plan does not constitute a contract of employment or impose on the Participant or the Company any obligation for the Participant to remain an employee of the Company or change the status of the Participant's employment or the policies of the Company and its affiliates regarding termination of employment.

Section 10.06 Underlying Incentive Plans and Programs. Nothing in this Plan shall prevent the Company from modifying, amending or terminating the compensation or the incentive plans and programs, including the Pitney Bowes Inc. Key Employees' Incentive Plan, pursuant to which cash awards are earned and which are deferred under this Plan.

Section 10.07 Severance. Notwithstanding anything to the contrary herein the Executive Committee may, in its sole and exclusive discretion, determine that the Deferral Account of a Participant who has incurred a Termination of Employment and who receives or will receive severance payments from the Company shall be paid in installments, at such intervals as the Executive Committee may decide.

Appendix A

Effective as of September 9, 1996, the deemed investment choices under the Plan are as follows:

Mutual Funds

Merrill Lynch Capital Funds, Inc.

Merrill Lynch Global Allocation Fund, Inc.

Merrill Lynch Basic Value Fund, Inc.

Other

Merrill Lynch Equity Index Trust

Treasury Rate of Return

Pitney Bowes Phantom Share Fund

Pitney Bowes Stock Option

PITNEY BOWES INC. EXHIBIT (vi)

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

(Dollars in thousands, except share data) Years Ended December 31,

Primary	1996	1995	1994	1993(1)	1992(1)
Income from continuing operations(2)	$ 469,413	$ 407,708	$ 348,428	$ 305,690	$ 260,736(3)
Discontinued operations	-	175,431	45,161	47,495	54,129
Effect of accounting changes	-	-	(119,532)	-	(214,631)
Net income	$ 469,413	$ 583,139	$ 274,057	$ 353,185	$ 100,234
Weighted average number of common shares outstanding	149,116,883	151,140,274	156,459,437	157,766,700	157,562,020
Preference stock, $2.12 cumulative convertible	726,756	785,355	847,430	905,231	1,085,684
Stock option and purchase plans	796,598	432,845	421,761	696,721	581,782
Convertible loan stock	-	-	-	-	5,926
Total common and common equivalent shares outstanding	150,640,237	152,358,474	157,728,628	159,368,652	159,235,412
Income per common and common equivalent share - primary:					
Continuing operations	$ 3.12	$ 2.68	$ 2.21	$ 1.92	$ 1.64
Discontinued operations	-	1.15	.29	.30	.34
Effect of accounting changes	-		(.76)	-	(1.35)
Net income	$ 3.12	$ 3.83	$ 1.74	$ 2.22	$ .63
Fully Diluted					
Income from continuing operations	$ 469,413	$ 407,709	$ 348,430	$ 305,694	$ 260,740(3)
Discontinued operations	-	175,431	45,161	47,495	54,129
Effect of accounting changes	-	-	(119,532)	-	(214,631)
Net income	$ 469,413	$ 583,140	$ 274,059	$ 353,189	$ 100,238
Weighted average number of common shares outstanding	149,116,883	151,140,274	156,459,437	157,766,700	157,562,020
Preference stock, $2.12 cumulative convertible	726,756	785,355	847,430	905,231	1,085,684
Stock option and purchase plans	851,050	460,348	439,756	706,981	606,915
Convertible loan stock	-	-	-	-	5,926
Preferred stock, 4% cumulative convertible	11,441	11,502	14,265	23,464	26,409
Total common and common equivalent shares outstanding	150,706,130	152,397,479	157,760,888	159,402,376	159,286,954
Income per common and common equivalent share - fully diluted:					
Continuing operations	$ 3.12	$ 2.68	$ 2.21	$ 1.92	$ 1.64
Discontinued operations	-	1.15	.29	.30	.34
Effect of accounting changes	-	-	(.76)	-	(1.35)
Net income	$ 3.12	$ 3.83	$ 1.74	$ 2.22	$ .63

<FN>

(1) Reclassified to reflect discontinued operations.

(2) Income from continuing operations was adjusted for preferred dividends.

(3) Income from continuing operations was adjusted for interest on convertible debt.

PITNEY BOWES INC. EXHIBIT (vii)

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (1)

(Dollars in thousands)

	Years Ended December 31,				
	1996	1995	1994	1993(2)	1992(2)
Income from continuing operations before income taxes	$684,383	$618,931	$566,507	$498,860	$411,954
Add:					
Interest expense	203,877	226,110	194,115	189,292	230,764
Portion of rents representative of the interest factor	40,538	42,064	42,339	33,842	33,786
Amortization of capitalized interest	914	914	914	914	914
Minority interest in the income of subsidiary with fixed charges	8,121	5,013	-	-	-
Income as adjusted	$937,833	$893,032	$803,875	$722,908	$677,418
Fixed charges:					
Interest expense	$203,877	$226,110	$194,115	$189,292	$230,764
Capitalized interest	1,201	2,178	733	-	-
Portion of rents representative of the interest factor	40,538	42,064	42,339	33,842	33,786
Minority interest in the income of subsidiary with fixed charges	8,121	5,013	-	-	-
	$253,737	$275,365	$237,187	$223,134	$264,550
Ratio of earnings to fixed charges	3.70	3.24	3.39	3.24	2.56
Ratio of earnings to fixed charges excluding minority interest	3.79	3.28	3.39	3.24	2.56

<FN>

(1) The computation of the ratio of earnings to fixed charges has been computed by dividing income from continuing operations before income taxes and fixed charges

by fixed charges. Included in fixed charges is one-third of rental expense as the representative portion of interest.

(2) Reclassified to reflect discontinued operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Exhibit (viii)

OVERVIEW

Pitney Bowes continues to build on the core activities that support its strong competitive position. We concentrate on products and services which facilitate the preparation and management of documents, packages, letters and messages, in physical or electronic form, through all phases of customer use.

The company operates within three industry segments: business equipment, business services, and commercial and industrial financing.

Business equipment consists of four products, supplies and service classes: mailing, copying and facsimile systems, and related financing. These products are sold, rented or leased by the company, while supplies and services are sold. The financial services operations provide lease financing for the company's products in the United States, Canada, the United Kingdom, Germany, France, Norway, Ireland and Australia.

Business services consists of facilities management and mortgage servicing. Facilities management services are provided for a variety of business support functions. Mortgage servicing provides billing, collecting and processing services for major investors in residential first mortgages for a fee.

The commercial and industrial financing segment provides large-ticket financing programs, covering a broad range of products, and other financial services to the commercial and industrial markets in the U.S. It also provides small-ticket lease financing services to small and medium-sized businesses throughout the U.S.

RESULTS OF CONTINUING OPERATIONS 1996 COMPARED TO 1995

In 1996, revenue increased 9%, income from continuing operations grew 15% and earnings per share from continuing operations increased 16% to $3.12 per share compared to $2.68 for 1995.

EARNINGS PER SHARE FROM CONTINUING OPERATIONS

	1994	1995	1996
Dollars	2.21	2.68	3.12

REVENUE GROWTH came primarily from increased sales of facilities management services, production mail and high-end mailing equipment and was principally volume-driven, while prices and exchange rates remained relatively unchanged from 1995. This growth was achieved despite lower revenue in Canada, where the new management team was put in place to focus on profitable growth. Approximately 75% of our total revenue in 1996 is recurring revenue, which we believe is a good indicator of potential repeat business.

REVENUE Dollars in millions

	1994	1995	1996
Sales	1,418	1,546	1,675

Rentals & Financing	1,441	1,575	1,718
Support Services	411	433	466

The 15% growth in INCOME FROM CONTINUING OPERATIONS was possible because of continued emphasis on programs to increase efficiency and reduce operating expenses, despite the fact that more revenues were coming from the lower-margin business services sector. The fact that growth in income from continuing operations significantly outpaced revenue growth is a measure of the success of our emphasis on operating efficiencies.

SALES REVENUE increased 8% from the prior year, 10% if the comparison excludes the approximately $30 million in upgrade revenue generated by the first-quarter 1995 United States Postal Service (USPS) rate change. Facilities management led the company with a 17% sales increase, as it continues to expand its commercial market contract base. Sales of digital, software-based equipment were strong, with notable increases in production mail, high-end mailing and copier placements. In total, financial services financed 39% of all sales in 1996 and 1995. Our facilities management business does not require the same traditional financing services used by the other parts of the company, and its growth impacts this percentage.

RENTAL AND FINANCING REVENUE increased 9% from 1995. Rental revenue increased 6% from 1995. The company voluntarily halted mechanical meter placements in early 1996 to comply with USPS pending guidelines on moving to electronic and digital meters. This caused a slight decline in this year's installed U.S. meter base. However, we expect rapid growth in the base of electronic and digital meters to continue for the next few years, as these prod-

<pg$pcn>

ucts attract new categories of customers worldwide, including the small office/home office (SOHO) market segment. Since the introduction of PostPerfect(TM) in 1995, the company's first digital meter and the subsequent introduction of the Personal Post Office(TM) meter in October 1996, more than 100,000 digital meters have been placed in service. During 1996, the USPS took control of the postal payment trust fund. This significantly lowered the administrative revenue included in this category during this year. This also lowered the growth in rental revenue.

FINANCING REVENUE increased 15% in 1996. Increased volume in Pitney Bowes product leases and small-ticket leases to credit-worthy businesses drove this growth. A strategic shift to concentrate on fee-based income contributed as well, though gains were offset by a planned reduction in the external large-ticket financing business. Excluding the impact of external financial asset sales, revenue growth would have been 10%.

SUPPORT SERVICE REVENUE grew 7%, driven by volume growth in equipment maintenance contracts, manned on-site production mail service contracts and chargeable service calls.

THE RATIO OF COST OF SALES TO SALES REVENUE grew .3 percentage points due to the change in sales revenue mix toward the lower-margin facilities management business, which includes most of its expenses in cost of sales. The revenue mix impact was balanced by lower product costs, increased sales of higher-margin feature-rich products and the effect of a stronger U.S. dollar on equipment purchases. The 1995 ratio also benefited from the lower costs associated with the revenue related to the USPS rate change in the first quarter of 1995.

THE RATIO OF COST OF RENTALS AND FINANCING TO THE RELATED REVENUE increased 1.4 percentage points to 30.8% in 1996. This is due to the effect of the sale of external finance assets and a change in revenue mix. Excluding asset sales, this ratio would have increased .8 percentage points. The strong growth in the mortgage servicing and brokered small-ticket external leasing businesses, both of which include a majority of their expenses in the cost of financing, also increased this ratio.

THE RATIO OF SELLING, SERVICE AND ADMINISTRATIVE EXPENSES TO REVENUE remained relatively unchanged from 1995 at 34.7% despite a $30 million charge (writing off the remaining goodwill and other related expenses) resulting from the company's decision to exit the Australian copier business and downsize its Australian facsimile business. This will enable the company's Australian operations to concentrate on the more profitable mailing and high-end facsimile businesses. This charge was almost completely offset by associated tax benefits and had a minimal impact on the results for the year. Without this charge, selling, service and administrative expenses would have been reduced to 33.9% of 1996 revenues. Changes in the revenue mix helped to reduce this ratio. Various reengineering programs within the company have resulted in operating efficiencies and controlling costs, all of which have lowered the worldwide expense ratio.

SELLING, SERVICE AND ADMINISTRATIVE RATE
(excluding 1996 Australian charge)

	1994	1995	1996
Percentage of revenue	35.7%	34.6%	33.9%

RESEARCH AND DEVELOPMENT EXPENSES in 1996 matched the previous year's, demonstrating the company's commitment to providing the global marketplace with a continuous stream of innovative, high-quality products and services such as the PostPerfect(TM) meter and the Personal Post Office(TM) meter. Development spending is expected to increase in the future, as we invest in the new software and digital products demanded by the marketplace.

NET INTEREST EXPENSE decreased 10% as a result of lower interest rates and lower average debt. Overall, borrowing levels remained steady with those in the latter half of 1995. Financial services did borrow more to support more Pitney Bowes product placements and small-ticket external leases. Future changes in interest rates could affect our borrowing strategies. We manage our interest rate risk, most of which is in financial services, with a balanced mix of debt maturities, variable- and fixed-rate debt and interest rate swap agreements. Our swap-adjusted variable- versus fixed-rate debt mix was 41% to 59%, respectively, at December 31, 1996.

OPERATING PROFIT, excluding the Australian charge, grew 14% with 11% coming from the business equipment segment, 31% from the business services segment and 26% from the commercial and industrial financing segment. Including the Australian charge, overall operating profit increased 9% with business equipment contributing a 6% increase.

The operating profit growth in the business equipment segment came from strong performances by mailing and facsimile globally, and the copier business in the U.S. All businesses contributed to the operating profit growth in the business services segment. In the commercial and industrial financing segment, operating profit growth was helped by a decreasing interest rate environment and from the asset sales described earlier.

<pg$pcn>

CONTINUING OPERATIONS MARGINS

	1994	1995	1996
Percentage	10.7%	11.5%	12.2%

THE EFFECTIVE TAX RATE for 1996, including the tax benefits associated with the company's actions in Australia and the related write-off of its Australian investment, was 31.4%. Excluding such benefits, the effective tax rates for 1996 and 1995 were 34.3% and 34.1%, respectively.

INCOME FROM CONTINUING OPERATIONS

	1994	1995	1996
Dollars in millions	348	408	469

INCOME FROM CONTINUING OPERATIONS grew 15% for all of 1996. Strong growth in income from worldwide mailing and facsimile systems as well as good results from all other businesses led to the overall increase.

RESULTS OF CONTINUING OPERATIONS 1995 COMPARED TO 1994

REVENUE increased 9% in 1995; income per share from continuing operations increased 21% to $2.68 per share in 1995 from $2.21 per share in 1994. The 1995 revenue increase was paced by strong double-digit growth in our facilities management contract base, strong facsimile systems supplies sales in support of our growing plain paper facsimile base in the U.S., and international mailing growth led by our U.K. mailing business, which had solid equipment sales throughout 1995. In addition, sales benefited from the first-quarter USPS rate change and the mid-1995 acquisition of our former Japanese joint venture. This was offset, to a degree, by slower performance in the low-end shipping market in the U.S. In 1995, both price increases and foreign currency fluctuation had less than a 1% favorable impact on sales growth.

