



2012 Annual Report



2012 ANNUAL REPORT

GRANITE STATE ADDS TO SOLID PRESENCE IN NEW ENGLAND

The harbor scene gracing this year's cover symbolizes just how far NBT Bank has come in recent years—strategically and geographically. The image captures early morning in Portsmouth, New Hampshire, which became home to our eastern-most branch when NBT acquired Hampshire First Bank in mid-2012.

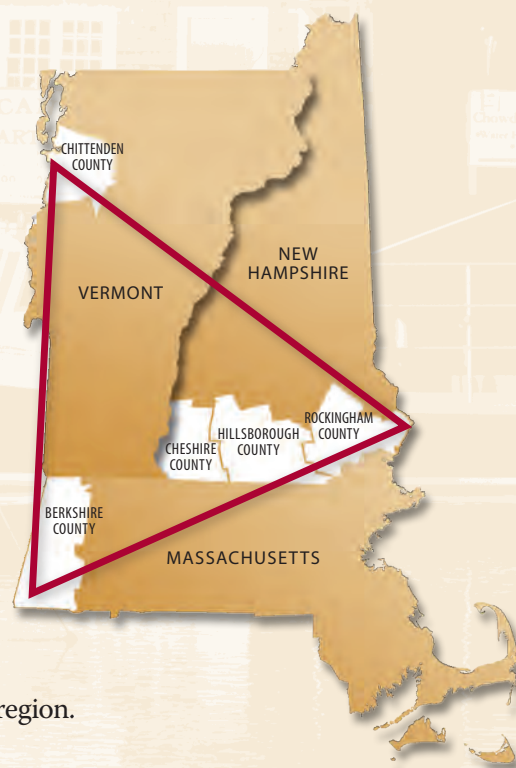
A total of five branches in southern New Hampshire joined the NBT family as part of the merger—Keene, Londonderry, Manchester, Nashua and Portsmouth—stretching our banking footprint to the Atlantic seacoast.

Similar to other NBT markets, southern New Hampshire comprises midsize urban centers surrounded by suburbs and rural villages and towns. There are mountains and rolling farmland, quaint downtowns, light industry, arts and recreational resources, colleges and universities, and history dating back to the 1600s.

Then there is New Hampshire's abundance of granite formations and quarries, giving rise to its reputation as the "Granite State." At the risk of over-playing the metaphor, we expect our presence there will be a "solid" investment in the future of NBT.

