



2013 ANNUAL REPORT

2013

NBT Bancorp 2013 Annual Report

Corporate Headquarters

NBT Bancorp Inc.
52 South Broad Street
Norwich, N.Y. 13815
607.337.6416

Stock

Traded on: NASDAQ Global Select Market
Symbol: NBTB

Independent Auditors

KPMG LLP
515 Broadway
Albany, N.Y. 12207

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Cover

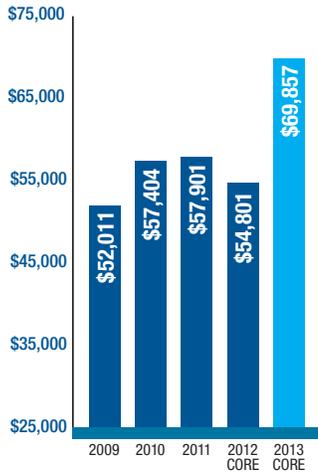
financial highlights

(all dollar amounts in thousands except per share data)

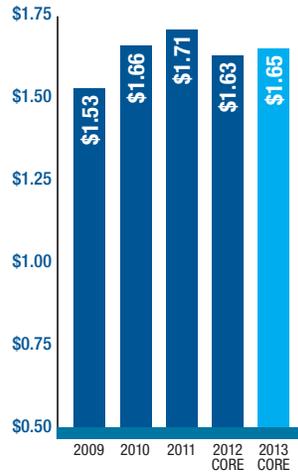
| | 2013 | 2012 |
|--|--------------|--------------|
| FOR THE YEAR | | |
| CORE PERFORMANCE* | | |
| Net income | \$ 69,857 | \$ 54,801 |
| Diluted earnings per common share..... | \$ 1.65 | \$ 1.63 |
| Return on average assets..... | 0.96% | 0.93% |
| Average tangible equity..... | 14.76% | 14.20% |
| PERFORMANCE | | |
| Net income | \$ 61,747 | \$ 54,558 |
| Return on average assets..... | 0.85% | 0.93% |
| Return on average tangible equity..... | 13.11% | 14.14% |
| Net interest margin | 3.66% | 3.86% |
| PER COMMON SHARE DATA | | |
| Basic earnings..... | \$ 1.47 | \$ 1.63 |
| Diluted earnings | \$ 1.46 | \$ 1.62 |
| Cash dividends..... | \$ 0.81 | \$ 0.80 |
| Dividend yield..... | 3.13% | 3.95% |
| At December 31 | | |
| BALANCE SHEET DATA | | |
| Total assets..... | \$ 7,652,175 | \$ 6,042,259 |
| Total loans | \$ 5,406,795 | \$ 4,277,616 |
| Allowance for loan losses | \$ 69,434 | \$ 69,334 |
| Deposits | \$ 5,890,224 | \$ 4,784,349 |
| Total shareholders' equity | \$ 816,569 | \$ 582,273 |
| ASSET QUALITY | | |
| Nonperforming loans..... | \$ 53,702 | \$ 42,124 |
| Nonperforming assets | \$ 56,606 | \$ 44,400 |
| Nonperforming loans to total loans..... | 0.99% | 0.98% |
| CAPITAL | | |
| Tier 1 capital ratio | 11.74% | 11.00% |
| Total risk-based capital ratio..... | 12.99% | 12.25% |
| Book value per share | \$ 18.77 | \$ 17.24 |
| Tangible book value per share | \$ 12.09 | \$ 12.23 |
| Closing stock price..... | \$ 25.90 | \$ 20.27 |
| Ending shares outstanding..... | 43,513,050 | 33,775,350 |
| Market capitalization | \$ 1,126,988 | \$ 684,626 |
| ASSETS UNDER MANAGEMENT | | |
| Assets managed in a fiduciary capacity ... | \$ 4,576,541 | \$ 3,365,790 |

*CORE PERFORMANCE excludes merger-related expenses, gains on sales of securities, reorganization expenses and other non-core items. A reconciliation of core results with GAAP results and information regarding why these measures provide useful information about our results is included in Item 7 of the 2013 Form 10-K.