RENTALS AND FINANCING REVENUE increased 9% in 1995. Rental revenue increased 8% in 1995. This growth was fueled by the gain in placements of electronic and digital meters including the introduction of PostPerfect,(TM) the company's first digital meter, and a continued shift to high-yielding electronic and digital meters utilizing the Postage By Phone(R) meter resetting system. Plain paper facsimile equipment placements also had strong volume growth.

FINANCING REVENUE increased 10% in 1995, or 16% excluding the impact of financial asset sales. This growth was achieved by increased activity in the financing of the company's products and solid increases in creditworthy small-ticket leases. Financing revenue also benefited from portfolio growth, fee-based income and increased leveraged lease revenue offset by the decision to phase out the business of financing non-Pitney Bowes equipment outside the U.S.

<pg$pcn>

SUPPORT SERVICES REVENUE included in the business equipment segment grew 5% from the prior year as a result of volume and price growth. Expansion of the base of service agreements in the facsimile and copier businesses offset the effect of a planned competitive pricing strategy. U.S. mailing and shipping and production mail systems had strong volume gains in the equipment service base; international mailing and production mail systems also contributed to the growth with support services pricing gains.

THE RATIO OF COST OF SALES TO SALES in 1995 was 60.9% versus 58.4% in 1994. The facilities management business includes most of its costs in cost of sales. Therefore, the growth in its revenue and its increasing significance to total revenue of the company continues to impact this ratio. The increase in 1995 was also the result of increased efficiencies associated with longer production runs in 1994 in U.S. mailing. Offsetting these factors was the favorable gross margin realized from the 1995 USPS rate change.

THE RATIO OF COST OF RENTALS AND FINANCING TO RELATED REVENUE improved to 29.4% in 1995 compared with 32.3% in 1994. The improvement was attributable to growth in fee income, which has minimal costs associated with it; improved equipment rental margins in the U.S.; a lower cost base supporting higher-earning asset levels; and fewer sales, in 1995, of lower-margin lease assets. Amortization of purchased mortgage rights served to partially offset the decrease in the ratio of costs to related rental and financing revenue.

As a part of the company's direction toward new technology in transitioning to all-electronic postage meters, and to meet postal needs, the estimated service lives of postage meters was revised effective January 1, 1995. The meter base has been segregated according to technology content. Mechanical meters, which at December 31, 1995 constituted approximately 50% of the meter base, had their depreciable lives shortened, while electronic meters had their depreciable lives lengthened due to enhanced security, functionality and limited risk of technological obsolescence. These changes in depreciable lives were accounted for as a change in accounting estimate and were not material to 1995 results of operations.

SELLING, SERVICE AND ADMINISTRATIVE EXPENSES TO REVENUE decreased to 34.6% compared to 35.7% in 1994. The improvement was a result of more efficient operations emanating from the strategic focus initiatives commenced in 1994, which made operations more efficient in 1995. An outgrowth of such initiatives, in part, was the favorable experience within some of the company's benefit plans. The improvement in this ratio was achieved despite the inclusion in 1994 of a patent royalty settlement and a special cash payment received relative to Wheeler, a former subsidiary of the company.

RESEARCH AND DEVELOPMENT EXPENSES increased by 4% as a result of our focus on advanced product development, with an emphasis on electronic technology and software, and the required higher expenditure on new products as they approach the end of their development cycle. In 1995, a smaller portion of our engineering activities were in support of newly introduced products.

NET INTEREST increased 16% as a result of higher interest rates coupled with higher average levels of borrowing. The increased borrowing occurred primarily at the financial services businesses and was used to support continued investments in finance assets. Borrowings at the corporate level related to common stock repurchases made in anticipation of the sale proceeds on Monarch and Dictaphone. Any future changes to the interest rate environment could affect the company's borrowing strategies. The company's swap-adjusted variable-rate versus fixed-rate debt mix was 57% and 43%, respectively, at December 31, 1995.

Through December 31, 1995, the company successfully implemented the plan adopted in the third quarter of 1994, which was designed to address the impact of technology on workforce requirements and to further refine its strategic focus on core businesses. The plan resulted in a $93.2 million charge against earnings in 1994. The details of this plan are discussed in Note 13 to the Consolidated Financial Statements. The company made severance and benefit payments of approximately $49 million, the majority of which were paid in 1995, to nearly 1,500 employees separated under the strategic focus initiatives. Completion of the actions contemplated under the strategic initiatives cost the company approximately $5 million in excess of that initially provided in 1994. This excess was recorded in selling, service and administrative expense in 1995. Also, the company has written down assets and incurred certain other exit costs, as planned, by approximately $19 million and $3 million, respectively, the majority of which occurred in 1994. Management believes that the remaining reserve of approximately $23 million, most of which is committed to severance and benefit payments to separated employees, is adequate to complete the actions identified in the plan. Benefits from the strategic focus initiatives (primarily reduced employee expense) were offset, in part, by increased hiring and training expenses to obtain employees with requisite skills.

OPERATING PROFIT, excluding the impact of nonrecurring items in 1994, increased 9% with business equipment reflecting growth of 8%, business services 21% and commercial and industrial financing 16%. The operating profit performance in the business equipment segment reflects strong performances by mailing and facsimile businesses in the U.S. and internationally as well as the copier business in the U.S. In the fourth quarter 1995, incremental installation and service costs approximating $9 million were paid to our non-U.S. operations by our U.S. manufacturing organization to support certain new product introductions. All businesses contributed to the operating profit growth in the business services segment. Operating profit grew in the commercial and industrial financing segment despite increasing interest rates

<pg$pcn>

and lower contributions from asset sales. Lower credit loss provisions together with higher fee income also contributed to the growth in operating profit.

Inclusive of the nonrecurring charges, the operating profit growth, overall, was 5% with the business equipment and commercial and industrial financing segments growing their respective operating profit by 4% and 16%, while the business services segment reflected a 3% decrease in operating profit.

THE EFFECTIVE TAX RATE was 34.1% in 1995 compared to 38.5% in 1994. The 1994 effective tax rate includes the impact of approximately $28 million of strategic actions for which we could not realize associated tax benefits. Excluding these nonrecurring items, the 1994 tax rate was 36.3%. The 1995 effective rate benefited from tax benefits from a company-owned life insurance investment, as well as a higher level of tax-exempt income and lower taxes on foreign operations.

OTHER MATTERS

On June 29, 1995, the company sold Monarch Marking Systems, Inc. (Monarch) for approximately $127 million in cash, subject to post-closing adjustments, to a new company jointly formed by Paxar Corporation and Odyssey Partners, L.P. On August 11, 1995, the company sold Dictaphone Corporation (Dictaphone) for approximately $450 million in cash, subject to post-closing adjustments, to an affiliate of Stonington Partners, Inc. The sales of Dictaphone and Monarch resulted in gains approximating $155 million, net of approximately $130 million of income taxes. Dictaphone and Monarch have been classified in the Consolidated Statement of Income as discontinued operations; revenue and income from continuing operations exclude the results of Dictaphone and Monarch for all periods presented. See Note 12 to the Consolidated Financial Statements.

Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (FAS 112), was adopted in 1994. The one-time effect of doing so was a non-cash, after-tax charge of $119.5 million (net of approximately $80.5 million of income taxes), or 76 cents per share. For additional information see Note 11 to the Consolidated Financial Statements.

ACCOUNTING CHANGES

The company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (FAS 121), on January 1, 1996. The company periodically reviews the fair value of long-lived assets, the results of which have had no material affect on the company's reported results.

The company adopted Statement of Financial Accounting Standards No. 122, "Accounting for Mortgage Servicing Rights" (FAS 122), on January 1, 1996. FAS

122 requires that capitalized mortgage servicing rights be assessed periodically for impairment based on the fair value of those rights. Based on evaluations performed throughout the year, no impairment was recognized in the company's mortgage servicing rights portfolio.

The company also adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123), on January 1, 1996. Under FAS 123, companies can, but are not required to, elect to recognize compensation expense for all stock-based awards, using a fair value methodology. The company has adopted the disclosure only provisions, as permitted by FAS 123. Additional information with respect to accounting for stock options is disclosed in Note 8 to the Consolidated Financial Statements.

In 1996, Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 125), was issued. This statement may impact the method used to sell finance assets on a prospective basis. This statement must be adopted effective January 1, 1997.

LIQUIDITY AND CAPITAL RESOURCES

Our current ratio of current assets to current liabilities improved from .60 to 1 on December 31, 1995 to .67 to 1 on December 31, 1996 as we reduced our short-term borrowings in favor of long-term debt. During 1996, we enter into interest rate swap agreements, primarily through our financial services business. To mitigate the impact of interest rate swings, our policy is to use a balanced mix of debt maturities, variable- and fixed-rate debt and, in certain circumstances, interest rate swap agreements when economic benefits are clear. As we said earlier, swap agreements are used to fix or lower interest rates on commercial loans than we would otherwise have been able to get without the swap.

CURRENT RATIO

1994	1995	1996
.52	.60	.67

<pg$pcn>
The ratio of total debt to total debt and stockholders' equity was 60.5% on December 31, 1996, versus 62.2% at the end of 1995. When calculating this ratio we included preferred stock in a subsidiary company as debt. If you exclude this preferred stock in the calculation, the ratio of total debt to total debt and stockholders' equity was 59.0% as of December 31, 1996 versus 60.7% at December 31, 1995. The company's strong results favorably affected this ratio. The $144 million repurchase of approximately 2.9 million shares of common stock and the investment to support increased Pitney Bowes' product financing partially offset the improvement in the ratio.

We spent $17 million and $45 million in cash in 1996 and 1995, respectively, on severance and benefits to support the company's strategic focus initiative described in Note 13 of the Consolidated Financial Statements. As of December 31, 1996, the company has successfully completed its plan.

The company has a $100 million medium-term note program in place. Under this program maturity dates can be from more than one year to 30 years. This program had $32 million still available as of December 31, 1996. We also have another $300 million available on shelf registration statements filed with the Securities and Exchange Commission (SEC). Pitney Bowes Credit Corporation (PBCC), a wholly-owned subsidiary of the company, has $250 million available under a $625 million shelf registration statement filed with the SEC. We believe that this amount should cover PBCC's financing needs during 1997.

In July 1996, PBCC issued $300 million of medium-term notes: $200 million at 6.54% due in July 1999, and $100 million at 6.78% due in July 2001. In September 1996, PBCC issued $200 million of medium-term notes: $100 million at 6.305% due in October 1998, and $100 million at 6.8% due in October 2001.

To better manage our international cash and investments, in June 1995, Pitney Bowes International Holdings, Inc. (PBIH), a subsidiary of the company, issued $200 million of variable-term, voting preferred stock (par value $.01) representing 25% of the combined voting power of all classes of its outstanding capital stock, to outside institutional investors in a private placement. The remaining 75% of the voting power is held directly or indirectly by Pitney Bowes Inc. The preferred stock is recorded on the Consolidated Balance Sheet as "Preferred Stockholders' Equity in a Subsidiary Company." We used the proceeds of this transaction to pay down short-term debt. We have an obligation to pay cumulative dividends on this preferred stock. These rates are set at auction. The auction periods are generally 49 days, although they may increase in the future. The weighted average dividend rate in 1996 and 1995 was 4% and 4.3%, respectively. Dividends are recorded in the Consolidated Statement of Income as minority interest, and are included in selling, service and administrative expenses.

As of December 31, 1996, Pitney Bowes, including financial services, had unused lines of credit and revolving credit facilities of $1.8 billion (including $1.5 billion at the financial services businesses) in the U.S. and $93 million outside the U.S., largely supporting commercial paper debt. We believe our financing needs for the next few years can be met with cash generated internally and with money from existing credit agreements, debt issued under shelf registration statements and existing commercial and medium-term note programs. Information on the maturities of these various debts is in Note 5 to the Consolidated Financial Statements.

Total financial services assets increased to $5.6 billion at year-end 1996, up 5% from $5.4 billion in 1995. To fund finance assets, borrowings were $3.8 billion in 1996 and $3.7 billion in 1995. Approximately $430 million and $100 million in cash was generated from the sale of finance assets in 1996 and 1995, respectively. We used the money to fund new business development, reducing our need for borrowings.

CAPITAL INVESTMENT

During 1996, net investments in fixed assets included net additions of $75 million to property, plant and equipment and $200 million to rental equipment and related inventories compared with $100 million and $225 million, respectively, in 1995. These additions included expenditures for normal plant and manufacturing equipment as well as, in 1995, a new facility in Shelton, Connecticut. In the case of rental equipment, the additions included the production of postage meters and the purchase of facsimile and copier equipment for new placements and upgrade programs.

As of December 31, 1996, commitments for the acquisition of property, plant and equipment reflected plant and manufacturing equipment improvements as well as rental equipment for new and replacement programs.

LEGAL, ENVIRONMENTAL AND REGULATORY MATTERS

LEGAL In the course of normal business, the company is occasionally party to lawsuits. These may involve litigation by or against the company relating to, among other things:

- - contractual rights under vendor, insurance or other contracts

- - intellectual property or patent rights

- - equipment, service or payment disputes with customers

- - disputes with employees

We are currently a defendant in a number of lawsuits, none of which should have, in the opinion of management and legal counsel, a material adverse effect on the company's financial position or results of operations.

<pg$pcn>

ENVIRONMENTAL Pitney Bowes is subject to federal, state and local laws and regulations relating to the environment and is currently named as a member of various groups of potentially responsible parties in administrative or court proceedings. As we previously announced, in 1996 the Environmental Protection Agency (EPA) issued an administrative order directing us to be part of a soil cleanup program at the Sarney Farm site in Amenia, New York. The site was operated as a landfill between the years 1968 and 1970 by parties unrelated to Pitney Bowes, and wastes from a number of industrial sources were disposed of there. We do not concede liability for the condition of the site, but are working with the EPA to identify, and then seek reimbursement from, other potentially responsible parties. We estimate the total cost of our remediation effort to be in the range of $3 million to $5 million over the next 18 months.

