



2011 Annual Report



# 2011 ANNUAL REPORT

QUAINT TOWNS, CULTURAL TREASURES AND RECREATIONAL RESOURCES FOR EVERY SEASON dot Berkshire County in western Massachusetts. And rising above it all at an elevation of 3,491 feet is majestic Mount Greylock, depicted on our cover this year by local illustrator Len Stomski.

From the symphony at Tanglewood, to the dance festival at Jacob's Pillow; from the art of Norman Rockwell, to the stories of Herman Melville; from rugged forest campsites, to elegant country inns—the diverse offerings of the Berkshires beckon to residents and visitors alike.

Perhaps no attraction shines brighter than the beacon atop the Massachusetts Veterans War Memorial Tower at the summit of Mount Greylock. Greylock is the highest point in Massachusetts, and became the state's first-ever wilderness state park in 1898.

In a way, the popular peak also symbolizes a high point for NBT Bank in 2011, a year in which we first established our presence in Massachusetts with four branches in the nearby communities of Great Barrington, Lee, North Adams and Pittsfield. These new locations—along with a fifth branch in Lenox opened early in 2012—are part of a larger initiative to expand our presence in parts of New England.

Berkshire County was seen as a good fit for our community-oriented style of banking, because it shares many similarities with other NBT Bank markets where we've had success. These same criteria guided an earlier organic expansion into Vermont.

Strengthening the branch network within our existing footprint and expanding into contiguous markets where we can efficiently deliver our brand of community banking to a receptive customer base has proven to be a winning strategy for NBT. These investments position us for growth in markets where we can compete effectively.



PHOTO BY SUSAN MOORE, DALTON, MA.

*The 93-foot-tall Massachusetts Veterans War Memorial Tower on Mount Greylock was built in 1932 as a tribute to the state's men and women in uniform.*

COVER ILLUSTRATION BY LEN STOMSKI.

## CONTENTS

1 › Company Profile   2 › Financial Highlights   3 › Financial Information   4 › To Our Shareholders  
11 › NBT Bancorp Leadership   12 › Board Listings   INSIDE BACK COVER › Corporate Information



NBT Bancorp Inc. is a financial holding company incorporated in 1986 in the state of Delaware. The company, whose roots date back to 1856, is based in Norwich, N.Y., and had total assets of \$5.6 billion as of December 31, 2011. NBT Bancorp primarily operates through NBT Bank, N.A. (a full-service community bank with two divisions) and through two financial services companies.

As of March 2012, NBT Bank, N.A. had 132 locations. NBT Bank has 89 offices in 21 counties in upstate New York, three offices in Chittenden County, Vermont, and five offices in Berkshire County, Massachusetts. Pennstar Bank has 35 offices in six northeastern Pennsylvania counties. 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.

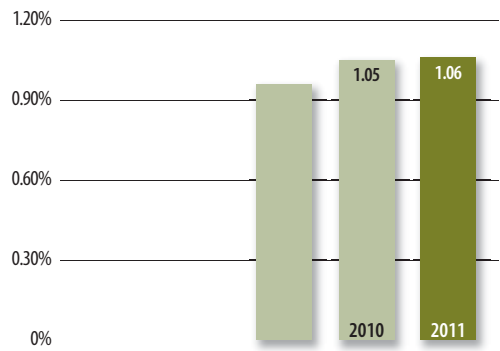
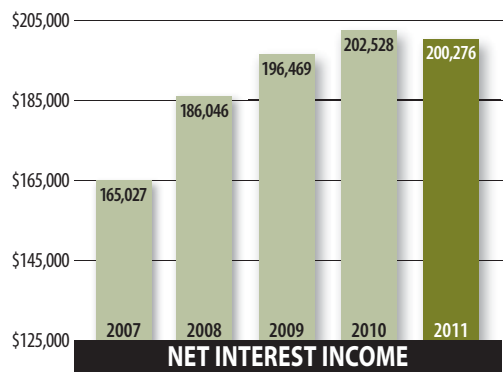
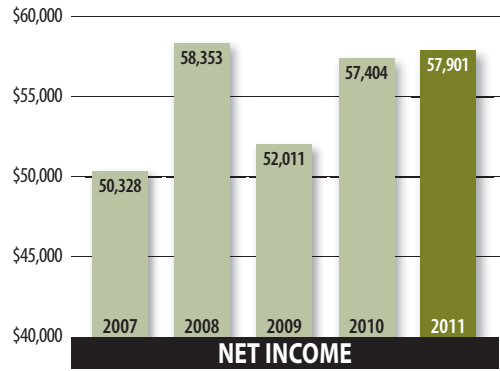
More information about NBT Bancorp and its divisions can be found on the Internet at: [www.nbtbancorp.com](http://www.nbtbancorp.com), [www.nbtbank.com](http://www.nbtbank.com), [www.pennstarbank.com](http://www.pennstarbank.com), [www.epic1st.com](http://www.epic1st.com) and [www.manginsurance.com](http://www.manginsurance.com).