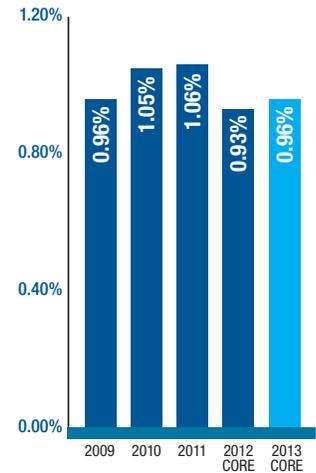
NET INCOME



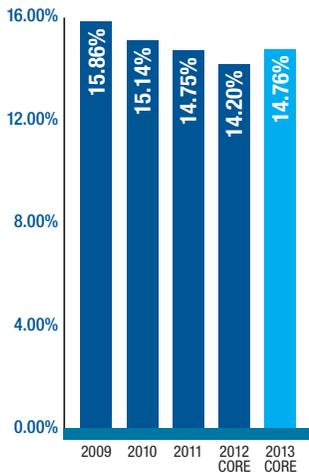
DILUTED EARNINGS PER SHARE



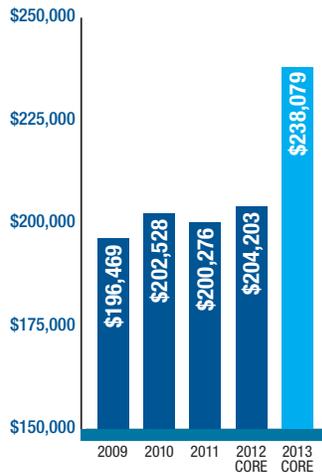
RETURN ON AVERAGE ASSETS



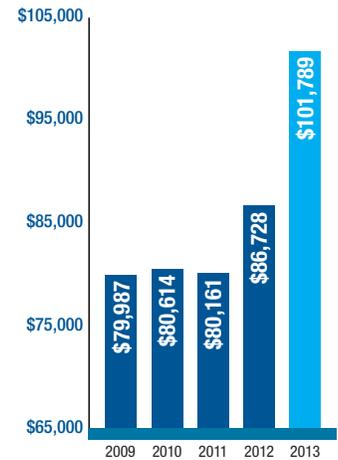
RETURN ON AVERAGE TANGIBLE EQUITY



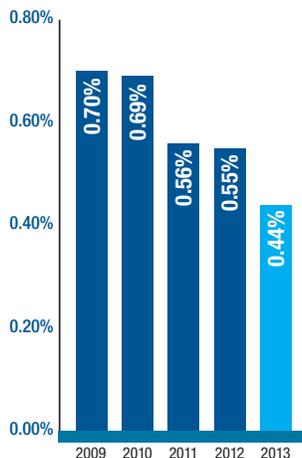
NET INTEREST INCOME



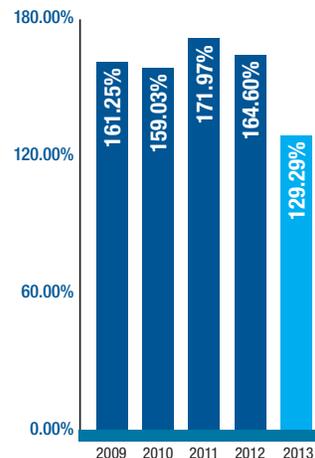
NONINTEREST INCOME*



NET CHARGE-OFFS TO AVERAGE LOANS



ALLOWANCE FOR LOAN LOSSES TO NONPERFORMING LOANS



All dollar amounts in thousands except per share data

Prior to 2012, core performance approximated reported performance.

*Shown excluding net securities gains

to our shareholders

Fellow Shareholders,

It's not easy getting noticed in today's fiercely competitive world. In business—just like in athletics—it often takes a personal best or an all-time record to stand out.