The administrative and court proceedings referred to above are in different states. It is impossible for us to estimate with any certainty the total cost of remediating, the timing or extent of remedial actions which may be required by governmental authorities, or the amount of liability, if any, we might have. If and when it is possible to make a reasonable estimate of our liability in any of these matters, we will make financial provisions as appropriate. Based on the facts we presently know, we believe that the outcome of any current proceeding will not have a material adverse effect on our financial condition or results of operations.

REGULATION In June 1995, the USPS issued final regulations on the manufacture, distribution and use of postage meters. The regulations cover four general categories: meter security, administrative controls, Computerized Meter Resetting Systems (CMRS) and other issues.

In general, the regulations put reporting and performance obligations on meter manufacturers, outline potential administrative sanctions for failure to meet these obligations and require changes in the fund management system of CMRS (such as the company's Postage By Phone(R) system) to give the USPS more direct control over meter licensee deposits.

We are working with the USPS to ensure that these regulations provide mailing customers and the USPS with the intended benefits, and that Pitney Bowes also benefits. We have begun to implement these changes, including modifying our Postage By Phone(R) system so that customers deposit prepayments of postage into a USPS account rather than a trust account. Resetting meters through Postage By Phone(R) still requires the customer to request an authorization and a reset code from Pitney Bowes, a service for which we charge a fee. We continue to believe that the financial impact of implementing these regulations will not be material to the company.

In May 1996, the USPS issued a proposed schedule for the phaseout of mechanical meters in the United States marketplace. The schedule proposes that:

- - as of June 1, 1996, placements of mechanical meters will be available only as replacements for existing licensed mechanical meters

- - as of March 1, 1997, mechanical meters may not be used by persons or firms who process mail for a fee

- - as of December 31, 1997, mechanical meters that interface with mail machines or processors will no longer be approved

- - as of March 1, 1999, all other mechanical meters (stand-alone meters) will no longer be approved

The company has voluntarily halted new placements of mechanical meters in the United States as of June 1, 1996.

We continue to work with the USPS to finalize a mechanical meter migration schedule that reflects the interests of our customers while minimizing any negative impact on Pitney Bowes. Our constant focus on bringing new technologies into the mailing market has already resulted in a significant shift in the makeup of our meter base. In the last 10 years, 1986 to 1996, the percentage of electronic meters in our U.S. installed base has risen from 6% to nearly 60%. Until a mechanical meter migration plan is finalized, the financial impact, if any, on the company cannot be determined with certainty. However, based on the proposed schedule we believe that the plan will not cause a material adverse financial impact on the company.

The May 1996 USPS proposed document also discusses a change in metering technology that would include use of a digital, information-based indicia standard. This standard has not yet been developed, although initial specifications were proposed by the USPS in July 1996. At some undetermined date in the future, the USPS believes that digital metering will eventually replace electronic metering in the United States. We support a digital product migration strategy, and we anticipate working with the USPS to achieve a timely and effective substitution plan. However, until the USPS finalizes standards for a digital information-based indicia program (and clarifies transition to the new standard), the impact of this proposal, if any, on the company cannot be determined. We have taken the lead in deploying digital meters in the marketplace, with over 100,000 digital printing meters already placed into service during 1995 and 1996.

<pg$pcn>

EFFECTS OF INFLATION AND FOREIGN EXCHANGE

Inflation, although moderate in recent years, continues to affect worldwide economies and the way companies operate. It increases labor costs and operating expenses, and raises costs associated with replacement of fixed assets such as rental equipment. Despite these growing costs and the USPS meter migration initiatives, the company has generally been able to maintain profit margins through productivity and efficiency improvements, continual review of both manufacturing capacity and operating expense levels, and, to an extent, price increases.

Although not affecting income, deferred translation gains amounted to $16 million and $6 million in 1996 and 1994 versus losses of $1 million in 1995. In 1996, translation gains resulted primarily from the strengthening of the pound sterling and the Canadian dollar. In 1995, translation losses resulted primarily due to the weakening of the pound sterling.

The results of the company's international operations are subject to currency fluctuations, and we enter into foreign exchange contracts (for purposes other than trading) primarily to minimize our risk of loss from such fluctuations. Exchange rates can impact settlement of our firm and budgeted intercompany receivables and payables that result from transfers of finished goods inventories between our affiliates in different countries, and intercompany loans.

As of December 31, 1996, the company had approximately $153.1 million of outstanding foreign exchange contracts to buy or sell various currencies. These mature through 1997. Risks are possible if counterparties don't meet the terms of their contracts or if there are movements in securities values, interest and/or exchange rates. However, because the counterparties are composed of a number of major international financial institutions, we believe it is unlikely that they will not meet their contract terms. Our maximum risk of loss on these contracts is limited to the amount of the difference between the spot rate at the date of the contract delivery and the contracted rate.

DIVIDEND POLICY

The Pitney Bowes board of directors has a policy to pay a cash dividend on common stock each quarter when feasible. In setting dividend payments, the board considers the dividend rate in relation to the company's recent and projected earnings and its capital investment opportunities and requirements. Pitney Bowes has paid a dividend each year since 1934.

FORWARD-LOOKING STATEMENTS

Pitney Bowes wants to caution readers that any forward-looking statements (those which talk about the company's or management's current expectations as to the future) in this Annual Report or made by company management involve risks and uncertainties which may change based on various important factors. Some of the factors which could cause future financial performance to differ materially from the expectations as expressed in any forward-looking statement made by or on behalf of the company include:

- - changes in postal regulations

- - timely development and acceptance of new products

- - success in gaining product approval in new markets where regulatory approval is required

- - successful entry into new markets

- - mailers' utilization of alternative means of communication or competitors' products

- - our success at managing customer credit risk

<pg$pcn>

SUMMARY OF SELECTED FINANCIAL DATA
(Dollars in thousands, except per share data)

	Years ended December 31				
	1996	1995	1994	1993	1992
Total revenue	$ 3,858,579	$ 3,554,754	$ 3,270,613	$ 3,000,386	$ 2,887,583
Costs and expenses	3,174,196	2,935,823	2,729,472	2,501,526	2,475,629
Nonrecurring items, net	--	--	(25,366)	--	--
Income from continuing operations before income taxes	684,383	618,931	566,507	498,860	411,954
Provision for income taxes	214,970	211,222	218,077	193,166	151,215
Income from continuing operations	469,413	407,709	348,430	305,694	260,739
Discontinued operations	--	175,431	45,161	47,495	54,129
Effect of accounting changes	--	--	(119,532)	--	(214,631)
Net income	$ 469,413	$ 583,140	$ 274,059	$ 353,189	$ 100,237
Income per common and common share equivalent:					
Continuing operations	$ 3.12	$ 2.68	$ 2.21	$ 1.92	$ 1.64
Discontinued operations	--	1.15	.29	.30	.34
Effect of accounting changes	--	--	(.76)	--	(1.35)
Net income	$ 3.12	$ 3.83	$ 1.74	$ 2.22	$ .63
Total dividends on common, preference and preferred stock	$ 206,115	$ 181,657	$ 162,714	$ 142,142	$ 123,112
Dividends per share of common stock	$ 1.38	$ 1.20	$ 1.04	$ .90	$ .78
Average common and common share equivalents outstanding	150,640,237	152,358,474	157,728,628	159,368,652	159,235,412
BALANCE SHEET AT DECEMBER 31					
Total assets	$ 8,155,722	$ 7,844,648	$ 7,399,720	$ 6,793,816	$ 6,498,752
Long-term debt	$ 1,300,434	$ 1,048,515	$ 779,217	$ 847,316	$ 1,015,401
Capital lease obligations	$ 12,631	$ 14,241	$ 23,147	$ 29,462	$ 32,161
Stockholders' equity	$ 2,239,046	$ 2,071,100	$ 1,745,069	$ 1,871,595	$ 1,652,881
Book value per common share	$ 15.11	$ 13.79	$ 11.52	$ 11.81	$ 10.50
RATIOS					
Profit margin - continuing operations:					
Pre-tax earnings	17.7%	17.4%	17.3%	16.6%	14.3%
After-tax earnings	12.2%	11.5%	10.7%	10.2%	9.0%
Return on stockholders' equity -					

before accounting changes	21.0%	28.2%	22.6%	18.9%	19.0%
Debt to total capital	60.5%	62.2%	66.3%	61.3%	64.5%
OTHER					
Common stockholders of record	32,258	32,859	31,226	31,189	30,828
Total employees	28,625	27,723	32,792	32,539	28,958
Postage meters in service in the U.S., U.K. and Canada	1,494,157	1,517,806	1,480,692	1,445,689	1,413,448

See notes, pages 30 through 45

<pg$pcn>

CONSOLIDATED STATEMENT OF INCOME
(Dollars in thousands, except per share data)

	Years ended December 31		
	1996	1995	1994
Revenue from:			
Sales	$ 1,675,090	$ 1,546,393	$ 1,418,304
Rentals and financing	1,717,738	1,575,094	1,441,183
Support services	465,751	433,267	411,126
Total revenue	3,858,579	3,554,754	3,270,613
Costs and expenses:			
Cost of sales	1,025,250	941,124	828,221
Cost of rentals and financing	529,740	463,601	466,070
Selling, service and administrative	1,340,276	1,230,671	1,167,422
Research and development	81,726	81,800	78,618
Interest expense	203,877	226,110	194,115
Interest income	(6,673)	(7,483)	(4,974)
Nonrecurring items, net	--	--	(25,366)
Total costs and expenses	3,174,196	2,935,823	2,704,106
Income from continuing operations before income taxes	684,383	618,931	566,507
Provision for income taxes	214,970	211,222	218,077
Income from continuing operations	469,413	407,709	348,430
Income, net of income tax, from discontinued operations prior to discontinuance	--	21,483	45,161
Net gains on sale of discontinued operations	--	153,948	--
Income before effect of a change in accounting for postemployment benefits	469,413	583,140	393,591
Effect of a change in accounting for postemployment benefits	--	--	(119,532)
Net income	$ 469,413	$ 583,140	$ 274,059
Income per common and common share equivalent:			
Income from continuing operations	$ 3.12	$ 2.68	$ 2.21
Discontinued operations	--	1.15	.29
Effect of a change in accounting for postemployment benefits	--	--	(.76)
Net income	$ 3.12	$ 3.83	$ 1.74

See notes, pages 30 through 45

<pg$pcn>

CONSOLIDATED BALANCE SHEET
(Dollars in thousands, except share data)

	December 31	
	1996	1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 135,271	$ 85,352
Short-term investments, at cost which approximates market	1,500	3,201
Accounts receivable, less allowances: 1996, $16,160; 1995, $13,050	340,730	386,727
Finance receivables, less allowances: 1996, $40,176; 1995, $37,699	1,339,286	1,208,532
Inventories	281,942	311,271
Other current assets and prepayments	123,337	106,014
Total current assets	2,222,066	2,101,097
Property, plant and equipment, net	486,029	495,001
Rental equipment and related inventories, net	815,306	773,337
Property leased under capital leases, net	5,848	7,876
Long-term finance receivables, less allowances: 1996, $73,561; 1995, $75,807	3,450,231	3,390,597
Investment in leveraged leases	633,682	570,008
Goodwill, net of amortization: 1996, $34,372; 1995, $30,504	205,802	208,698
Other assets	336,758	298,034
Total assets	$ 8,155,722	$ 7,844,648
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 849,789	$ 818,122
Income taxes payable	212,155	232,794
Notes payable and current portion of long-term obligations	1,911,481	2,138,065
Advance billings	331,864	312,595
Total current liabilities	3,305,289	3,501,576
Deferred taxes on income	720,840	612,811
Long-term debt	1,300,434	1,048,515
Other noncurrent liabilities	390,113	410,646
Total liabilities	5,716,676	5,573,548
Preferred stockholders' equity in a subsidiary company	200,000	200,000
Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	46	47
Cumulative preference stock, no par value, $2.12 convertible	2,369	2,547
Common stock, $2 par value (240,000,000 shares authorized; 161,668,956 shares issued)	323,338	323,338
Capital in excess of par value	30,260	30,299
Retained earnings	2,450,294	2,186,996
Cumulative translation adjustments	(31,297)	(46,991)
Treasury stock, at cost (13,688,769 shares)	(535,964)	(425,136)
Total stockholders' equity	2,239,046	2,071,100
Total liabilities and stockholders' equity	$ 8,155,722	$ 7,844,648

See notes, pages 30 through 45

<pg$pcn>

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)

	Years ended December 31		
	1996	1995	1994
Cash flows from operating activities:			
Net income	$ 469,413	$ 583,140	$ 274,059
Net gains on sale of discontinued operations	--	(153,948)	--
Effect of a change in accounting for postemployment benefits	--	--	119,532
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	278,168	271,648	268,293
Nonrecurring items, net	--	--	(25,710)
Net change in the strategic focus initiative	(16,826)	(45,078)	(3,386)
Increase in deferred taxes on income	106,298	148,828	119,180
Change in assets and liabilities:			
Accounts receivable	49,187	(18,696)	(8,500)
Sales-type lease receivables	(225,565)	(146,010)	(173,691)
Inventories	35,256	9,788	(43,801)
Other current assets and prepayments	(14,467)	(7,519)	(22,762)
Accounts payable and accrued liabilities	43,125	28,517	14,658
Income taxes payable	(21,281)	(96,436)	(332)
Advance billings	16,715	22,637	12,826
Other, net	(80,103)	(88,339)	(40,827)

Net cash provided by operating activities	639,920	508,532	489,539
Cash flows from investing activities:			
Short-term investments	548	(2,553)	600
Net investment in fixed assets	(271,972)	(337,718)	(345,593)
Net investment in direct-finance lease receivables	50,494	(316,343)	(72,170)
Investment in leveraged leases	(63,320)	(141,898)	(125,775)
Proceeds from sales of subsidiaries	--	577,000	--
Net investment in companies acquired	(8,340)	--	--
Net cash used in investing activities	(292,590)	(221,512)	(542,938)
Cash flows from financing activities:			
(Decrease) increase in notes payable	(467,838)	(432,418)	555,457
Proceeds from long-term obligations	500,000	275,000	200,000
Principal payments on long-term obligations	(12,181)	(66,734)	(275,333)
Proceeds from issuance of stock	31,201	26,999	22,702
Stock repurchases	(144,475)	(98,038)	(268,419)
Proceeds from preferred stock issued by a subsidiary	--	200,000	--
Dividends paid	(206,115)	(181,657)	(162,714)
Net cash (used in) provided by financing activities	(299,408)	(276,848)	71,693
Effect of exchange rate changes on cash	1,997	74	2,159
Increase in cash and cash equivalents	49,919	10,246	20,453
Cash and cash equivalents at beginning of year	85,352	75,106	54,653
Cash and cash equivalents at end of year	$ 135,271	$ 85,352	$ 75,106
Interest paid	$ 204,596	$ 228,460	$ 203,747
Income taxes paid	$ 111,176	$ 163,745	$ 99,379