## FINANCIAL HIGHLIGHTS

	2011	2010
<b>FOR THE YEAR</b>		
Net Income .....	\$ 57,901	\$ 57,404
Return on Average Assets .....	1.06%	1.05%
Return on Average Equity .....	10.73%	10.92%
Net Interest Margin <sup>1</sup> .....	4.09%	4.15%
<b>PER COMMON SHARE</b>		
Earnings		
Basic .....	\$ 1.72	\$ 1.67
Diluted .....	\$ 1.71	\$ 1.66
Book Value .....	\$ 16.23	\$ 15.51
Tangible Book Value .....	\$ 11.70	\$ 11.67
Cash Dividend .....	\$ 0.80	\$ 0.80
<b>DATA AT YEAR-END</b>		
Assets .....	\$ 5,598,406	\$ 5,338,856
Loans and Leases .....	\$ 3,800,203	\$ 3,610,006
Allowance for Loan and Lease Losses .....	\$ 71,334	\$ 71,234
Deposits .....	\$ 4,367,149	\$ 4,134,352
Stockholders' Equity .....	\$ 538,110	\$ 533,572
Nonperforming Loans .....	\$ 41,480	\$ 44,792
Nonperforming Assets .....	\$ 43,640	\$ 45,693
Nonperforming Loans to Loans and Leases .....	1.09%	1.24%
Shares Outstanding .....	33,156,710	34,502,807
Closing Stock Price .....	\$ 22.13	\$ 24.15
Market Capitalization .....	\$ 733,758	\$ 833,243
Tier 1 Capital Ratio .....	11.56%	12.44%
Total Risk-Based Capital Ratio .....	12.81%	13.70%
Assets Managed in a Fiduciary Capacity .....	\$ 3,166,107	\$ 3,054,390

*Dollars are  
in thousands,  
except  
per-share data.*

<sup>1</sup>Calculated on a fully taxable-equivalent basis.





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

Fellow Shareholders,

We are pleased to report that NBT Bancorp Inc. (NBT) ended 2011 with the second highest earnings in its history, having successfully managed challenges posed by a still fragile economy, ongoing regulatory mandates and Mother Nature.

Net income for the year ended December 31, 2011, was \$57.9 million, up from \$57.4 million for the year ended December 31, 2010. Earnings per share for the same periods were \$1.71 and \$1.66 respectively, an increase of 3%. These near-record annual earnings capped NBT's most profitable four years ever, from 2008 through 2011.

**Strong, Steady Performance** The Company's solid financial performance affirms that our conservative community banking strategy and thoughtful expansion program—implemented by high-quality people—are prevailing even in difficult times for our industry. Some other performance results worth noting:

- Total assets were \$5.6 billion at December 31, 2011, up \$259.6 million, or 4.9%, from year-end 2010.
- Achieved 5.3% loan growth, despite a challenging environment, with loans and leases totaling \$3.8 billion at December 31, 2011, up \$190.2 million from year-end 2010.
- Total deposits were \$4.4 billion at December 31, 2011, up \$232.8 million from year-end 2010, with 78.6% in core deposits (checking, savings and money market accounts with desirable rate characteristics).
- Provision for loan and lease losses dropped 30.5% to \$20.7 million for the year ended December 31, 2011, compared to \$29.8 million for the prior year.
- Net charge-offs were 0.56% of average loans and leases for the year ended December 31, 2011, down 13 basis points from 2010.