Happily, we can report that the 2013 performance of NBT Bancorp Inc. (NBT) featured both: our employees gave us *their* best, and in doing so helped your company surpass some very important records.

\$69.9
MILLION

Core Net Income
2013

Among the most significant, NBT generated a record \$69.9 million in core net income for the year ended December 31, 2013, and at the same time completed the largest acquisition in our history. These accomplishments alone would make for a pretty good year at the office, but there's more.

Fueled by our merger activity, organic loan growth of 5.3% and a concerted effort to become more efficient, NBT also eclipsed several other records in 2013:

- Total assets at year-end were \$7.7 billion, up 26.6%
- Loans finished the year at \$5.4 billion, up \$1.1 billion
- Net interest income totaled \$238.1 million, up 16.6%
- Noninterest income increased to \$103.2 million, up 18.2%

NBT
Bancorp
Corporate
Values

- Customer Service
- Empowerment
- Accountability
- Open Communication
- Mutual Respect
- Integrity
- Community Involvement
- Teamwork
- Continuous Improvement
- Positive Attitude
- Profitability



NBT Bancorp President and Chief Executive Officer Martin Dietrich (left) and NBT Bancorp Chairman Daryl Forsythe

These high marks are actually the exclamation point on a remarkable run of profitability. Over the last decade, NBT posted ten consecutive years of earnings over \$50 million—overcoming the fiscal doom and gloom of the Great Recession (December 2007 through June 2009), massive upheaval in the financial services industry and the onset of heightened government regulation.

Through it all, we've also continued to stack up well against banks in our peer group based on key measures of profitability. In 2013, NBT ranked #2 when compared to 20 other banks with similar attributes. In fact, we have placed among the top five in these peer comparisons since 2009.

The secret to your company's ongoing success really isn't a secret at all. It comes down to several important elements, including:

- Talented, trained, motivated people
- Strong financial fundamentals
- A willingness to change—well before we must

Whether reviewing our achievements for 2013, or setting goals for 2014 and beyond, this strategic combination plays a role in almost everything we do.

A Welcome “Alliance”

These core competencies were instrumental in the seamless acquisition of Alliance Financial Corporation, completed in March 2013. Healthy numbers on both sides of the merger, a shared vision and hard work by dedicated people from both companies made it happen.

The Alliance merger, our largest ever, added \$1.4 billion in assets to our balance sheet and 26 locations to our branch network. Beyond the sheer numbers, the two companies fit each other perfectly.

- Culturally, we shared a commitment to the highest level of personalized, community-based customer service.
- Structurally, there was no overlap between our separate, yet contiguous, banking footprints in upstate New York. It was a natural, completely complementary extension of each company’s market area.



Industry analysts reacted to the merger with comments like: “strategically compelling”...“a natural extension with a strategic twist”...and “adding tangential markets with little execution risk makes sense.”

Not only was the integration of Alliance a logistical success, the merger also:

- Achieved a 35% cost savings
- Resulted in no material runoff of loans and deposits
- Retained all key personnel
- Created a franchise that began growing immediately

Our combined capacity enables us to offer more products, services and convenience to a larger customer base. The merger also enhanced our reputation as a skilled acquiring entity, which should serve us well moving forward.

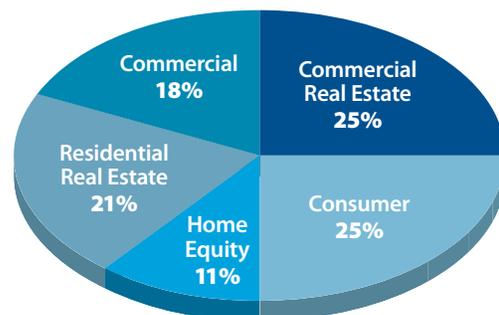
Strong Fundamentals: Our Hedge Against Uncertainty

From a fiscal standpoint, we believe NBT is well positioned for continued success despite uncertainties in the financial markets. Margin compression remains a challenge for all financial institutions, and NBT has pursued several tactics designed to counter the potential squeeze.