See notes, pages 30 through 45

<pg$pcn>

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except per share data)

	Preferred stock	Preference stock	Common stock	Capital in excess of par value	Retained earnings	Cumulative translation adjustments	Treasury stock, at cost
BALANCE, JANUARY 1, 1994	$ 68	$ 2,969	$ 323,338	$ 36,762	$1,674,168	$ (47,319)	$ (118,391)
Net income - 1994					274,059		
Cash dividends:							
Preferred ($2.00 per share)					(2)		
Preference ($2.12 per share)					(223)		
Common ($1.04 per share)					(162,489)		
Issuances under dividend reinvestment and stock plans				(801)			23,635
Conversions to common stock	(20)	(179)		(1,813)			2,012
Issuance for company acquired				40			960
Repurchase of common stock							(268,419)
Translation adjustments						5,702	
Tax credits relating to stock options				1,012			
BALANCE, DECEMBER 31, 1994	48	2,790	323,338	35,200	1,785,513	(41,617)	(360,203)
Net income - 1995					583,140		
Cash dividends:							
Preferred ($2.00 per share)					(1)		
Preference ($2.12 per share)					(261)		
Common ($1.20 per share)					(181,395)		
Issuances under dividend reinvestment and stock plans				(4,047)			30,594
Conversions to common stock	(1)	(243)		(2,267)			2,511
Repurchase of common stock							(98,038)
Translation adjustments						(5,374)	
Tax credits relating to stock options				1,413			
BALANCE, DECEMBER 31, 1995	47	2,547	323,338	30,299	2,186,996	(46,991)	(425,136)
Net income - 1996					469,413		
Cash dividends:							
Preferred ($2.00 per share)					(1)		
Preference ($2.12 per share)					(194)		
Common ($1.38 per share)					(205,920)		
Issuances under dividend reinvestment and stock plans				(2,441)			31,649
Conversions to common stock	(1)	(178)		(1,819)			1,998
Repurchase of common stock							(144,475)
Translation adjustments						15,694	
Tax credits relating to stock options				4,221			
BALANCE, DECEMBER 31, 1996	$ 46	$ 2,369	$ 323,338	$ 30,260	$2,450,294	$ (31,297)	$ (535,964)

See notes, pages 30 through 45

<pg$pcn>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data or as otherwise indicated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements include the accounts of Pitney Bowes Inc. and all of its subsidiaries (the company). All significant intercompany transactions have been eliminated.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS, SHORT-TERM INVESTMENTS AND ACCOUNTS RECEIVABLE

Cash equivalents include short-term, highly liquid investments with a maturity of three months or less from date of acquisition. The company places its temporary cash and short-term investments with financial institutions and limits the amount of credit exposure with any one financial institution. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers and relatively small account balances within the majority of the company's customer base, and their dispersion across different businesses and geographic areas.

INVENTORY VALUATION

Inventories are valued at the lower of cost or market. Cost is determined on the last-in, first-out (LIFO) basis for most U.S. inventories, and the first-in, first-out (FIFO) basis for most non-U.S. inventories.

FIXED ASSETS AND DEPRECIATION

Property, plant and equipment are stated at cost and depreciated principally using the straight-line method over appropriate periods: machinery and equipment principally three to 15 years and buildings up to 50 years. Major improvements which add to productive capacity or extend the life of an asset are capitalized while repairs and maintenance are charged to expense as incurred. Rental equipment is depreciated on the straight-line method over appropriate periods, principally three to ten years. Other depreciable assets are depreciated using either the straight-line method or accelerated methods. Properties leased under capital leases are amortized on a straight-line basis over the primary lease terms.

RENTAL ARRANGEMENTS AND ADVANCE BILLINGS

The company rents equipment to its customers, primarily postage meters and mailing, shipping, copier and facsimile systems under short-term rental agreements, generally for periods of three months to three years. Charges for equipment rental and maintenance contracts are billed in advance; the related revenue is included in advance billings and taken into income as earned.

ASSET VALUATION

The company periodically reviews the fair value of long-lived assets and capitalized mortgage servicing rights for impairment.

FINANCING TRANSACTIONS

At the time a finance transaction is consummated, the company's finance operations record the gross finance receivable, unearned income and the estimated residual value of leased equipment. Unearned income represents the excess of the gross finance receivable plus the estimated residual value over the cost of equipment or contract acquired. Unearned income is recognized as financing income using the interest method over the term of the transaction and is included in rentals and financing revenue in the Consolidated Statement of Income. Initial direct costs incurred in consummating a transaction are accounted for as part of the investment in a lease and amortized to income using the interest method over the term of the lease.

In establishing the provision for credit losses, the company has successfully utilized an asset-based percentage. This percentage varies depending on the nature of the asset, recent historical experience, vendor recourse, management judgment and the credit rating of the respective customer. The company evaluates the collectibility of its net investment in finance receivables based upon its loss experience and assessment of prospective risk, and does so through ongoing reviews of its exposures to net asset impairment. The carrying value of its net investment in finance receivables is adjusted to the estimated collectible amount through adjustments to the allowance for credit losses. Finance receivables are charged to the allowance for credit losses after collection efforts are exhausted and the account is deemed uncollectible.

The company's general policy is to discontinue income recognition for finance receivables contractually past due for over 90 to 120 days depending on the nature of the transaction. Resumption of income recognition occurs when payments are reduced to 60 days or less past due. However, large-ticket external transactions are reviewed on an individual basis. Income recognition is normally discontinued as soon as it is apparent that the obligor will not be making payments in accordance with lease terms and resumed after the company has sufficient experience on resumption of payments to be satisfied that such payments will continue in accordance with the original or restructured contract terms.

The company has, from time to time, sold selected finance assets. The company follows Statement of Financial Accounting Standards No. 77, "Reporting by Transferors for Transfers of Receivables with Recourse" (FAS 77), when accounting for its sale of finance assets. The difference between the sale price and the net receivable, exclusive of residuals, is recognized as a gain or loss.

<pg$pcn>

The company's investment in leveraged leases consists of rentals receivable net of principal and interest on the related nonrecourse debt, estimated residual value of the leased property and unearned income. The unearned income is recognized as leveraged lease revenue in income from investments over the lease term.

GOODWILL

Goodwill represents the excess of cost over the value of net tangible assets acquired in business combinations and is amortized using the straight-line method over appropriate periods, principally 40 years. The recoverability of goodwill is assessed by determining whether the unamortized balance can be recovered from expected future cash flows from the applicable operation.

REVENUE

Sales revenue is primarily recognized when a product is shipped.

COSTS AND EXPENSES

Operating expenses of field sales and service offices are included in selling, service and administrative expense because no meaningful allocation of such expenses to cost of sales, rentals and financing or support services is practicable.

INCOME TAXES

The deferred tax provision is determined under the liability method. Deferred tax assets and liabilities are recognized based on differences between the book and tax bases of assets and liabilities using currently enacted tax rates. The provision for income taxes is the sum of the amount of income tax paid or payable for the year as determined by applying the provisions of enacted tax laws to the taxable income for that year and the net change during the year in the company's deferred tax assets and liabilities.

Deferred taxes on income result principally from expenses not currently recognized for tax purposes, the excess of tax over book depreciation, deferral of lease revenue and gross profits on sales to finance subsidiaries.

For tax purposes, income from leases is recognized under the operating method and represents the difference between gross rentals billed and operating expenses.

It has not been necessary to provide for income taxes on $449 million of cumulative undistributed earnings of subsidiaries outside the U.S. These earnings will be either indefinitely reinvested or remitted substantially free of additional tax. Determination of the liability that would result in the event all of these earnings were remitted to the U.S. is not practicable. It is estimated, however, that withholding taxes on such remittances would approximate $13 million.

NONPENSION POSTRETIREMENT BENEFITS AND
POSTEMPLOYMENT BENEFITS

The company provides certain health care and life insurance benefits to eligible retirees and their dependents. The cost of these benefits is recognized over the period the employee provides credited service to the company. Substantially all of the company's U.S. and Canadian employees become eligible for retiree health care benefits after reaching age 55 and with the completion of the required service period. Postemployment benefits include primarily company-provided medical benefits to disabled employees and company-provided life insurance as well as other disability- and death-related benefits to former or inactive employees, their beneficiaries and covered dependents. It is the company's practice to fund amounts for these nonpension postretirement and postemployment benefits as incurred.

INCOME PER SHARE

Income per share is based on the weighted average number of common and common share equivalents outstanding during the year. Common share equivalents include preference stock and stock option and purchase plan shares.

POSTAGE DEPOSITS

The company's U.S. customers using the Pitney Bowes Postage By Phone(R) meter setting system, a computerized system developed by the company for the resetting of postage meters via telephone, can elect to make deposits directly with the U.S. Postal Service to cover expected postage usage. Such customers can also elect, for a fee, to have Pitney Bowes pay the postage to the U.S. Postal Service under a revolving credit product called Purchase Power(SM). The company earns income on balances from customers who elect to use our credit facilities. Resetting fees received by the company are not affected by the customers' choice of payment method.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of subsidiaries operating outside the U.S. are translated at rates in effect at the end of the period, and revenues and expenses are translated at average rates during the period. Net deferred translation gains and losses are accumulated in stockholders' equity.

The company enters into foreign exchange contracts for purposes other than trading primarily to minimize its risk of loss from exchange rate fluctuations on the settlement of firm and budgeted intercompany receivables and payables arising in connection with transfers of finished goods inventories between affiliates and certain intercompany loans. Gains and losses on foreign exchange contracts entered into as hedges are deferred and recognized as part of the cost of the underlying transaction. Gains and losses related to changes in the value of speculative contracts are recognized in income currently. At December 31, 1996, the company had approximately $153.1 million of foreign exchange contracts outstanding, maturing through 1997, to buy or sell various currencies. Risks arise from the possible non-performance by counterparties in meeting the terms of their contracts and from movements in securities values and interest and

<pg$pcn>

exchange rates. However, the company does not anticipate non-performance by the counterparties as they are composed of a number of major international financial institutions. Maximum risk of loss on these contracts is limited to the amount of the difference between the spot rate at the date of the contract delivery and the contracted rate.

Foreign currency transaction and translation (losses) and gains net of tax were $(0.5) million, $1.6 million and $0.1 million in 1996, 1995 and 1994, respectively.

2. INVENTORIES

Inventories consist of the following:

December 31	1996	1995
Raw materials and work in process	$ 58,536	$ 57,203
Supplies and service parts	103,182	87,863
Finished products	120,224	166,205
Total	$281,942	$311,271

Had all inventories valued at LIFO been stated at current costs, inventories would have been $37.3 million and $40.1 million higher than reported at December 31, 1996 and 1995, respectively.

3. FIXED ASSETS

December 31	1996	1995
Land	$ 34,859	$ 34,860
Buildings	304,631	303,559
Machinery and equipment	754,011	733,810
	1,093,501	1,072,229
Accumulated depreciation	(607,472)	(577,228)

Property, plant and equipment, net	$ 486,029	$ 495,001
Rental equipment and related inventories	$ 1,634,111	$ 1,591,321
Accumulated depreciation	(818,805)	(817,984)
Rental equipment and related inventories, net	$ 815,306	$ 773,337
Property leased under capital leases	$ 24,124	$ 25,468
Accumulated amortization	(18,276)	(17,592)
Property leased under capital leases, net	$ 5,848	$ 7,876

4. CURRENT LIABILITIES

Accounts payable and accrued liabilities, and notes payable and current portion of long-term obligations, are comprised as follows:

December 31	1996	1995
Accounts payable - trade	$ 245,274	$ 216,715
Accrued salaries, wages and commissions	90,452	86,243
Accrued pension benefits	77,323	97,937
Accrued nonpension postretirement benefits	15,500	15,500
Accrued postemployment benefits	6,884	6,884
Miscellaneous accounts payable and accrued liabilities	414,356	394,843
Accounts payable and accrued liabilities	$ 849,789	$ 818,122
Notes payable and overdrafts	$1,656,574	$2,124,044
Current portion of long-term debt	253,190	12,296
Current portion of capital lease obligations	1,717	1,725
Notes payable and current portion of long-term obligations	$1,911,481	$2,138,065

In countries outside the U.S., banks generally lend to non-finance subsidiaries of the company on an overdraft or term-loan basis. These overdraft arrangements and term loans, for the most part, are extended on an uncommitted basis by banks and do not require compensating balances or commitment fees.

Notes payable were issued as commercial paper, loans against bank lines of credit, or to trust departments of banks and others at below prevailing prime rates. Fees paid to maintain lines of credit were $1.5 million, $1.8 million and $2.6 million in 1996, 1995 and 1994, respectively.

At December 31, 1996, notes payable and overdrafts outside the U.S. totaled $1.2 million and U.S. notes payable totaled $1.7 billion. Unused credit facilities outside the U.S. totaled $96.9 million at December 31, 1996 of which $50.2 million were for finance operations. In the U.S., the company had $1.8 billion of unused credit facilities in place at December 31, 1996, largely in support of commercial paper borrowings, of which $1.5 billion were for the finance operations. The weighted average interest rates were 4.9% and 5.5% on notes payable and overdrafts outstanding at December 31, 1996 and 1995, respectively.

The company periodically enters into interest rate swap and swap option agreements as a means of managing interest rate exposure on both its U.S. and non-U.S. debt. The interest differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The company is exposed to credit losses in the event of non-performance by the other parties

<pg$pcn>

to the interest rate swap agreements to the extent of the differential between the fixed- and variable-rates; such exposure is considered minimal.