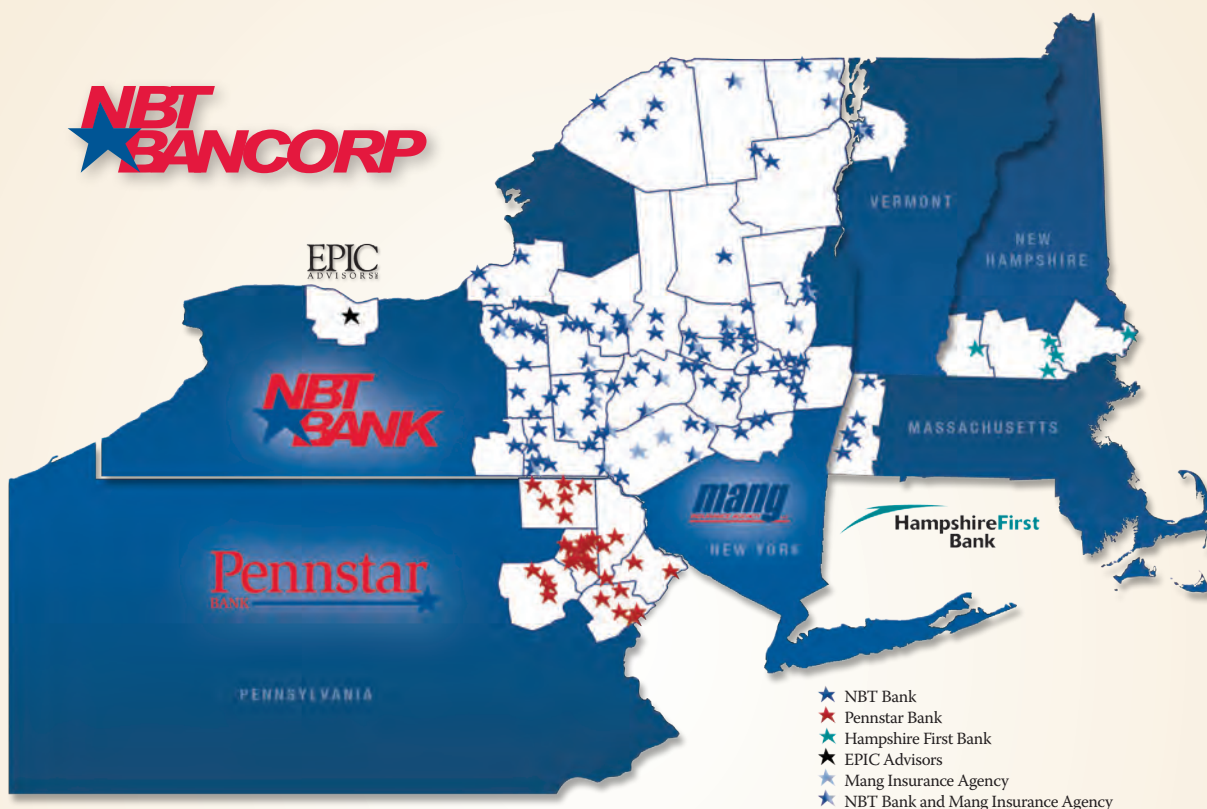
The Hampshire First acquisition represents the third building block in our New England strategy. It began with an organic expansion into northwestern Vermont in 2009 (now three branches), and continued with an acquisition in the Berkshire Region of western Massachusetts in 2011 (now five branches).

In each of these markets, we identified a strategic opportunity to deliver our unique brand of community banking accompanied by the potential for growth. With these three important footholds in place, we look forward to new opportunities for expansion in the region.



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 \$6.0 billion as of December 31, 2012. NBT Bancorp primarily operates through NBT Bank, N.A. (a full-service community bank with three divisions) and through two financial services companies.

As of March 2013, NBT Bank, N.A. has 161 locations. NBT Bank has 113 offices in 25 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. Hampshire First Bank has five offices in three southern New Hampshire 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.

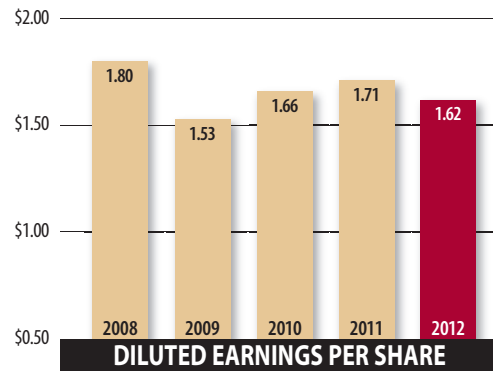
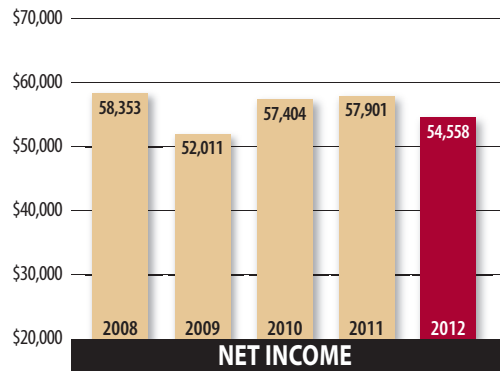
More information about NBT Bancorp and its divisions can be found on the Internet at: www.nbtbancorp.com, www.nbtbank.com, www.pennstarbank.com, www.hampshirefirst.com, www.epic1st.com and www.manginsurance.com.