Core deposit growth. We have grown deposits in noninterest-bearing checking accounts by an annual average rate of over 17% since 2010 (23% including mergers). These low-cost funds represented 28% of total deposits at the end of 2013. Overall core deposits (including checking, savings and money market accounts) represented 83% of total deposits at the end of 2013. This strong core deposit funding base helps us optimize net interest income.

Short positions on assets. Seventy percent of our investment and loan portfolio is expected to reprice within the next three years—preparing us well for a rising rate environment.

High quality, diversified loans. While growing loans 5.3% organically in 2013, we also sustained good asset quality. Our well-balanced loan portfolio is a strong contributor to our interest income.



to our shareholders

Less dependence on net interest income. Noninterest income now accounts for 30% of total revenues, up from about 20% ten years ago. This shift away from margin income decreases our sensitivity to rate volatility and downturns in the economy.

266
BASIS POINTS

Efficiency Ratio
Improvement
2013

Leaner, meaner, smarter. We trimmed more than \$15 million from annual operating costs through internal initiatives and the Alliance merger. These cost savings combined with our revenue growth improved our efficiency ratio a formidable 266 basis points from 63.93% in 2012 to 61.27% in 2013. A focus on efficiencies, including

internal cost-saving initiatives, is critical when market conditions are unfavorable, and these efforts will continue in 2014.

Remaining Regulation Ready

Government regulators are holding banks to higher standards than ever before, and we plan to meet the challenges proactively—as a team.

1,900 compliance-focused employees. We have prevailed upon all NBT employees to keep compliance top of mind in their respective roles with the company. Approaching compliance as a shared responsibility will help us keep pace with what promises to be an active, complex regulatory environment.

Lead the target. Preparing the company to meet new requirements in advance will result in greater efficiency and avoid missteps that could be costly.

Be \$10 billion ready. The growth we are experiencing comes with added responsibilities and challenges. New rules for banks with assets over \$10 billion impose lower debit card processing fees and more stringent stress testing, among other things. We estimate that crossing this threshold will cost NBT several millions of dollars, and we need to prepare for this impact.

Shoring Up Core Markets, Expanding New Ones

NBT solidified its position as a dominant banking franchise in upstate New York with the addition of the 26 Alliance branches in and around Syracuse. In fact, we now maintain a strong presence along all of the major traffic corridors that crisscross our core markets in New York and northeastern Pennsylvania. This makes NBT easily accessible to higher concentrations of people and businesses.

Our expansion initiative in New England, which now includes 14 branches in Massachusetts, Vermont and New Hampshire, continues to perform well with \$620 million in assets and \$332 million in deposits as of year-end 2013. With the addition of our most recent banking location in Pittsfield, Massachusetts, early in 2014, we continue to build on our talent base and branch network to take advantage of the upside potential we see in this part of New England.

We also have announced plans to open an office in Portland, Maine, later in 2014. The office will target corporate clients, offering commercial banking and wealth management services. Maine will become the sixth state served by NBT.

Achievements Contributing to Our Success

While the Alliance merger received a lot of attention, there were many other outstanding efforts that contributed to our record performance in 2013:

- Grew commercial loans organically by 5.5% compared to 2012, led by the efforts of our teams in the Capital Region, Mohawk Valley and North Country/Saratoga markets in New York, as well as our team in the Vermont market
- Increased wealth management income by 20% over 2012, including trust and financial services, but excluding the impact of the Alliance merger
- Added over 10,000 checking accounts and increased average checking balances 17.6% over the prior year, again excluding the Alliance merger
- Launched a new mobile banking service

- Began installing enhanced ATMs with deposit functionality that eliminates the need for deposit slips and envelopes by directly accepting cash and checks; expect 25% of the ATM network will be converted by the end of 2014
- Designated a preferred lender by the U.S. Small Business Administration (SBA), giving us more autonomy in the approval and processing of loans, which means faster service for clients. For the third consecutive year, the SBA named NBT the most active large community lender in Central New York, the Capital Region and the Southern Tier—all part of the SBA's 34-county Syracuse District where we approved a total of 50 loans valued at \$5.8 million.
- Continued to educate children and young adults about money and personal finances through the Strive® program, making 150 presentations to school groups and community organizations

155+
LOCATIONS

400,000+
CUSTOMERS

High Praise from National Press

NBT consistently earns recognition from national trade media and industry analysts for outstanding financial performance, and 2013 was no exception.