Net interest income was down 1.1% to \$200.3 million for the year ended December 31, 2011, compared to \$202.5 million for 2010. This was due to a decline in net interest margin resulting from the continued low rate environment on loans and investments. Our net interest margin (on a fully taxable-equivalent basis) was 4.09% for 2011, down six basis points from 4.15% for 2010.

Noninterest income (excluding net securities gains) for the year ended December 31, 2011, was \$80.2 million, down only slightly from \$80.6 million for 2010. A sluggish economy and new government regulations that reduced overdraft activity resulted in a decrease in service charges on deposit accounts, which was nearly offset by growth in our trust, insurance and financial services businesses.

Overall, we achieved a very balanced performance for 2011. NBT ranked in the top three among its peers on certain key indicators for profitability and credit quality. In fact, taken as an average, the Company ranked first among its peers for these indicators.

**Two Storms, 8,500 Chicken Dinners** Two back-to-back tropical storms late in the summer of 2011 caused devastating flooding and power outages in many of the communities we serve. Nearly half the counties in New York State and several in Pennsylvania were impacted by the storms. And as the going got tough, NBT and its employees engaged and supported these communities in many ways...

- We brought our branches and ATMs back online as quickly as possible, in one case setting up temporary quarters in a trailer, so customers could have uninterrupted access to their accounts.
- We introduced a Flood Relief Loan Program offering special rates and terms to distressed families and businesses.
- We supported community organizations offering flood relief funds.
- Our managers and staff were on the ground in hard-hit areas helping to coordinate relief efforts.



TIMES UNION PHOTO USED BY PERMISSION.

*This aerial photo depicts the impact of Tropical Storm Irene in the Schenectady, N.Y., area.*

Last but not least, we hired one of our clients, Brooks' House of Bar-B-Q, to help us serve 8,500 chicken dinners to distressed people in seven different communities. This felt like an effective way to immediately impact the situation and lift the spirits of flood victims.

Certainly, it was in our best interests to re-establish business operations in the affected areas as quickly as possible. But there is no doubt that our relief efforts came from the heart. Our company-wide culture of commitment, client focus and caring creates value for our customers, and ultimately for our shareholders. It's all part of being true to our community banking mission.



*NBT Bankers serve meals in the flood-ravaged community of Schoharie, N.Y.*

#### New Neighbors in New England

We first entered the New England market in 2009 with the opening of a de novo branch in Burlington, Vermont. We chose that region because of its similarities with other markets in our footprint. We believed Vermonters would welcome our customer-centric style of community banking.

Well, the people of Vermont proved us right, and our presence there has been a success. So much so that in 2011 we opened two more branches in the northwestern part of the state.

Later in 2011, applying the same strategy, we entered Massachusetts by acquiring four Legacy Banks branches in Berkshire County. We subsequently added a fifth western Massachusetts branch, which opened early in 2012.



*We expanded our presence in northwestern Vermont by two locations in 2011—one in Williston and one in Essex. Our Essex Office is depicted here.*



*NBT Bank of Lee is one of four locations added in Berkshire County, Massachusetts, in 2011 via acquisition.*





We expect to complete our third foray into New England in mid-2012, when we close on the acquisition of Hampshire First Bank. This acquisition will give us five branches in southern New Hampshire and—along with Vermont and Massachusetts—a third “corner post” in New England to expand as strategic opportunities arise. Again, these markets share many attributes with communities in our existing footprint, making them a good fit for us.

**New in New York** We also expanded infrastructure in New York State during 2011.

- Opened a new financial center in downtown Utica.
- Added our Binghamton East Office, our tenth location in Greater Binghamton.
- Announced the acquisition of three Legacy Banks branches in Greene County. The transaction was completed in January 2012, giving us our first branches in Greene, which is bordered by three other counties where NBT Bank has offices.
- Announced the acquisition of the customer accounts of a Legacy Banks branch in Middleburgh, Schoharie County. This transaction also closed in January 2012, and our offices in Middleburgh and nearby Schoharie now serve these new NBT Bank customers.

The calculated expansion and fortification of our footprint has proven to be a valuable tactic for gathering new deposits, generating revenue and positioning us for future growth. We are confident that these latest additions to the branch system will contribute to our success.