FINANCIAL HIGHLIGHTS

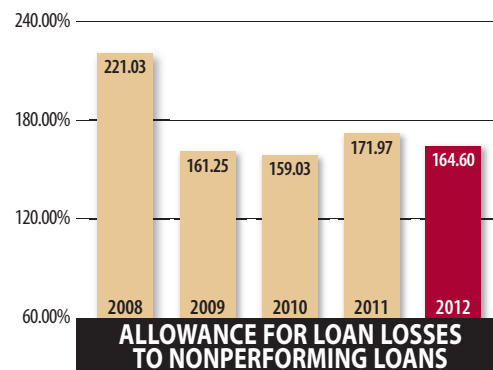
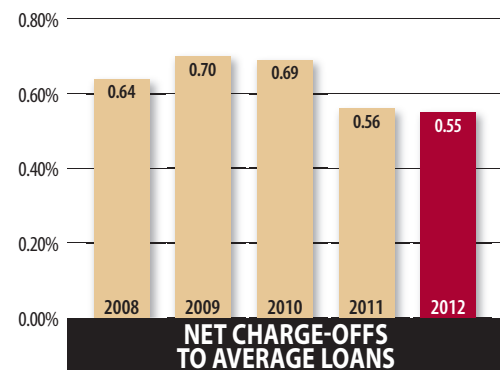
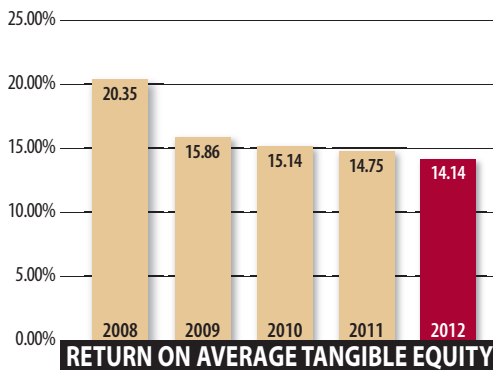
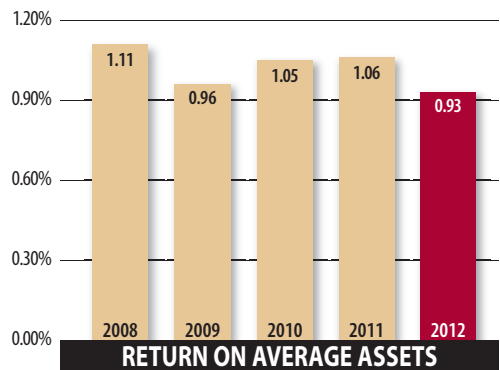
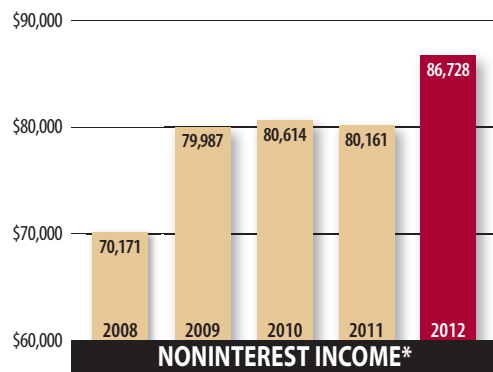
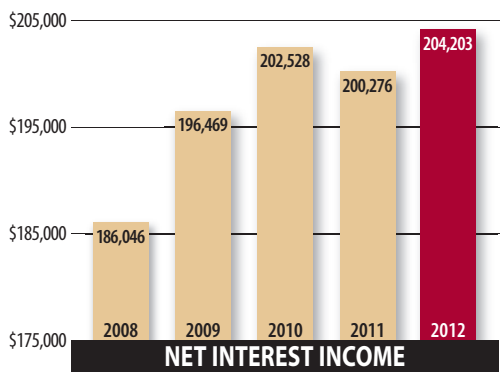
	2012	2011
FOR THE YEAR		
Net Income	\$ 54,558	\$ 57,901
Return on Average Assets	0.93%	1.06%
Return on Average Equity	9.72%	10.73%
Return on Average Tangible Equity	14.14%	14.75%
Net Interest Margin ¹	3.86%	4.09%
PER COMMON SHARE		
Earnings		
Basic	\$ 1.63	\$ 1.72
Diluted	\$ 1.62	\$ 1.71
Book Value	\$ 17.24	\$ 16.23
Tangible Book Value	\$ 12.23	\$ 11.70
Cash Dividend	\$ 0.80	\$ 0.80
DATA AT YEAR-END		
Assets	\$ 6,042,259	\$ 5,598,406
Loans	\$ 4,277,616	\$ 3,800,203
Allowance for Loan Losses	\$ 69,334	\$ 71,334
Deposits	\$ 4,784,349	\$ 4,367,149
Shareholders' Equity	\$ 582,273	\$ 538,110
Nonperforming Loans	\$ 42,124	\$ 41,480
Nonperforming Assets	\$ 44,400	\$ 43,640
Nonperforming Loans to Loans	0.98%	1.09%
Shares Outstanding	33,775,350	33,156,710
Closing Stock Price	\$ 20.27	\$ 22.13
Market Capitalization	\$ 684,626	\$ 733,758
Dividend Yield	3.95%	3.62%
Tier 1 Capital Ratio	11.00%	11.56%
Total Risk-Based Capital Ratio	12.25%	12.81%
Assets Managed in a Fiduciary Capacity	\$ 3,365,790	\$ 3,166,107