- Forbes.com ranked NBT in the top 25 on its list of "America's Best and Worst Banks" for the fifth consecutive year.
- *Bank Director* magazine ranked NBT #32 on its "performance scorecard" for banks with assets between \$5 billion and \$50 billion.
- SNL Financial, a leading banking industry analyst, ranked NBT #26 on its list of top U.S. regional banks.

Our People Are the Future

When we look at the records set by your company in 2013, or at the strong fundamentals we depend on in uncertain times, or at the successful completion of a complex merger...we are looking at the hard work of our employees. Ultimately, they are the ones creating shareholder value.

We're also looking at our future—because success in 2014 and beyond will require new "personal bests."

- In branches, we'll need to skillfully address the changing and more complex needs of customers, expanding relationships and creating new opportunities within households and businesses.
- Commercial relationship managers will need to find customers in new, niche markets—such as nonprofits, institutions and associations—to drive more organic growth.
- Our wealth management professionals will need to build on their momentum—helping more clients create and preserve wealth through financial planning, insurance and retirement plan services.
- Our operations and systems personnel will need to enhance self-service options like mobile banking, expand our enhanced ATM service and usher in modern branch designs—improving customer convenience and creating efficiencies.
- Finally, we'll need everyone—including our designated teams—to suggest how a process can be streamlined or a piece of technology leveraged to make our company even more efficient.

The good news is, based on our most recent employee culture survey, we know our people are equal to the task. Ninety percent are proud to work for NBT, believe the company puts customers first and understand their role in our success. This is well above the national norm for such measures of employee engagement. We will continue to support our employees with the training, tools and incentives they need to get the job done.

to our shareholders

Moving Forward Together

In 2013, we rebranded Hampshire First Bank, acquired the year before, to NBT Bank. The former Alliance branches were converted to NBT right from the start. During the first quarter of 2014, we converted our Pennstar Bank branches in Pennsylvania to the NBT Bank brand. Uniting our banking divisions under a single brand will create operational efficiencies and enable all of our customers to readily recognize the depth and breadth of resources available from NBT.

As our company becomes larger and more dispersed, it's important to reinforce that we are one entity with a singular focus on customer care. We hope joining together under the NBT banner serves this purpose as well.

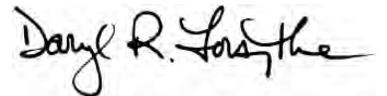
On many levels, the business of banking has become commoditized. Easy, economical access to technology and other resources has created unprecedented parity in our industry. That said, one thing we continue to rely on to differentiate NBT from the competition is our outstanding people and the service they provide.

So, to win the ongoing race for customer confidence, to deliver innovative new banking services, and to extend our record of profitability, we will need the best effort our employees can bring each and every day. And they, in turn, deserve ours.

We thank all of you—our directors, shareholders and, of course, our employees—for your continued support during these transformational times for NBT.



Martin A. Dietrich
President and
Chief Executive Officer



Daryl R. Forsythe
Chairman of the Board



NBT Bancorp Executive Management Team members during 2013 included (standing, l-r) David Raven, Jeffrey Levy, Joseph Stagliano, Martin Dietrich, Jack Webb, Timothy Brenner, (seated, l-r) Howard Atkinson, Catherine Scarlett, Sheldon Prentice and Michael Chewens.