*With the opening of our Utica Financial Center, we established a downtown presence to deliver branch banking services and house professionals representing all lines of business.*

**High Performing People—Every Day** Working quickly to aid flood victims in our markets undeniably aligns with our community banking mission, and such a dramatic event has an urgency and energy all its own. The more daunting task is maintaining that drive to accomplish extraordinary things in the routine, day-to-day operations of our Company.

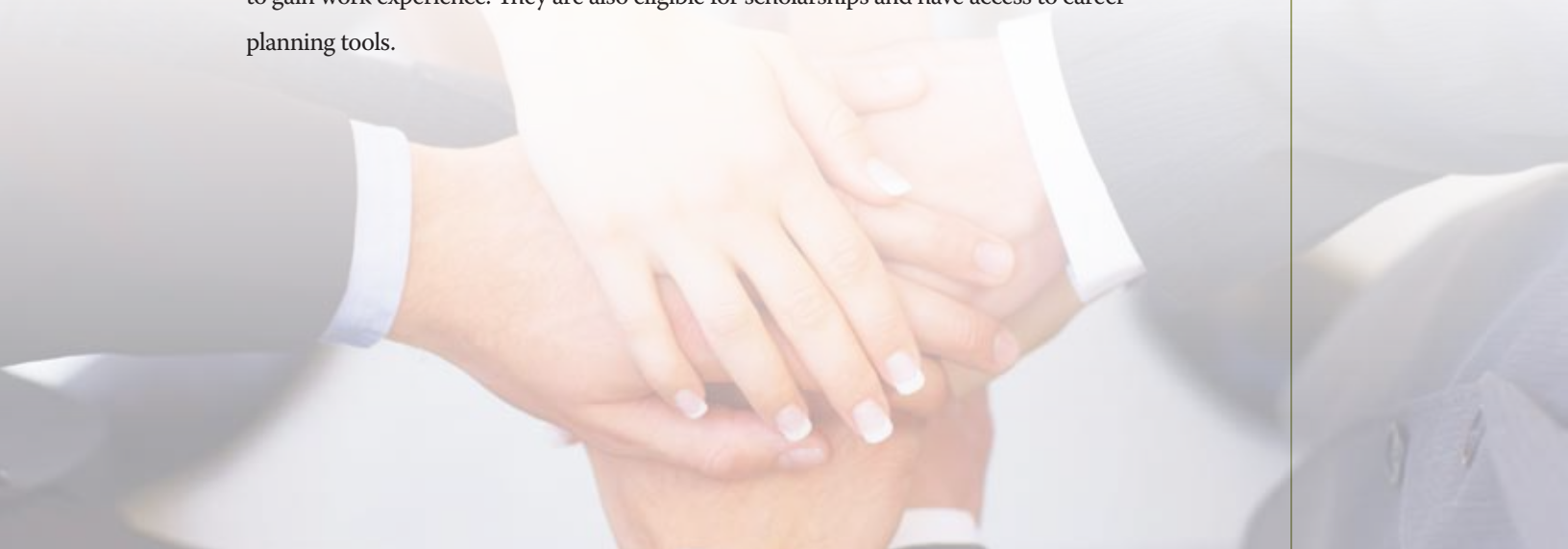
We continued looking for new ways to sustain our high-performance culture in 2011. Over the summer, we launched a comprehensive customer service initiative called “Shine Brighter! Our Journey to Extraordinary.” The program was unveiled through a series of “red carpet premieres” designed to generate excitement and momentum. “Shine Brighter!” includes training, support and other resources to help employees create a consistently high level of customer service and more “wow” moments.



We also introduced an enhanced onboarding program designed to familiarize new hires with our workplace and culture in a more personal way. Prior to starting work, new employees receive a welcome message from a manager, a care package and access to information and forms online. Once on the job, an assigned peer helps each new team member learn the ropes and all new employees participate in a one-day orientation. This high-touch approach promotes a more consistent acclimation experience and helps bring new hires up to speed more quickly.

**Continuing to Give Back—Every Day** We also recognize that giving back to our communities on a daily basis enhances their strength, and thus the strength of our Company. So we continue to donate thousands of dollars to hundreds of vital organizations. Our employees volunteer their time generously, whether or not moved by special circumstances. And we strive to build historic preservation and community revitalization benefits into our branch projects.