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

¹Calculated on a fully taxable-equivalent basis.



Dollars are in thousands, except per-share data.



Fellow Shareholders,

We are pleased to report that our balanced approach to 2012 enabled NBT Bancorp Inc. (NBT) to successfully manage challenges on many fronts. We were able to maintain profitability, expand our foundation for future success, and counter the headwinds of a languishing economy and aggressive government regulation.

Your company generated \$54.6 million in net income for the year ended December 31, 2012, down \$3.3 million, or 5.8%, from the near-record high achieved in 2011. Net income per diluted share for the year ended December 31, 2012, was \$1.62, down from \$1.71 per diluted share for the prior year. The drop in earnings for 2012—while never desirable—nonetheless continued a nine-year trend of annual net income in excess of \$50 million.

This run of consistently strong earnings is especially noteworthy in the context of all that we've accomplished during the same period. We withstood the Great Recession and its after-effects, which linger still. We coped with an unprecedented surge in government regulation, which today grows even more in volume and complexity. We found ways to compensate for pressure on net interest margin caused by a prolonged low-rate environment. And we continued investing in the long-term value of your company—strategically expanding its banking footprint, continuously nurturing its high-performance culture and passionately fulfilling its community banking mission.

Ranked by total assets, NBT finished the year among the top 3% of the nation's largest banks. Total assets hit an all-time high of \$6.0 billion at December 31, 2012, up \$443.9 million, or 7.9%, from \$5.6 billion at year-end 2011.

LOAN GROWTH IN A LOW-RATE ENVIRONMENT. Like all banks, NBT continued to battle a low-rate environment for loans and investments in 2012. Our net interest margin on a fully taxable-equivalent basis was 3.86% for the year ended December 31, 2012, down 23 basis points from 4.09% for the prior year.