Executive Management Team

Martin A. Dietrich

President and
Chief Executive Officer

Michael J. Chewens

Senior Executive
Vice President and
Chief Financial Officer

Howard L. Atkinson

Executive Vice President,
Strategic Operations

Timothy L. Brenner

Executive Vice President
and President of
Wealth Management

Jeffrey M. Levy

Executive Vice President
and President of
Commercial Banking

F. Sheldon Prentice

Executive Vice President,
General Counsel and
Corporate Secretary

David E. Raven

Executive Vice President,
President of Retail Banking
and President of
Pennsylvania

Catherine M. Scarlett

Executive Vice President
and Chief Human
Resources Officer

Joseph R. Stagliano

Executive Vice President
and Chief Information
Officer

Jack H. Webb

Executive Vice President,
Strategic Support

NBT Bancorp
Leadership

Additional information regarding our
Executive Management Team and
the NBT Bancorp Board of Directors
can be found in the proxy statement
for our 2014 Annual Meeting of
Shareholders.

board listings

NBT Bancorp Inc.

Daryl R. Forsythe,
Chairman

Martin A. Dietrich,
President and CEO

Richard Chojnowski

Patricia T. Civil

Timothy E. Delaney

James H. Douglas

John C. Mitchell

Michael M. Murphy

Joseph A. Santangelo

Lowell A. Seifter, Esq.

Paul M. Solomon

Robert A. Wadsworth

Jack H. Webb

NBT Bank, N.A.

Daryl R. Forsythe,
Chairman

Martin A. Dietrich,
President and CEO

Patricia T. Civil

Timothy E. Delaney

Donald H. Dew

James H. Douglas

Brian K. Hanaburgh

Andrew S. Kowalczyk III, Esq.

Thomas G. Mazzotta, Esq.

John C. Mitchell

V. Daniel Robinson III

Matthew J. Salanger

Joseph A. Santangelo

Lowell A. Seifter, Esq.

Paul M. Solomon

Russell B. Strait

Robert A. Wadsworth

Jack H. Webb

Honorary Directors

Carl Barbic

J. Peter Chaplin

Peter B. Gregory, DDS

Paul D. Horger, Esq.

Janet H. Ingraham

Andrew S. Kowalczyk Jr., Esq.

Van Ness D. Robinson

Paul O. Stillman

J.K. Weinman

NBT Bancorp company profile

- › Financial holding company
- › Incorporated in 1986 in the state of Delaware
- › Primarily operates through NBT Bank, N.A. and two financial services companies
- › NBT Bank, N.A. offers personal banking, asset management and business services through over 155 locations in five states including New York, Pennsylvania, Vermont, Massachusetts and New Hampshire.
- › EPIC Advisors, Inc., based in Rochester, N.Y., is a full-service 401(k) plan recordkeeping firm.
- › Mang Insurance Agency, LLC, based in Norwich, N.Y., is a full-service insurance agency.
- › More information about NBT Bancorp and its divisions can be found at www.nbtbancorp.com, www.nbtbank.com, www.epic1st.com and www.manginsurance.com.

NASDAQ
SYMBOL

NBTB

shareholder information

Annual Meeting

Tuesday, May 6, 2014, 10:00 a.m.
DoubleTree by Hilton Hotel
225 Water Street
Binghamton, N.Y. 13901
607.722.7575

Financial Reports and Releases

Copies of the company's annual report to the Securities and Exchange Commission on Form 10-K, quarterly reports on Form 10-Q and news releases may be obtained without charge by visiting our website at www.nbtbankcorp.com or by writing to Chief Financial Officer Michael J. Chewens at the corporate headquarters address provided on the inside front cover.