Our Student Employment Program is another way we invest in the future of our communities. The program offers young people in our markets summer employment and the opportunity to gain work experience. They are also eligible for scholarships and have access to career planning tools.



**High Praise from Respected Places** We always appreciate the recognitions we receive from sources outside of our Company. There really is no substitute for objective evaluations from credible sources.

For the third consecutive year, Forbes.com ranked NBT as one of the nation's top 20 banks on its 2011 list of "America's Best and Worst Banks." The *ABA Banking Journal* also placed NBT in the top 20 nationally on its list of the best public banks and thrifts with assets of \$3 billion or more. There's something to be said for national recognition and consistency.

In addition to these national notices, NBT garnered numerous awards from local newspapers, business journals and chambers of commerce. We certainly value these as well, especially because they come from organizations that know our communities best.



**Proud of Our Accomplishments, Prepared for the Future** We achieved many great things in 2011. While the economy continued to struggle, and the regulators continued to regulate, we expanded into new markets, added branches to our existing footprint, helped our neighbors overcome tragic floods and posted strong financial results. This is a tribute to our employees, and of great value to our shareholders.

We believe 2012 will also be challenging. While there are signs of a slow recovery, the state of the economy will ultimately be impacted by the ability of government leaders to come together on reducing public debt, revising the tax code and creating jobs. Progress on these fronts will likely be hampered by the politics of a presidential election.

We expect that the ongoing implementation of the Dodd-Frank Act and the activities of the Consumer Financial Protection Bureau will continue to place large cost burdens on banks. We can only hope that officials focus more on creating a positive experience for consumers, and less on creating a bureaucracy.

The business of banking has come under fire in recent years, with the media and regulators in effect vilifying the industry as a whole, thanks to the misdeeds of a few. This is especially difficult for institutions like NBT—institutions that maintained high standards through it all and never accepted a government bailout.

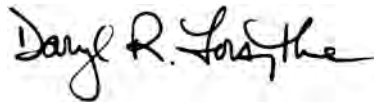
What the economy and the government may or may not do is beyond our control. All we can do is roll up our sleeves and continue to work hard. We're confident that our strong fundamentals, exceptional staff and community-oriented strategy will help us overcome any obstacles and stay the course.

At a time when banking isn't the most popular profession on the planet, we remain proud and humbled to be engaged in a business that provides essential services in a responsible, community-minded manner. We thank our directors, shareholders, employees and customers for helping to distinguish NBT as a shining example of what is right with the industry.

And as always, we wish you the best.



Martin A. Dietrich  
President and Chief Executive Officer



Daryl R. Forsythe  
Chairman of the Board



*NBT Bancorp executive management team members during 2011 included (clockwise from bottom): Howard Atkinson, Joseph Stagliano, David Raven, Michael Chewens, Martin Dietrich, Jeffrey Levy, Catherine Scarlett and Sheldon Prentice.*

### **Executive Management Team**

**Martin A. Dietrich**  
*President and  
Chief Executive Officer*

**Michael J. Chewens**  
*Senior Executive  
Vice President and  
Chief Financial Officer*

**David E. Raven**  
*President of Retail Banking  
and Pennstar Bank President  
and Chief Executive Officer*

**Jeffrey M. Levy**  
*Executive Vice President,  
President of Commercial  
Banking and NBT Bank  
Capital Region President*

**Catherine M. Scarlett**  
*Executive Vice President and  
Director of Human Resources*

**Joseph R. Stagliano**  
*Executive Vice President and  
Chief Information Officer*

**Howard L. Atkinson**  
*Executive Vice President  
and Chief Risk Officer*

**F. Sheldon Prentice**  
*Corporate Senior Vice  
President, General Counsel,  
Corporate Secretary*



### **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 G. Nasser

Joseph A. Santangelo

Robert A. Wadsworth

*Executive management and board information is as of December 31, 2011. Additional information regarding our executive management team and board of directors can be found in our proxy statement for our 2012 Annual Meeting of Shareholders.*

### **NBT Bank, N.A.**

Daryl R. Forsythe,  
*Chairman*

Martin A. Dietrich,  
*President and CEO*

Patricia T. Civil

Timothy E. Delaney

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

Russell B. Strait

Robert A. Wadsworth

### ***Honorary Directors***

J. Peter Chaplin

Peter B. Gregory, DDS

Paul D. Horger, Esq.