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



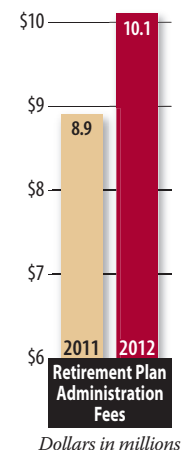
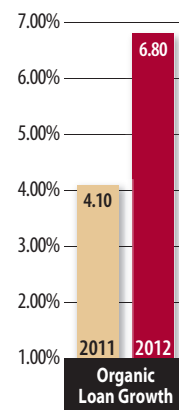
However, a boost in earning assets offset this margin compression and enabled the Company to increase net interest income by \$3.9 million. The increase in earning assets was primarily attributed to strong organic loan growth of 6.8% for 2012, including a 10.7% increase in consumer loans and an 8.7% increase in commercial loans. As a result, loans totaled \$4.3 billion at December 31, 2012, up \$477.4 million from year-end 2011.

ASSET QUALITY TRENDS POSITIVE. Your Company recorded a provision for loan losses of \$20.3 million for the year ended December 31, 2012, down from \$20.7 million for year-end 2011. The allowance for loan losses totaled \$69.3 million at December 31, 2012, compared to \$71.3 million at year-end 2011. A steady reduction of the allowance throughout the year was due primarily to improvement in certain asset quality measures.

- Nonperforming loans as a percentage of total loans dropped to 0.98% for 2012, compared to 1.09% for the prior year.
- Past due loans as a percentage of total loans dropped to 0.71% for 2012, compared to 0.89% for the prior year.
- The net charge-off ratio for 2012 was 0.55%, down slightly from 0.56% for the prior year.

GROWTH IN NONINTEREST INCOME. Noninterest income for the year ended December 31, 2012, was \$87.3 million, up \$7.0 million, or 8.7%, compared to \$80.3 million for 2011. The increase came from a number of sources, including those detailed in the following year-to-year comparisons:

- Insurance and financial services and trust revenues increased approximately \$1.9 million, reflecting the impact of a full year of results from an insurance agency acquisition in 2011, organic growth in commercial insurance, and ongoing efforts to grow new business and leverage existing relationships by our wealth and investment management professionals.
- Retirement plan administration fees grew by about \$1.2 million, due primarily to an expanded customer base resulting from strategic growth initiatives at EPIC Advisors, Inc., our wholly-owned 401(k) plan recordkeeping firm.
- ATM and debit card fees increased approximately \$700,000 due to growth in customer accounts and card use.
- Mortgage banking revenues climbed \$2.6 million driven by a more than threefold increase in conforming residential mortgage loan sales at more favorable gains.



Dollars in millions

Holding the High Ground Overall, we maintained our leadership position among peers in terms of 2012 financial performance. Based on key measures of profitability (return on average equity, return on average assets, net interest margin) and credit quality (allowance for loans and leases to total loans, nonperforming loans to total loans, allowance for loans and leases to nonperforming loans), NBT again achieved an average ranking of #1 among banks of like size and geography. This was the fifth consecutive year NBT led its peer group.

Not only did we hold our ground under difficult economic and regulatory conditions, we managed to continue investing in the future of our franchise.

“Shoring” Up Our Presence in New England With the successful acquisition and integration of Hampshire First Bank in the second quarter of 2012, our eastern-most bank branch now sits within a few blocks of the Atlantic shoreline. This branch in Portsmouth,



The Portsmouth Office of Hampshire First Bank is located a few blocks from the Atlantic shoreline.

New Hampshire, is one of five that we acquired, all located in the southern part of the state.

The Hampshire First acquisition represents NBT’s third venture into New England. We acquired four branches in Berkshire County, Massachusetts, in 2011 and opened a fifth in 2012. In northwestern Vermont, we entered the Burlington market by opening three de novo branches—one in 2009 and two in 2011. Together, these three “corner posts” stake out a geographic triangle in New England within which we see opportunity for future growth and expansion.

It’s worth noting that four large banks control approximately 60% of the deposit market share in this region. We believe these communities would welcome NBT’s brand of personalized community banking.