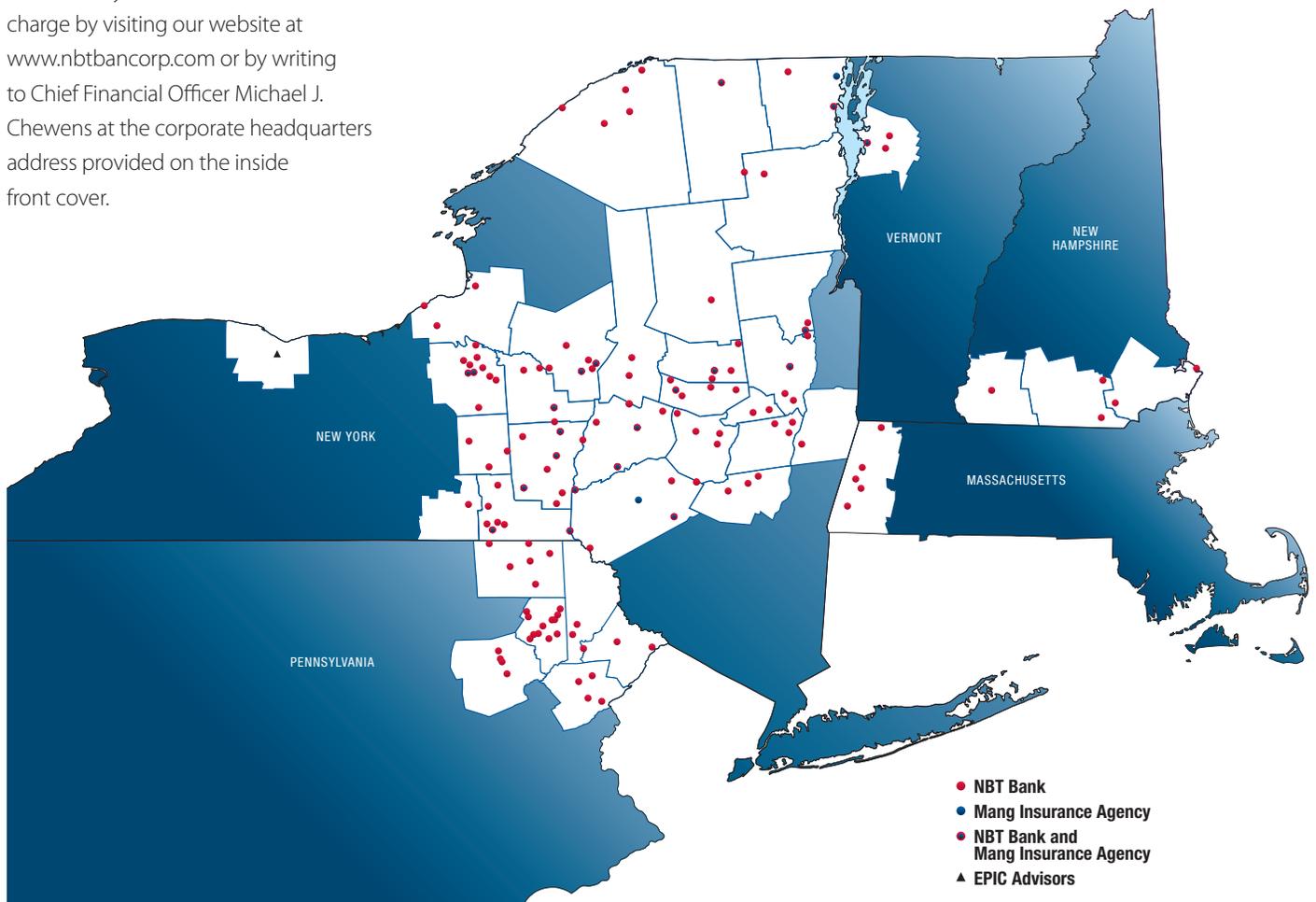
Shareholder Relations

Information regarding NBT Bancorp, our dividend reinvestment and stock repurchase plan, and direct deposit of dividends can be found on our website at www.nbtbankcorp.com.

Those seeking additional information should contact Shareholder Relations by phone at 800.NBT.BANK (Option 7) or by mail in the care of NBT Bank at 20 Mohawk Street, Canajoharie, N.Y. 13317.

Stock Transfer and Registrar Agent

NBT Bank
20 Mohawk Street
Canajoharie, N.Y. 13317
800.NBT.BANK, Option 7





NBT Bancorp Inc.

52 South Broad Street

Norwich, N.Y. 13815

www.nbtbancorp.com