The company enters into interest rate swap agreements primarily through its Pitney Bowes Credit Corporation (PBCC) subsidiary. It has been the policy and objective of the company to use a balanced mix of debt maturities, variable- and fixed-rate debt and interest rate swap agreements to control its sensitivity to interest rate volatility. The Company's variable-rate versus fixed-rate debt mix was 41% and 59%, respectively, at December 31, 1996. The company utilizes interest rate swap agreements when it considers the economic benefits to be favorable. Swap agreements, as noted above, have been principally utilized to fix interest rates on commercial paper and/or obtain a lower cost on debt than would otherwise be available absent the swap. At December 31, 1996, the company had outstanding interest rate swap agreements with notional principal amounts of $327.8 million and terms expiring at various dates from 1997 to 2004. The company exchanged variable commercial paper rates on an equal notional amount of notes payable and overdrafts for fixed rates ranging from 6.5% to 10.75%.

5. LONG-TERM DEBT

December 31	1996	1995
Non-financial services debt:		
Due 1998-2001 (4.75% to 5.5%)	$ 3,730	$ 688
Financial services debt:		
Senior notes:		
7.39% to 7.48% notes due 1997	--	45,500
5.63% notes due 1997	--	200,000
5.84% to 6.305% notes due 1998	225,000	125,000
6.54% notes due 1999	200,000	--
6.06% to 6.11% notes due 2000	50,000	50,000
6.78% to 6.80% notes due 2001	200,000	--
6.63% notes due 2002	100,000	100,000
8.80% notes due 2003	150,000	150,000
8.63% notes due 2008	100,000	100,000
9.25% notes due 2008	100,000	100,000
8.55% notes due 2009	150,000	150,000
Canadian dollar notes due 1997-2000 (11.05% to 12.50%)	21,020	25,371
Other, due 1997-1998 (9.92%)	684	1,956
Total long-term debt	$1,300,434	$1,048,515

The company has a medium-term note facility which was established as a part of the company's shelf registrations, permitting issuance of up to $100 million in debt securities, of which $32 million remain available. Securities issued under this medium-term note facility would have maturities ranging from more than one year up to 30 years. The company also has an additional $300 million remaining on shelf registrations filed with the Securities and Exchange Commission (SEC).

PBCC has $250 million of unissued debt securities available from a $625 million shelf registration statement filed with the SEC in September 1995.

The annual maturities of the outstanding debt during each of the next five years are as follows: 1997, $251.5 million; 1998, $231.9 million; 1999, $204.4 million; 2000, $63.0 million; and 2001, $200.6 million.

Under terms of their senior and subordinated loan agreements, certain of the finance operations are required to maintain earnings before taxes and interest charges at prescribed levels. With respect to such loan agreements, the company will endeavor to have these finance operations maintain compliance with such terms and, under certain loan agreements, is obligated, if necessary, to pay to these finance operations amounts sufficient to maintain a prescribed ratio of income available for fixed charges. The company has not been required to make any such payments to maintain income available for fixed charge coverage.

6. PREFERRED STOCKHOLDERS' EQUITY IN A SUBSIDIARY COMPANY

Preferred stockholders' equity in a subsidiary company represents 2,000,000 shares of the outstanding preferred stock of Pitney Bowes International Holdings, Inc., a subsidiary of the company, which are owned by certain outside institutional investors. These preferred shares are entitled to 25% of the combined voting power of all classes of capital stock. All outstanding common stock of Pitney Bowes International Holdings, Inc., representing the remaining 75% of the combined voting power of all classes of capital stock, is owned directly or indirectly by Pitney Bowes Inc. The preferred stock, $.01 par value, is entitled to cumulative dividends at rates set at auction. The weighted average dividend rate in 1996 and 1995 was 4.0% and 4.3%, respectively. Preferred dividends are reflected as a minority interest in the Consolidated Statement of Income in selling, service and administrative expense. The preferred stock is subject to mandatory redemption based on certain events, at a redemption price not less than $100 per share, plus the amount of any dividends accrued or in arrears. No dividends were in arrears at December 31, 1996 or 1995.

7. CAPITAL STOCK AND CAPITAL IN EXCESS OF PAR VALUE

At December 31, 1996, 240,000,000 shares of common stock, 600,000 shares of cumulative preferred stock, and 5,000,000 shares of preference stock were authorized, and 147,980,187 shares of common stock (net of 13,688,769 shares of treasury stock), 923 shares of 4% Convertible Cumulative Preferred Stock (4% preferred stock) and 87,472 shares of $2.12 Convertible Preference Stock ($2.12 preference stock) were issued and outstanding. The balance of unreserved and unissued preferred stock (599,077 shares) and preference stock (4,912,528 shares) may be issued in the future by the board of directors, which will determine the dividend rate, terms of redemption, terms of conversion (if any) and other pertinent features. Unreserved and unissued common stock (exclusive of treasury stock) at December 31, 1996 amounted to 63,845,604 shares.

<pg$pcn>

The 4% preferred stock outstanding, entitled to cumulative dividends at the rate of $2 per year, is redeemable at the option of the company, in whole or in part at any time, at the price of $50 per share, plus dividends accrued to the redemption date. Each share of the 4% preferred stock is convertible into 12.12 shares of common stock, subject to adjustment in certain events.

The $2.12 preference stock is entitled to cumulative dividends at the rate of $2.12 per year and is redeemable at the option of the company at the rate of $28 per share. Each share of the $2.12 preference stock is convertible into eight shares of common stock, subject to adjustment in certain events.

At December 31, 1996, an aggregate of 710,963 shares of common stock was reserved for issuance upon conversion of the 4% preferred stock (11,187 shares) and $2.12 preference stock (699,776 shares). In addition, 1,385,571 shares of common stock were reserved for issuance under the company's dividend reinvestment and other corporate plans.

Each share of common stock outstanding has attached one preference share purchase right. Each right entitles each holder to purchase 1/100th of a share of Series A Junior Participating Preference Stock for $195 and will expire in February 2006. Following a merger or certain other transactions, the rights will entitle the holder to purchase common stock of the company or the acquirers at a 50% discount.

8. STOCK PLANS

Transactions under the company's stock plans are summarized below:

Common stock	Shares	Price per share
January 1, 1994, shares reserved	2,292,027	$ 7 -$43
Shares offered 1994 (price approximates market value at date of grant)	1,009,102	$32 -$40
Shares issued 1994	(519,765)	$ 7 -$38
Shares canceled 1994	(152,398)	$30 -$42
December 31, 1994, shares reserved	2,628,966	$10 -$43

Common stock	Shares	Weighted average price per share
December 31, 1994, shares reserved	2,628,966	$ 32
Shares offered 1995 (price approximates market value at date of grant)	939,091	$ 33
Shares issued 1995	(730,199)	$ 29
Shares canceled 1995	(124,229)	$ 35
December 31, 1995, shares reserved	2,713,629	$ 33
Shares offered 1996 (price approximates market value at date of grant)	784,939	$ 49
Shares issued 1996	(709,690)	$ 32
Shares canceled 1996	(91,864)	$ 40
December 31, 1996, shares reserved	2,697,014	$ 38

As of December 31, 1996, the outstanding options had exercise prices ranging from $20 to $55 per share. The weighted average contractual life of the outstanding options was 6.8 years. Of the common shares reserved at December 31, 1996, options for 1,008,851 are exercisable with a weighted average exercise price of $31.

The company has the following three stock plans:

- - The 1991 Stock Plan (ESP), under which certain employees are granted options to purchase common stock and also awarded restricted stock.

- - The Employee Stock Purchase Plan (ESPP)

- - The Directors' Stock Plan

The company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123), on January 1, 1996. Under FAS 123, companies can, but are not required to, elect to recognize compensation expense for all stock-based awards, using a fair value methodology. The company has adopted the disclosure only provisions, as permitted by FAS 123. The company applies APB Opinion 25 and related Interpretations in accounting for its stock option plans. Accordingly, no compensation has been

<pg$pcn>

recognized for the ESP or the ESPP, except for the compensation cost recorded for its performance-based awards under the ESP and the Directors' Stock Plan as discussed herein. If the company had elected to recognize compensation cost based on the fair value of the options granted at grant date as prescribed by FAS No. 123, the proforma effect on reported net income and earnings per share would not have been material.

In accordance with FAS 123, the fair value method of accounting has not been applied to options granted prior to January 1, 1995. Therefore, the resulting proforma impact may not be representative of that to be expected in future years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	1996	1995
Expected dividend yield	2.5%	2.5%
Expected stock price volatility	17%	17%
Risk-free interest rate	6%	6%
Expected life of options:		
ESP	3 to 5 yrs	3 to 5 yrs
ESPP - U.S.	1 yr	1 yr
ESPP - U.K.	5 yrs	5 yrs
Directors' Stock Plan	10 yrs	10 yrs

ESP

The company may grant options on up to 4,040,568 shares under the ESP. The company granted options on 402,895 shares in 1996 and 512,752 shares in 1995. Under this plan the option exercise price equals the stock's market price on date of grant. Options become exercisable in three equal installments during the first three years following their grant and expire after ten years. The weighted average fair value of the grants was $10 in 1996 and $7 in 1995.

ESPP

The company may grant rights to purchase up to 5,651,324 common shares to its regular employees under the ESPP. The company granted rights to purchase 382,044 shares in 1996 and 426,339 shares in 1995. In 1996, the offering price was 90% of the average closing price of Pitney Bowes common stock on the New York Stock Exchange for the 30 day period preceding the offering date. At no time will the exercise price be less than the lowest price permitted under Section 423 of the Internal Revenue Code. The fair value of each right granted was $7 in 1996 and $5 in 1995 for the U.S. plan and $13 in 1996 and $9 in 1995 for the U.K. plan.

Certain executives are awarded restricted stock under the 1991 Stock Plan. Restricted stock awards are subject to both tenure and financial performance over three years. The restrictions on the shares are released, in total or in part, only if the executive is still employed by the company at the end of the performance period and if all the performance objectives are achieved. There were 50,250 shares awarded in 1996 and 56,300 shares awarded in 1995 at no cost to the executives. The compensation expense for each award is recognized over the performance period. Compensation expense recorded by the company related to these awards was $2.0 million and $.8 million in 1996 and 1995, respectively. The weighted average fair value of each award was $46 in 1996 and $31 in 1995.

DIRECTORS' STOCK PLAN

Under this plan each nonemployee director is granted 400 shares of restricted common stock annually as part of his or her compensation. Shares granted at no cost to the director were 3,600 in 1996 and 3,200 in 1995. Compensation cost recorded by the company was $175,000 and $118,000 for 1996 and 1995, respectively. The shares carry full voting and dividend rights but may not be transferred or alienated until the later of (1) termination of service as a director, or, if earlier, the date of a change of control, or (2) the expiration of the six month period following the grant of such shares. The fair value of each share was $38 in 1996 and $29 in 1995.

9. TAXES ON INCOME

Income from continuing operations before income taxes and the provision for income taxes consist of the following:

	Years ended December 31		
	1996	1995	1994
Income from continuing operations before income taxes:			
U.S.	$ 656,862	$ 566,806	$ 565,375
Outside the U.S.	27,521	52,125	1,132
Total	$ 684,383	$ 618,931	$ 566,507
Provision for income taxes:			
U.S. federal:			
Current	$ 42,257	$ (17,024)	$ 37,644
Deferred	111,943	168,297	123,037
	154,200	151,273	160,681
U.S. state and local:			
Current	11,853	13,691	12,856
Deferred	29,562	26,221	31,295
	41,415	39,912	44,151
Outside the U.S.:			
Current	28,694	28,233	19,342
Deferred	(9,339)	(8,196)	(6,097)
	19,355	20,037	13,245
Total current	82,804	24,900	69,842

Total deferred	132,166	186,322	148,235
Total	$ 214,970	$ 211,222	$ 218,077

Including discontinued operations, current provisions for 1995 federal, state and local and outside the U.S. would have been $87.6 million, $39.9 million and $41.9 million, respectively. Total tax provision would have been $355.7 million.

<pg$pcn>

DEFERRED TAX LIABILITIES AND (ASSETS)

December 31	1996	1995
Deferred tax liabilities:		
Depreciation	$ 72,930	$ 54,469
Deferred profit (for tax purposes) on sales to finance subsidiaries	367,490	342,435
Lease revenue and related depreciation	816,831	707,484
Other	103,471	77,362
Deferred tax liabilities	1,360,722	1,181,750
Deferred tax assets:		
Nonpension postretirement benefits	(130,422)	(112,201)
Pension liability	(17,995)	(32,219)
Inventory and equipment capitalization	(33,145)	(32,775)
Net operating loss carryforwards	(47,481)	(52,639)
Alternative minimum tax (AMT) credit carryforwards	(80,773)	(57,194)
Postemployment benefits	(19,963)	(22,804)
Other	(124,263)	(112,715)
Valuation allowance	46,601	48,692
Deferred tax assets	(407,441)	(373,855)
Net deferred taxes	$ 953,281	$ 807,895

Net deferred taxes includes $232.4 million and $195.1 million for 1996 and 1995, respectively, of current deferred taxes, which are included in income taxes payable in the Consolidated Balance Sheet.

The decrease in the deferred tax asset for net operating losses and related valuation allowance was due mainly to the utilization of U.S. tax loss carryforwards and a decrease in Australian tax loss carryforwards as a result of restructuring the Australian operations. The decrease was partially offset by losses incurred by certain foreign subsidiaries. As of December 31, 1996 and 1995, approximately $98.1 million and $113.2 million, respectively, of net operating loss carryforwards were available to the company. Most of these losses, as well as the company's alternative minimum tax credit, can be carried forward indefinitely.

In 1994 through 1996, the company recognized a reduction in tax expense on account of its investment in a life insurance program. In 1996, the company recognized tax benefits from restructuring its Australian operations and the related write-off of its investment in Pitney Bowes Australia Pty Limited.

A reconciliation of the U.S. federal statutory rate to the company's effective tax rate for continuing operations follows:

Percent of pre-tax income	1996	1995	1994
U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes	3.9	4.2	5.1
Australian write-off	(2.4)	--	--
Life insurance investment	(1.7)	(2.1)	(.6)
Other	(3.4)	(3.0)	(1.0)
Effective income tax rates	31.4%	34.1%	38.5%

The effective tax rate for discontinued operations in 1995 differs from the statutory rate due primarily to state and local income taxes and nondeductible goodwill.