Going “Greene” in New York We also completed the acquisition of three branches in Greene County, New York, at the beginning of 2012. The offices in Greenville, Oak Hill and Windham are NBT’s first locations in Greene County, which is bordered by three other counties where NBT Bank has offices. As a part of this branch acquisition, we also acquired the customers of a banking location in Middleburgh, Schoharie County. Our existing offices in Middleburgh and nearby Schoharie now serve these customers.

Next Up? Expansion in Central New York In the first quarter of 2013, we successfully completed the acquisition of Alliance Financial Corporation headquartered in Syracuse, New York. With \$1.4 billion in assets and 26 branches in five central New York counties, this is our largest acquisition to date.

The merger was announced in the latter part of 2012. The two companies complement each other well in terms of geography, culture, strong community ties and dedication to exceptional customer service. As part of the transaction, Alliance Chairman, President and CEO Jack H. Webb joined our Executive Management Team and Board of Directors. We look forward to building on Alliance's vision and leveraging the efficiencies and opportunities created by the merger.

Continued Investment in Our Greatest Asset We can't say it enough—our people are NBT's most important asset. A survey revealed that an overwhelming majority of our employees (over 90%) understand their role in the Company's objectives, are proud to work for NBT, and agree that we care a great deal about customer satisfaction. Their favorable responses exceeded the national norm in every instance. Results like these are driven by an ongoing investment in our employees' ability to perform at high levels.

We enhanced our "Shine Brighter!" customer service initiative in 2012 by launching a dedicated website on our Intranet to serve as a one-stop resource for customer service news, tips and handbook downloads. One of the more popular features is the "Weekly WOW," where employees can post stories about co-workers who deliver extraordinary customer service. Each week, the top submission is selected as the Weekly WOW.

As we see branch loan production and sales per full-time equivalent employee rise, we know these investments in our people are having a positive impact on the bottom line.

We also introduced an enhanced Management Development Program in 2012, designed to cultivate future leaders of the Company. Nine college graduates were recruited for the 12-month program based on criteria that included academic and aptitude assessments. The recruits receive formal education and work closely with our executives to gain hands-on experience in the financial services business. The program prepares them to assume roles in branch management, commercial banking, finance and operations.



Retail Banking President David Raven updates employees on our Shine Brighter! initiative at an employee meeting.

Giving Back—Every Day NBT was built from its communities up—and today those bonds are stronger than ever. The devastating floods of 2011 called us all to action, and we're grateful that 2012 passed without any such hardships in our hometowns. We were more than happy to focus on our day-to-day support for organizations that help children, farmers, artists, caregivers, museums...and the list goes on.



We were also pleased to launch our Strive® financial literacy program for children and young adults. The program is designed to engage kids early with information and tools for managing money, and then evolve with them as they grow and their needs change. Branch managers and staff throughout our banking footprint are actively engaged in Strive, delivering customized educational programs to students at levels from elementary school through college.

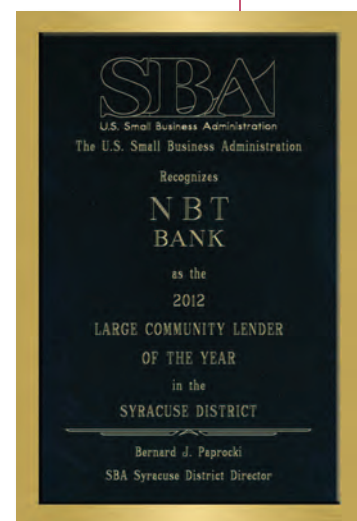
Strive is supported by a special suite of iStrive® checking, savings, debit and credit products, available to customers through age 24. These products help participants put their financial education into practice.

It doesn't take a hurricane, accident or calamity of any kind to rally us. Taking up community causes, and helping to educate our children, is just part of who we are—every day.

High Marks from Industry Experts NBT continued to earn high marks from trade media and industry analysts in 2012. As always, we appreciate this objective validation from outside sources.