Janet H. Ingraham

Andrew S. Kowalczyk Jr., Esq.

Thomas J. Mirabito

Anthony M. Paino

Van Ness D. Robinson

William Sluiter

Paul O. Stillman

J.K. Weinman

### **Pennstar Bank\***

David E. Raven,  
*President and CEO*

Richard Chojnowski

Martin A. Dietrich

Daryl R. Forsythe

Susan H. Kwiatek

Michael M. Murphy

Joseph G. Nasser

### **NBT Financial Services, Inc.**

Daryl R. Forsythe,  
*Chairman*

Martin A. Dietrich,  
*President and CEO*

Michael J. Chewens

Richard Chojnowski

James H. Douglas

Susan H. Kwiatek

V. Daniel Robinson III

Matthew J. Salanger

*\*Pennstar Bank is a division of NBT Bank, N.A.*

## CORPORATE INFORMATION

### Corporate Headquarters

NBT Bancorp Inc.  
52 South Broad Street  
Norwich, New York 13815  
607-337-6416

### Annual Meeting

Tuesday, May 1, 2012, 10:00 a.m.  
Binghamton Riverwalk Hotel  
225 Water Street  
Binghamton, New York 13901  
607-722-7575

### Stock Information

The common stock of NBT Bancorp Inc. is traded on the NASDAQ Global Select Market under the symbol NBTB.

### Investor/Shareholder Inquiries

Requests for information or assistance regarding NBT Bancorp Inc. should be directed in writing to the Shareholder Relations Department in the care of NBT Bank, 20 Mohawk Street, Canajoharie, New York 13317. To make contact by phone, please call 1-800-NBT-BANK and select Option 7. Information is also available on our website at [www.nbtbancorp.com](http://www.nbtbancorp.com).

### Form 10-K Annual Report

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 writing to Chief Financial Officer Michael J. Chewens at the corporate headquarters address above. This information is also available on the Internet at [www.nbtbancorp.com](http://www.nbtbancorp.com).

### Stock Transfer and Registrar Agent

NBT Bank  
20 Mohawk Street  
Canajoharie, New York 13317  
1-800-NBT-BANK, Option 7

### Independent Auditors

KPMG LLP  
515 Broadway  
Albany, New York 12207

### Automatic Dividend Reinvestment and Stock Purchase Plan

Shareholders may participate in the Automatic Dividend Reinvestment and Stock Purchase Plan. The plan provides that shares of common stock may be purchased with reinvested dividends and by voluntary cash payments. A plan description and an enrollment form may be obtained on request to the Shareholder Relations Department.

### Direct Deposit of Dividends

Direct deposit is a safe, convenient method for the receipt of dividend payments. Direct deposit of dividends to a personal checking, savings or other account can be arranged by contacting the Shareholder Relations Department in writing in the care of NBT Bank, 20 Mohawk Street, Canajoharie, New York 13317. To make contact by phone, please call 1-800-NBT-BANK and select Option 7. Electing direct deposit will not affect the mailing of annual reports and proxy materials.

### Dividend Calendar

Dividends on NBT Bancorp Inc. common stock are customarily payable on or about the 15th of March, June, September and December.

### Product Information

To find out about the wide range of products and services offered by:

- **NBT Bank**, visit [www.nbtbank.com](http://www.nbtbank.com) or call 1-800-NBT-BANK  
*For the NBT Financial Group*, select Option 4  
*For NBT Capital Corp.*, dial ext. 6141
- **Pennstar Bank**, visit [www.pennstarbank.com](http://www.pennstarbank.com) or call 1-866-4STAR-PA  
*For the Pennstar Financial Group*, call 570-341-8463
- **EPIC Advisors, Inc.**, visit [www.epiclst.com](http://www.epiclst.com) or call 585-232-9060, ext. 112
- **Mang Insurance Agency, LLC**, visit [www.manginsurance.com](http://www.manginsurance.com) or call 1-866-551-MANG

### Equal Opportunity at NBT Bancorp Inc.

NBT Bancorp Inc. and its subsidiaries are Equal Opportunity Employers. M/F/V/D



[www.nbtbancorp.com](http://www.nbtbancorp.com)