<pg$pcn>

10. RETIREMENT PLANS

The company has several defined benefit and defined contribution pension plans covering substantially all employees worldwide. Benefits are primarily based on employees' compensation and years of service. Company contributions are determined based on the funding requirements of U.S. federal and other governmental laws and regulations.

Total ongoing pension expense amounted to $45.6 million in 1996, $52.2 million in 1995 and $50.2 million in 1994. Net pension expense for defined benefit plans for 1996, 1995 and 1994 included the following components:

	United States			Foreign		
	1996	1995	1994	1996	1995	1994
Service cost - benefits earned during period	$ 31,952	$ 33,061	$ 35,908	$ 6,046	$ 5,952	$ 5,975
Interest cost on projected benefit obligations	69,292	68,027	65,745	10,882	10,317	10,090
Actual return on assets	(114,641)	(124,866)	6,880	(22,512)	(17,594)	(10,681)
Net amortization and (deferral)	44,574	58,831	(67,094)	9,885	5,237	(1,502)
Ongoing net periodic defined benefit pension expense	31,177	35,053	41,439	4,301	3,912	3,882
Curtailment (gain) loss charge (a)	--	(13,974)	--	--	2,921	--
Total pension expense	$ 31,177	$ 21,079	$ 41,439	$ 4,301	$ 6,833	$ 3,882

(a) Pitney Bowes merged the pension plans of Monarch Marking Systems, Inc. and Dictaphone Corporation into the Pitney Bowes Retirement Plan. Benefits ceased to be accrued for active employees of Monarch and Dictaphone as of the date of the sales resulting in a net curtailment gain of approximately $14.0 million. There was a $2.9 million curtailment charge to the Pitney Bowes, Ltd. pension plan due primarily to actions taken by Pitney Bowes, Ltd.

The funded status at December 31, 1996 and 1995 for the company's defined benefit plans was:

	United States		Foreign	
	1996	1995	1996	1995
Actuarial present value of:				
Vested benefits	$ 777,064	$ 722,282	$ 139,300	$ 103,296
Accumulated benefit obligations	$ 858,590	$ 802,299	$ 139,569	$ 103,459
Projected benefit obligations	$ 995,009	$ 946,420	$ 162,613	$ 130,590
Plan assets at fair value, primarily stocks and bonds, adjusted by:	868,752	771,000	179,040	141,417
Unrecognized net loss (gain)	49,539	86,281	(12,983)	(12,034)
Unrecognized net asset	(12,636)	(15,815)	(11,096)	(13,828)
Unamortized prior service costs from plan amendments	20,655	22,246	7,316	7,605
	926,310	863,712	162,277	123,160
Net pension liability	$ 68,699	$ 82,708	$ 336	$ 7,430
Assumptions for defined benefit plans: (a)				
Discount rate	7.25%	7.25%	4.0%-8.5%	7.0%-8.5%
Rate of increase in future compensation levels	4.25%	4.25%	2.0%-5.5%	3.0%-5.5%
Expected long-term rate of return on plan assets	9.50%	9.50%	4.0%-9.5%	8.0%-9.5%

(a) Pension costs are determined using assumptions as of the beginning of the year while the funded status of the plans is determined using assumptions as of the end of the year.

<pg$pcn>

11. NONPENSION POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

Net nonpension postretirement benefit costs consisted of the following components:

	Years ended December 31		
	1996	1995	1994
Service cost - benefits earned during the period	$ 10,445	$ 8,688	$ 10,140
Interest cost on accumulated postretirement benefit obligations	17,654	18,917	19,379
Net (deferral) and amortization	(15,946)	(17,920)	(19,143)
Net periodic postretirement			

benefit costs	$ 12,153	$ 9,685	$ 10,376

The company's nonpension postretirement benefit plans are not funded. The status of the plans was as follows:

December 31	1996	1995
Accumulated postretirement benefit obligations:		
Retirees and dependents	$ 206,114	$ 186,324
Fully eligible active plan participants	53,810	52,199
Other active plan participants	44,832	63,813
Unrecognized net gain (loss)	2,047	(4,392)
Unrecognized prior service cost	37,463	53,450
Accrued nonpension postretirement benefits	$ 344,266	$ 351,394

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 8.25% and 9.25% in 1996 and 1995, respectively. This was assumed to gradually decline to 3.75% by the year 2000 and remain at that level thereafter for 1996 and 1995. A one percentage point increase in the assumed health care cost trend rate would increase the year-end accumulated postretirement benefit obligations by approximately $13.3 million as of December 31, 1996 and the net periodic postretirement health care cost by $0.9 million in 1996.

The assumed weighted average discount rate used in determining the accumulated postretirement benefit obligations was 7.25% in 1996 and 1995.

The company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (FAS 112), as of January 1, 1994. FAS 112 required that postemployment benefits be recognized on the accrual basis of accounting. The effect of adopting FAS 112 was a one-time non-cash, after-tax charge of $119.5 million (net of $80.5 million of income taxes), or $.76 per share.

In 1994, as part of the company's employee work-life initiatives, employee input was actively sought about benefits and it was concluded that employees prefer benefits more closely related to their changing work-life needs. As a result, the company significantly reduced or eliminated certain postemployment benefits, specifically service-related company-subsidized life insurance, salary continuance and medical benefits, resulting in an after-tax credit to income of $70.9 million (net of $47.7 million of income taxes). As a further outgrowth of this study, the company also instituted, effective January 1, 1995, certain enhancements to its deferred investment plan, including an increase in the company's match of employee contributions.

12. DISCONTINUED OPERATIONS

During 1995, the company sold its Monarch Marking Systems, Inc. (Monarch) and Dictaphone Corporation (Dictaphone) subsidiaries. The sales resulted in gains approximating $155 million, net of approximately $130 million of income taxes, from $577 million in proceeds. Dictaphone and Monarch have been classified in the Consolidated Statement of Income as discontinued operations.

For the years ended December 31, 1995 and 1994, Monarch and Dictaphone had revenues of $306 million and $552 million, respectively. Net income was $21.5 million, net of $14.5 million of income taxes, in 1995 and $45.2 million, net of

$29.7 million of income taxes, in 1994.

13. NONRECURRING ITEMS, NET

During 1994, the company adopted a formal plan designed to address the impact of technology on workforce requirements and to further refine its strategic focus on core businesses worldwide. Accordingly, in the third quarter of 1994, the company recorded a $93.2 million charge to income to cover the costs of such actions. The charge anticipated $61 million of severance and benefit costs for workforce reductions, $22 million of asset write downs and $10 million of other exit costs. As of December 31, 1996, the company has successfully completed its plan. As of year-end 1996, the company has made severance and benefit payments of approximately $65 million, including an additional $5 million as discussed below, to approximately 1,750 employees separated under these strategic focus initiatives. The majority of these costs were expended in 1995.

The phaseout of older product lines, introduction of new, advanced products and increased need for higher employee skill levels to deliver and service these products resulted in a planned workforce reduction of approximately 1,700 employees worldwide and the future hiring of approximately 450 new employees with these requisite enhanced skills upon completion of these strategic focus initiatives. As of December 31, 1996, approximately 400 employees with the requisite skills have been hired to produce and service advanced product offerings. All costs associated

<pg$pcn>

with hiring of new employees were excluded from the charge and have been and will continue to be recognized appropriately in the period incurred.

Current and future advanced product offerings require a smaller, but more highly skilled engineering, manufacturing and service workforce to take full advantage of design, production, diagnostic and service strategies. These disciplines anticipated a workforce reduction of more than 850 employees with related severance and benefit costs of $27 million. As of December 31, 1996, the company has completed its intended actions relative to this portion of the initiative having cash expenditures of approximately $27 million. Other anticipated strategic actions included reengineering and streamlining of order flow, logistics and other administrative processes in the U.S., Europe and the Asia Pacific region which anticipated an additional workforce reduction of more than 800 employees with related severance and benefit costs of $27 million. As of December 31, 1996, the actions taken by the company relative to this portion of the initiative have resulted in cash expenditures of approximately $23 million, an additional accrual in 1995 of approximately $5 million in separation and benefit costs and anticipated 1997 expenditures of approximately $4 million. The additional accrual was recorded in selling, service and administrative expense in the 1995 Consolidated Statement of Income. The decisions to phase out non-mailing products in Germany and the cessation of further development and marketing of shipping products which could not be cost-effectively upgraded to new technologies accounted for the remaining workforce reductions and related severance and benefit costs. As of December 31, 1996, the company has completed its intended actions relative to this portion of the initiative having cash expenditures of approximately $12 million.

As noted above, included in the plan to refine the strategic business focus of the company were anticipated asset write downs of $22 million and $10 million of other exit costs for certain additional actions. Consistent with a refinement of focus on core businesses, these actions include phasing out non-mailing products in Germany. This decision anticipated the write down of inventories, lease and rental contracts and other assets to their net realizable value for which $7.4 million was provided. The decision to cease development and marketing of certain shipping products, as noted above, anticipated further inventory and other asset write-offs of $8.6 million. The company decided to transition a software-based business with its own product offerings to a limited product development and marketing support function. As a result, $6.3 million of goodwill related to the acquisition of this business was written off. The $10 million of other exit costs are primarily due to the adoption of a centralized organizational structure in the European financial services businesses that anticipated the early termination of a facility lease. As of December 31, 1996, approximately $19 million in assets have been written off, $6 million of certain other exit costs have been incurred, approximately $2 million of the original anticipated write down associated with the phaseout of non-mailing products in Germany has been reclassified as other exit costs within the reserve and $5 million originally provided for the early termination of a facility lease has been reversed through selling, service and administration expense in the 1995 Consolidated Statement of Income.

Benefits from the strategic focus initiatives (principally reduced employee expense) have been offset, in part, by increased hiring and training expenses to obtain employees with requisite skills.

14. COMMITMENTS, CONTINGENCIES AND REGULATORY MATTERS

The company's finance subsidiaries had no unfunded commitments to extend credit to customers at December 31, 1996. The company evaluates each customer's creditworthiness on a case-by-case basis. Upon extension of credit, the amount and type of collateral obtained, if deemed necessary by the company, is based on management's credit assessment of the customer. Fees received under the agreements are recognized over the commitment period. The maximum risk of loss arises from the possible non-performance of the customer to meet the terms of the credit agreement. As part of the company's review of its exposure to risk, adequate provisions are made for finance assets which may be uncollectible.

From time to time, the company is a party to lawsuits that arise in the ordinary course of its business. These lawsuits may involve litigation by or against the company to enforce contractual rights under vendor, insurance or other contracts; lawsuits relating to intellectual property or patent rights; equipment, services or payment disputes with customers; disputes with employees; or other matters. The company is currently a defendant in a number of lawsuits, none of which should have, in the opinion of management and legal counsel, a material adverse effect on the company's financial position or results of operations.

The company was advised by the Antitrust Division of the U.S. Department of Justice that its civil investigation of Pitney Bowes' postage equipment business, which began in 1995, has been closed. The investigation concluded that Pitney Bowes had not violated the surviving provisions of the 1959 consent decree between the company and the U.S. Department of Justice, and/or the antitrust laws.

The company is subject to federal, state and local laws and regulations concerning the environment, and is currently participating in administrative or court proceedings as a participant in various groups of potentially responsible parties. As previously announced by the company, in 1996, the Environmental Protection Agency (EPA) issued an administrative order directing the company to be part of a soil cleanup program at the Sarney Farm site in Amenia, New York. The site was operated as a landfill between the years 1968 and 1970 by parties unrelated to Pitney Bowes, and wastes from a number of industrial sources were dis-

posed there. The company does not concede liability for the condition of the site, but is working with the EPA to identify and then seek reimbursement from other potentially responsible parties. The company estimates that the costs of this remediation effort will range between $3 million and $5 million over the next 18 months. All of these proceedings are at various stages of activity, and it is impossible to estimate with any certainty the total cost of remediating, the timing and extent of remedial actions which may be required by governmental authorities, or the amount of liability, if any, of the company. If and when it is possible to make a reasonable estimate of the company's liability with respect to such a matter, a provision will be made as appropriate. Based on facts presently known, the company does not believe that the outcome of these proceedings will have a material adverse effect on its financial condition.

In June 1995, the United States Postal Service (USPS) issued final revised regulations addressing the manufacture, distribution and use of postage meters. The regulations cover four general categories: meter security, administrative controls, Computerized Meter Resetting Systems (C.M.R.S.) and other issues. In general, the regulations impose reporting and performance obligations on meter manufacturers, prescribe potential administrative sanctions for failure to meet these obligations and require a restructuring of the fund management system of C.M.R.S., such as the company's Postage by Phone(R) system, to give the USPS more direct control over meter licensee deposits. The company is working with the USPS to ensure that the implementation of these regulations provides mailing customers and the USPS with the intended benefits, and that Pitney Bowes also benefits. The company has undertaken a number of actions to implement these changes, including modifying its Postage by Phone(R) system. Customers prepaying for postage now deposit these payments into a USPS account rather than a trust account. The company's resetting of Postage by Phone(R) meters still requires the customer to request an authorization and reset code from the company, a service for which the company charges a fee. The company continues to believe that the financial impact to the company resulting from implementation of these regulations will not be material.

In May 1996, the USPS issued a proposed schedule for the phaseout of mechanical meters in the United States marketplace. The schedule proposes that (i) as of June 1, 1996, placements of mechanical meters will be available only as replacements for existing licensed mechanical meters; (ii) as of March 1, 1997, mechanical meters may not be used by persons or firms who process mail for a fee; (iii) as of December 31, 1997, mechanical meters that interface with mail machines or processors will no longer be approved; and (iv) as of March 1, 1999, all other mechanical meters (stand-alone meters) will no longer be approved. The company has voluntarily ceased new placements of mechanical meters in the United States as of June 1, 1996.

The company continues to work with the USPS to devise a final mechanical meter migration schedule that is most beneficial to our customers and minimizes any negative impact to the company. This is consistent with the company's strategy of introducing new technology into the marketplace to add value to customers' operations and meet postal needs. This strategy and the company's long-term focus have resulted in an increase in the percentage of the electronic meters in the current U.S. base from 6% of the overall base in 1986 to nearly 60% of the installed meter base in 1996. Until such time as a final mechanical meter migration plan is completed, the financial impact, if any, on the company cannot be determined with any certainty; but, it is currently the belief of the company that such migration plan will not cause a material adverse financial impact.

The May 1996 USPS proposal also contemplates the evolution of metering technology to include a digital information-based indicia standard which has not yet been developed. In July 1996, the USPS proposed initial specifications for a digital information-based indicia program. The USPS anticipates that digital metering would eventually replace electronic metering in the United States at some undetermined date in the future. The company's long-term strategy also envisions the use of digital technology in new product offerings, and the company has taken the lead in deploying digital meters in the marketplace, with over 100,000 digital printing meters already placed into service during 1995 and 1996. The company anticipates working with the USPS in this effort to achieve a timely and effective substitution plan. However, until final standards for a digital information-based indicia program are completed, and transition to the new standard is clarified by the USPS, the impact of this proposal, if any, on the company cannot be determined.

15. LEASES

In addition to factory and office facilities owned, the company leases similar properties, as well as sales and service offices, equipment and other properties, generally under long-term lease agreements extending from three to 25 years. Certain of these leases have been capitalized at the present value of the net lease payments at inception. Amounts included under liabilities represent the present value of remaining lease payments.

<pg$pcn>

Future minimum lease payments under both capital and operating leases as of December 31, 1996 are as follows:

Years ending December 31	Capital leases	Operating leases
1997	$ 3,717	$ 66,685
1998	3,473	46,644
1999	3,415	32,378
2000	3,057	23,161
2001	2,916	16,126
Later years	6,945	42,138
Total minimum lease payments	$ 23,523	$227,132
Less amount representing interest	(9,175)	
Present value of net minimum lease payments	$ 14,348	

Rental expense was $121.6 million, $129.3 million and $127.0 million in 1996, 1995 and 1994, respectively.

16. FINANCIAL SERVICES

The company has several consolidated finance operations which are engaged in lease financing of the company's products in the U.S., Canada, the U.K., Germany, France, Norway, Ireland and Australia, as well as other commercial and industrial transactions in the U.S. Condensed financial data for the consolidated finance operations follows:

CONDENSED SUMMARY OF OPERATIONS

Years ended December 31	1996	1995	1994
Revenue	$ 794,819	$ 713,909	$ 659,619
Costs and expenses	294,147	238,457	256,638
Interest, net	216,220	217,499	175,987
Nonrecurring items, net	--	--	6,096
Total expenses	510,367	455,956	438,721
Income before income taxes	284,452	257,953	220,898
Provision for income taxes	91,638	81,422	70,398

Income before effect of a change in accounting for postemployment benefits	192,814	176,531	150,500
Effect of a change in accounting for postemployment benefits	--	--	(2,820)
Net income	$ 192,814	$ 176,531	$ 147,680

CONDENSED BALANCE SHEET

December 31	1996	1995
Cash and cash equivalents	$ 22,506	$ 11,486
Finance receivables, net	1,339,286	1,208,532
Other current assets and prepayments	52,169	40,170
Total current assets	1,413,961	1,260,188
Long-term finance receivables, net	3,450,231	3,390,597
Investment in leveraged leases	633,682	570,008
Other assets	143,023	162,347
Total assets	$5,640,897	$5,383,140
Accounts payable and accrued liabilities	$ 199,914	$ 180,243
Income taxes payable	156,340	128,461
Notes payable and current portion of long-term obligations	2,181,230	2,398,051
Total current liabilities	2,537,484	2,706,755
Deferred taxes on income	330,847	334,716
Long-term debt	1,570,549	1,272,700
Other noncurrent liabilities	4,974	4,956
Total liabilities	4,443,854	4,319,127
Equity	1,197,043	1,064,013
Total liabilities and equity	$5,640,897	$5,383,140

Finance receivables are generally due in monthly, quarterly or semiannual installments over periods ranging from three to seven years. In addition, 18% of the company's net finance assets represent secured commercial and private jet aircraft transactions with lease terms ranging from five to 25 years. The company considers its credit risk for these leases to be minimal since all aircraft lessees are making payments in accordance with lease agreements. The company believes any potential exposure in aircraft investment is mitigated by the value of the collateral as the company retains a security interest in the leased aircraft.

Maturities of gross finance receivables and notes payable for the finance operations are as follows:

Years ending December 31	Gross finance receivables	Notes payable and subordinated debt
1997	$1,768,476	$2,181,230
1998	1,180,554	230,549
1999	876,702	203,761
2000	592,597	62,393
2001	273,555	200,001
Thereafter	887,633	873,845
Total	$5,579,517	$3,751,779

<pg$pcn>

Finance operations' net purchases of Pitney Bowes equipment amounted to $645.4 million, $618.6 million and $617.4 million in 1996, 1995 and 1994, respectively.

The components of net finance receivables were as follows:

December 31	1996	1995
Gross finance receivables	$ 5,579,517	$ 5,483,695
Residual valuation	735,978	680,055
Initial direct cost deferred	99,023	94,571
Allowance for credit losses	(113,737)	(113,506)
Unearned income	(1,511,264)	(1,545,686)
Net finance receivables	$ 4,789,517	$ 4,599,129

The company's net investment in leveraged leases is composed of the following elements:

December 31	1996	1995
Net rent receivable	$ 556,058	$ 532,153
Unguaranteed residual valuation	651,385	589,520
Unearned income	(573,761)	(551,665)
Investment in leveraged leases	633,682	570,008
Deferred taxes arising from leveraged leases	(239,192)	(216,873)
Net investment in leveraged leases	$ 394,490	$ 353,135

Following is a summary of the components of income from leveraged leases:

Years ended December 31	1996	1995	1994
Pre-tax leveraged lease income	$ 8,497	$11,667	$ 6,694
Income tax effect	6,501	4,408	5,050
Income from leveraged leases	$14,998	$16,075	$11,744

Leveraged lease assets acquired by the company are financed primarily through nonrecourse loans from third-party debt participants. These loans are secured by the lessee's rental obligations and the leased property. Net rents receivable represent gross rents less the principal and interest on the nonrecourse debt obligations. Unguaranteed residual values are principally based on independent appraisals of the values of leased assets remaining at the expiration of the lease.

Leveraged lease investments totaling $299.6 million are related to commercial real estate facilities, with original lease terms ranging from five to 25 years. Also included are ten aircraft transactions with major commercial airlines, with a total investment of $285.1 million and with original lease terms ranging from 22 to 25 years and two transactions involving locomotives with a total investment of $49.0 million with an original lease term ranging from 25 to 38 years.

The company has sold net finance receivables with varying amounts of recourse in privately placed transactions with third-party investors. The uncollected principal balance of receivables sold and residual guarantee contracts totaled $441.9 million and $263.3 million at December 31, 1996 and 1995, respectively. The maximum risk of loss arises from the possible non-performance of lessees to meet the terms of their contracts and from changes in the value of the underlying equipment. Conversely, these contracts are supported by the underlying equipment value and creditworthiness of customers. As part of the review of its exposure to risk, the company believes adequate provisions have been made for sold receivables which may be uncollectible.

The company has invested in various types of equipment under operating leases; the net investment at December 31, 1996 and 1995 was not significant.

<pg$pcn>

17. BUSINESS SEGMENT INFORMATION

For a description of the company's segments, see "Overview" on page 17. That information is incorporated herein by reference. The information set forth below should be read in conjunction with such information. Operating profit of each segment is determined by deducting from revenue the related costs and operating expenses directly attributable to the segment. Segment operating profit excludes general corporate expenses, which amounted to $79.4 million in 1996, $63.5 million in 1995 and $71.7 million in 1994, income taxes and net interest other than that related to the financial services businesses. Revenue and operating profit by business segment and geographic area for the years ended 1994 to 1996 were as follows:

	Revenue		
(in millions)	1996	1995	1994

Industry segments:			
Business equipment	$ 2,956	$ 2,799	$ 2,592
Business services	482	403	348
Commercial and industrial financing	421	353	331
Total	$ 3,859	$ 3,555	$ 3,271
Geographic areas:			
United States	$ 3,370	$ 3,108	$ 2,851
Outside the United States	619	573	524
Inter-area revenue	(130)	(126)	(104)
Total	$ 3,859	$ 3,555	$ 3,271

	Operating Profit		
(in millions)	1996	1995	1994(2)
Industry segments:			
Business equipment (1)	$ 621	$ 586	$ 561
Business services	40	30	31
Commercial and industrial financing	87	69	60
Total	$ 748	$ 685	$ 652
Geographic areas:			
United States	$ 719	$ 643	$ 655
Outside the United States (1)	38	56	6
Inter-area revenue	(9)	(14)	(9)
Total	$ 748	$ 685	$ 652

(1) In 1996, excluding the Australian charge of $30 million, the business equipment segment would have increased 11% from 1995 to $651 million, and the geographic area outside the United States would have increased 21% to $68 million. See discussion of selling, service and administrative expense on page 18.

(2) As a result of the nonrecurring items in 1994, industry segments include a $21 million credit in Business equipment and a $6 million credit in Business services; geographic areas include a $61 million credit in the United States and a $34 million charge outside the United States (See Note 13).

Additional segment information is as follows:

	Years ended December 31		
(in millions)	1996	1995	1994
Depreciation and amortization:			

Business equipment	$ 220	$ 224	$ 221
Business services	32	23	18
Commercial and industrial financing	15	14	13
Total	$ 267	$ 261	$ 252
Net additions to property, plant and equipment and rental equipment and related inventories:			
Business equipment	$ 258	$ 256	$ 250
Business services	20	7	1
Commercial and industrial financing	(4)	36	43
Total	$ 274	$ 299	$ 294

<pg$pcn>

Identifiable assets are those used in the company's operations in each segment and exclude cash and cash equivalents and short-term investments. Identifiable assets of geographic areas include intercompany profits on inventory and rental equipment transferred between segments and intercompany accounts.

Identifiable assets by business segment and geographic area for the years 1994 to 1996 were as follows:

	Identifiable Assets		
(in millions)	1996	1995	1994
Industry segments:			
Business equipment	$3,776	$3,612	$3,416
Business services	471	374	330
Commercial and industrial financing	3,621	3,638	3,129
Total	$7,868	$7,624	$6,875
Geographic areas:			
United States	$7,188	$6,928	$6,317
Outside the United States	831	828	764
Total	$8,019	$7,756	$7,081

A reconciliation of identifiable assets to consolidated assets is as follows:

	December 31	
(in millions)	1996	1995

Identifiable assets by geographic area	$ 8,019	$ 7,756
Inter-area profits	(18)	(41)
Intercompany accounts	(133)	(91)
Identifiable assets by industry segment	7,868	7,624
Cash and cash equivalents and short-term investments	137	89
General corporate assets	151	132
Consolidated assets	$ 8,156	$ 7,845

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

CASH, CASH EQUIVALENTS, SHORT-TERM INVESTMENTS, ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND NOTES PAYABLE

The carrying amounts approximate fair value because of the short maturity of these instruments.

INVESTMENT SECURITIES

The fair value of investment securities is estimated based on quoted market prices, dealer quotes and other estimates.

LOAN RECEIVABLES

The fair value of loan receivables is estimated based on quoted market prices, dealer quotes or by discounting the future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings.

LONG-TERM DEBT

The fair value of long-term debt is estimated based on quoted dealer prices for the same or similar issues.

INTEREST RATE SWAP AND SWAP OPTION AGREEMENTS AND FOREIGN CURRENCY EXCHANGE CONTRACTS

The fair values of interest rate swaps, swap options and foreign currency exchange contracts are obtained from dealer quotes. These values represent the estimated amount the company would receive or pay to terminate agreements taking into consideration current interest rates, the creditworthiness of the counterparties and current foreign currency exchange rates.

RESIDUAL AND CONDITIONAL COMMITMENT GUARANTEE CONTRACTS

The fair value of residual and conditional commitment guarantee contracts is based on the projected fair market value of the collateral as compared to the guaranteed amount plus a commitment fee generally required by the counterparty assuming the guarantee.

<pg$pcn>

COMMITMENTS TO EXTEND CREDIT

The fair value of commitments to extend credit is estimated by comparing current market conditions taking into account the remaining terms of existing agreements and present creditworthiness of the counterparties.

TRANSFER OF RECEIVABLES WITH RECOURSE

The fair value of the recourse liability represents the estimate of expected future losses. The company periodically evaluates the adequacy of reserves and estimates of expected losses; if the resulting evaluation of expected losses differs from the actual reserve, adjustments are made to the reserve.

The estimated fair value of the company's financial instruments is as follows:

December 31, 1996	Carrying value*	Fair value
Investment securities	$ 2,681	$ 2,691
Loan receivables	$ 381,790	$ 365,560
Long-term debt	$(1,577,277)	$(1,629,527)
Interest rate swaps	$ (1,639)	$ (27,969)
Foreign currency exchange contracts	$ 806	$ 385
Residual and conditional commitment guarantee contracts	$ (5,068)	$ (6,003)
Transfer of receivables with recourse	$ (10,885)	$ (11,093)

December 31, 1995	Carrying value*	Fair value
Investment securities	$ 1,797	$ 1,813
Loan receivables	$ 280,013	$ 284,245
Long-term debt	$(1,080,381)	$(1,174,836)
Interest rate swaps	$ (1,147)	$ (42,318)
Foreign currency exchange contracts	$ (499)	$ (850)
Residual and conditional commitment guarantee contracts	$ (4,669)	$ (5,782)
Commitments to extend credit	--	$ (165)
Transfer of receivables with recourse	$ (17,349)	$ (17,349)

* Carrying value includes accrued interest and deferred fee income.

19. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data (in millions of dollars, except for per share data) for 1996 and 1995 follows:

	Three Months Ended			
1996	March 31	June 30	Sept. 30	Dec. 31

Total revenue	$ 906	$ 943	$ 951	$1,059
Cost of sales and rentals and financing	$ 365	$ 373	$ 382	$ 435
Net income	$ 106	$ 118	$ 117	$ 128
Income per common and common share equivalent:				
Net income	$ .70	$ .79	$ .78	$ .85

	Three Months Ended			
1995	March 31	June 30	Sept. 30	Dec. 31
Total revenue	$839	$863	$876	$977
Cost of sales and rentals and financing	$319	$340	$348	$398
Income from continuing operations	$ 96	$ 98	$101	$113
Discontinued operations	10	11	154	--
Net income	$106	$109	$255	$113
Income per common and common share equivalent:				
Continuing operations	$.63	$.65	$ .66	$.74
Discontinued operations	.07	.07	1.01	--
Net income	$.70	$.72	$1.67	$.74

<pg$pcn>

REPORT OF INDEPENDENT ACCOUNTANTS

PRICE WATERHOUSE LLP [PRICE WATERHOUSE LOGO]

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF PITNEY BOWES INC.:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Pitney Bowes Inc. and its subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 11 to the consolidated financial statements, the company adopted a new accounting standard for postemployment benefits in 1994.

/s/ Price Waterhouse LLP

Stamford, Connecticut
January 30, 1997

<pg$pcn>
STOCKHOLDER INFORMATION

WORLD HEADQUARTERS
PITNEY BOWES INC
1 ELMCROFT RD
STAMFORD CT 06926-0700
(203) 356-5000
www.pitneybowes.com

ANNUAL MEETING

Stockholders are cordially invited to attend the 1997 Annual Meeting at 10:00 a.m., Monday, May 12, 1997, at Pitney Bowes World Headquarters in Stamford, Connecticut. A notice of the meeting, proxy statement and proxy will be mailed to each stockholder under separate cover.

10-K REPORT

The Form 10-K report, to be filed by Pitney Bowes with the Securities and Exchange Commission, will provide certain additional information. Stockholders may obtain copies of this report without charge by writing to:

MSC 6140
INVESTOR RELATIONS
PITNEY BOWES INC
1 ELMCROFT RD
STAMFORD CT 06926-0700

STOCK EXCHANGES

Pitney Bowes common stock is traded under the symbol "PBI." The principal market it is listed on is the New York Stock Exchange. The stock is also traded on the Chicago, Philadelphia, Boston, Pacific and Cincinnati stock exchanges.

Comments concerning the Annual Report should be addressed to:

MSC 6309
DIRECTOR INVESTOR COMMUNICATIONS AND ADVERTISING
PITNEY BOWES INC
1 ELMCROFT RD
STAMFORD CT 06926-0700

For lost securities and certificate replacement:

CHASEMELLON SHAREHOLDER SERVICES LLC
ESTOPPEL DEPARTMENT
PO BOX 3317
SOUTH HACKENSACK NJ 07606-1917

For change of address, account consolidations, legal transfer inquiries, replacement checks, tax information and other inquiries:

CHASEMELLON SHAREHOLDER SERVICES LLC
PO BOX 3315
SOUTH HACKENSACK NJ 07606-1915

For certificate transfers:
CHASEMELLON SHAREHOLDER SERVICES LLC
STOCK TRANSFER DEPARTMENT
PO BOX 3312

SOUTH HACKENSACK NJ 07606-1912

For dividend reinvestment information:

THE CHASE MANHATTAN BANK
C/O CHASEMELLON SHAREHOLDER SERVICES LLC
PO BOX 750
PITTSBURGH PA 15230

Transfer Agent and Registrar:

CHASEMELLON SHAREHOLDER SERVICES LLC
OVERPECK CENTER
85 CHALLENGER RD
RIDGEFIELD NJ 07660

Stockholders may call:

ChaseMellon Shareholder Services at (800) 648-8170 or Pitney Bowes Stockholder Services at (203) 351-6088 or (203) 351-7200.

INVESTOR INQUIRIES

All investor inquiries about Pitney Bowes should be addressed to:

MSC 6140
INVESTOR RELATIONS
PITNEY BOWES INC
1 ELMCROFT RD
STAMFORD CT 06926-0700

STOCK INFORMATION

Dividends per common share

Quarter	1996	1995
First	$ .345	$ .30
Second	.345	.30
Third	.345	.30
Fourth	.345	.30
Total	$1.380	$ 1.20

Quarterly price ranges of common stock

Quarter	1996 High	1996 Low
First	51 5/8	41 7/8
Second	51 1/2	46 1/2
Third	54 1/2	43 1/4
Fourth	61 3/8	52 1/2

Quarter	1995 High	1995 Low
First	37	30
Second	40	34 7/8

Third	43 3/8	38 1/8
Fourth	48 1/4	40 3/4
	======	======

TRADEMARKS

Ascent, DirectNet, DocuMatch, AddressRight, Paragon, Personal Post Office, Postage by Phone, PostPerfect, StreamWeaver and Value Added Maintenance are trademarks or service marks of Pitney Bowes Inc.

ValueMax and Purchase Power are service marks of Pitney Bowes Credit Corporation. BLISS is a trademark of Colonial Pacific Leasing Corporation.

PITNEY BOWES INC.
SUBSIDIARIES OF THE REGISTRANT

The Registrant, Pitney Bowes Inc., a Delaware Corporation, has no parent.

The following are subsidiaries of the Registrant
(as of December 31, 1996)

Company name	Country or state of incorporation
ACN003606611	Australia
Adrema Leasing Corporation	Delaware
Adrema Maschinen und Auto-Leasing GmbH	Germany
Adrema Maschinenbau Inc.	Delaware
Adrema Mobilien Leasing GmbH	Germany
Andeen Enterprises, Inc.	Panama
Artec International Corporation	California
Atlantic Mortgage & Investment Corporation	Florida
B. Williams Holding Corp.	Delaware
Canadian Office Services (Toronto) Limited	Canada
Cascade Microfilm Systems, Inc.	California
Chas. P. Young Health Fitness & Management, Inc.	New York
Colonial Pacific Leasing Corporation	Massachusetts
Datarite Systems Ltd.	England
ECL Finance Company, N.V.	Netherlands
Elmcroft Road Realty Corporation	Connecticut
Financial Structures Limited	Bermuda
Financial Structures Insurance Company	New York
FSL Holdings Inc.	Connecticut
FSL Risk Managers Inc.	New York
FSL Valuation Services Inc.	Connecticut
Harlow Aircraft Inc.	Delaware
Informatech	California
La Agricultora Ecuatoriana S.A.	Ecuador
Lease Continental GmbH	Germany
Norlin Australia Investment Pty. Ltd.	Australia
Norlin Industries Limited	Ontario
Norlin Music (U.K.) Ltd.	England
Oy Adrema Helsinki	Finland
PB Forms, Inc.	Nebraska
PB Funding Corporation	Delaware
PB Global Holdings Inc.	Connecticut
PB Global Holdings II Inc.	Connecticut
PB Global Holdings III Inc.	Connecticut
PB Global Holdings IV Inc.	Connecticut
PB Leasing Corporation	Delaware
PB Leasing (March), (June),(September)Ltd.	England
PB Leasing International Corporation	Delaware
PB Leasing Services Inc.	Nevada
PBA Foreign Sales Corporation Inc.	Barbados
PB World Trade Corporation (Disc)	Delaware
PB CFSC I Inc.	Virgin Islands
PBL Holdings Inc.	Nevada
Pitney Bowes (Ireland) Limited	Ireland

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name	Country or state of incorporation

PB Nikko FSC Ltd.	Bermuda
PB Nihon FSC Ltd.	Bermuda
Pitney Bowes AG	Switzerland
Pitney Bowes Australia Pty.	Australia
Pitney Bowes Australia FAS Pty. Ltd.	Australia
Pitney Bowes Australia Funding Pty. Limited	Australia
Pitney Bowes Austria Ges.m.b.H	Austria
Pitney Bowes of Canada Ltd.	Canada
Pitney Bowes Canada Funding Limited	Canada
Pitney Bowes Canada Holdings Ltd.	Canada
Pitney Bowes China Inc.	Delaware
Pitney Bowes Credit Australia Limited	Australia
Pitney Bowes Credit Corporation	Delaware
Pitney Bowes Data Systems, Ltd.	Delaware
Pitney Bowes de Mexico, S.A. de C.V.	Mexico
Pitney Bowes Deutschland GmbH	Germany
Pitney Bowes Espana, S.A.	Spain
Pitney Bowes Finance S.A.	France
Pitney Bowes Finance Norge AS	Norway
Pitney Bowes Finance PLC	England
(formerly PB Leasing Ltd.)	
Pitney Bowes Finance Ireland Limited	Ireland
Pitney Bowes Financial Corporation	Utah
Pitney Bowes France S.A.	France
Pitney Bowes Holdings Ltd.	England
Pitney Bowes Holding SNC	France
Pitney Bowes Hong Kong Inc.	Delaware
Pitney Bowes India, Inc.	Delaware
Pitney Bowes Insurance Agency, Inc.	Connecticut
Pitney Bowes International	Ireland
Pitney Bowes International Holdings, Inc.	Delaware
Pitney Bowes Italia S.r.l.	Italy
Pitney Bowes Japan Corporation	Japan
Pitney Bowes Leasing Ltd.	Canada
Pitney Bowes Macau Limited	Macau
Pitney Bowes Management Services, Inc.	Delaware
Pitney Bowes Management Services Canada, Inc.	Canada
Pitney Bowes Management Services Limited	England
Pitney Bowes Marking Systems Ltd.	Delaware
Pitney Bowes Oy	Finland
Pitney Bowes Limited	England
Pitney Bowes Properties Inc.	Connecticut
Pitney Bowes Real Estate Financing Corporation	Delaware
Pitney Bowes Servicios, S.A. de C.V.	Mexico
Pitney Bowes Shelton Realty Inc.	Connecticut
Pitney Bowes Svenska Aktiebolag	Sweden
Pitney Bowes World Trade Corporation (FSC)	Virgin Islands
PREFCO I Inc.	Delaware

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name	Country or state of incorporation
PREFCO I LP Inc.	Delaware
PREFCO II Inc.	Delaware
PREFCO III Inc.	Delaware
PREFCO III LP Inc.	Delaware
PREFCO IV Inc.	Delaware
PREFCO IV LP Inc.	Delaware
PREFCO V Inc.	Delaware
PREFCO VI Inc.	Delaware
PREFCO VI LP Inc.	Delaware
PREFCO VII Inc.	Delaware
PREFCO VII LP Inc.	Delaware
PREFCO VIII Inc.	Delaware

PREFCO VIII LP Inc.	Delaware
PREFCO IX Inc.	Delaware
PREFCO IX LP Inc.	Delaware
PREFCO X Inc.	Delaware
PREFCO X LP Inc.	Delaware
PREFCO XI Inc.	Delaware
PREFCO XI LP Inc.	Delaware
PREFCO XII Inc.	Delaware
PREFCO XIII Inc.	Delaware
PREFCO XIII LP Inc.	Delaware
PREFCO XIV Inc.	Delaware
PREFCO XIV LP Inc.	Delaware
PREFCO XV Inc.	Delaware
PREFCO XV LP Inc.	Delaware
PREFCO XVI Inc.	Delaware
PREFCO XVI LP Inc.	Delaware
PREFCO XVII Inc.	Delaware
PREFCO XVII LP Inc.	Delaware
PREFCO XVIII Inc.	Delaware
PREFCO XVIII LP Inc.	Delaware
PREFCO XIX Inc.	Delaware
PREFCO XIX LP Inc.	Delaware
PREFCO XX Inc.	Delaware
PREFCO-Dayton Community Urban Renewal Corporation	Ohio
RE Properties Management Corporation	Delaware
Remington Customer Finance Pty. Limited	Australia
Remington (PNG) Pty. Limited	Papua New Guinea
ROM Holdings Pty. Limited	Australia
ROM Securities Pty. Limited	Australia
Sales and Service Training Center Inc.	Georgia
Techno Mail Service K.K.	Japan
TECO/Pitney Bowes Co., Ltd. (50% owned)	Taiwan
Time-Sensitive Delivery Guide Inc.	Delaware
Towers FSC, Ltd.	Bermuda
Universal Postal Frankers Ltd.	England
Walnut Street Corp.	Delaware
Wheeler Insurance, Ltd.	Vermont
1136 Corporation	Delaware
75 V Corp.	Delaware

EXHIBIT (x)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on:

Form	Reference
Form S-8	No. 33-5291
Form S-8	No. 33-4549
Form S-8	No. 33-22238
Form S-8	No. 33-5765
Form S-8	No. 33-41182
Form S-3	No. 33-5289
Form S-3	No. 33-5290
Form S-3	No. 33-18280
Form S-3	No. 33-25730
Form S-3	No. 33-21723
Form S-3	No. 33-27244
Form S-3	No. 33-33948

of Pitney Bowes Inc. of our report dated January 30, 1997 appearing on page 46 of the Pitney Bowes Inc. 1996 Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference in the aforementioned Registration Statements of our report on the financial statement schedule, which appears in this Form 10-K.

Price Waterhouse LLP

Stamford, Connecticut
March 31, 1997

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC. CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING FOOTNOTE #3 FIXED ASSETS AND STATEMENT RE COMPUTATION OF PER SHARE EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000

<PERIOD-TYPE>	12-MOS	
<FISCAL-YEAR-END>		DEC-31-1996
<PERIOD-END>		DEC-31-1996
<CASH>		135,271
<SECURITIES>		1,500
<RECEIVABLES>		356,890
<ALLOWANCES>		16,160
<INVENTORY>		281,942
<CURRENT-ASSETS>		2,222,066
<PP&E>		1,093,501
<DEPRECIATION>		607,472
<TOTAL-ASSETS>		8,155,722
<CURRENT-LIABILITIES>		3,305,289
<BONDS>		1,300,434
<COMMON>		323,338
<PREFERRED-MANDATORY>		200,000
<PREFERRED>		2,415
<OTHER-SE>		1,913,293
<TOTAL-LIABILITY-AND-EQUITY>		8,155,722
<SALES>		1,675,090
<TOTAL-REVENUES>		3,858,579
<CGS>		1,025,250
<TOTAL-COSTS>		1,554,990
<OTHER-EXPENSES>		1,422,002
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		197,204
<INCOME-PRETAX>		684,383
<INCOME-TAX>		214,970
<INCOME-CONTINUING>		469,413
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		469,413
<EPS-PRIMARY>		3.12
<EPS-DILUTED>		3.12