For the fourth consecutive year, Forbes.com ranked NBT as one of the nation's top 25 banks on its 2012 list of "America's Best and Worst Banks." *Bank Director* magazine awarded NBT a top 20 spot on its "Bank Performance Scorecard" (\$5 billion to \$50 billion asset category) for the third consecutive year. Another top 20 honor came from industry analyst SNL Financial, which ranked NBT #17 among regional banks based on profitability, asset quality and growth.

We also were honored to be recognized by the Small Business Administration (SBA) for a job well done in 2012. NBT led its peers in SBA 7(a) loan approvals for the Southern Tier, Capital District and Central New York regions of New York State.



Leveraging these valuable government programs to grow our loan portfolio and support the vitality of local businesses is a priority for NBT. We understand how important small businesses are to the local economies in our markets. And, we've made it a priority to build strong relationships with government agencies, encouraging our commercial bankers and branch managers to advance SBA programs.

To achieve that goal, we created a group of specially trained employees who provide support through the entire process—from application to closing—and even follow up after closing. It's gratifying to see these efforts paying off as we support our customers in their endeavors to fund business initiatives.

Balance, Balance, Balance It takes a great deal of discipline to effectively manage resources when there are so many challenges before us. We must balance our commitments to customers, employees, shareholders and the Company's future—all of which are important. At the same time, we must overcome obstacles presented by a sleepy economy and regulators who are very much awake—neither of which we can control.

So, we will plan to spend more on compliance activities related to the Dodd-Frank Act and Consumer Financial Protection Bureau, though the exact nature of those cost burdens remains unclear. We have been proactive in our preparation for increased regulation, and feel confident in our ability to respond effectively to new mandates.

And—with the nation's GDP stagnant, unemployment still high and the government gridlocked—we will continue taking steps to combat pressure on interest rate margins and sluggish growth in the economy.



Fortunately, we are ahead of the game and well positioned to carry on with our plans. While other banks may be gaining strength and returning to offense, NBT has been playing offense all along. You can see it in the way we continue to expand our franchise. You can see it in our efforts to make your Company more efficient, such as ProAct, our process action team dedicated to streamlining internal processes, enhancing the customer experience and promoting a culture of constant improvement. Finally, you can see it in the support and training programs that enable our employees to be ever-more customer focused, such as Shine Brighter!

Our priorities for improvement in 2013 include continuing to:

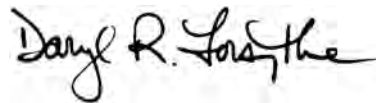
- Grow noninterest income, especially through our wealth management, retirement benefits and insurance business units
- Create sustainable, organic growth, especially in checking accounts
- Recruit, develop, motivate and retain high-quality employees who deliver the superior customer service that ultimately is our competitive advantage
- Develop new ways to increase our efficiency

As we implement these strategies, we will take care not to over- or under-weight any one component. We have come a long way by addressing challenges proactively and carefully balancing performance and investment. And we are confident that this approach will carry us further still.

We thank our directors, shareholders, employees and customers for helping to move NBT steadily forward. We are eager to continue the journey, and wish all of 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 2012 included (standing, l-r) Jeffrey Levy, Michael Chewens, Martin Dietrich, David Raven, Joseph Stagliano, Timothy Brenner, (seated, l-r) Catherine Scarlett, Howard Atkinson and Sheldon Prentice. Jack H. Webb, Executive Vice President, Strategic Support, joined the team effective March 8, 2013, with the merger of Alliance Financial Corporation into NBT Bancorp.

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
and President of
Commercial Banking*

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
*Executive Vice President,
General Counsel and
Corporate Secretary*

Timothy L. Brenner
*Executive Vice President
and President of
Wealth Management*

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

Robert A. Wadsworth

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

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

Pennstar Bank*

David E. Raven,
President and CEO

Richard Chojnowski

Martin A. Dietrich

Daryl R. Forsythe

Susan H. Kwiatek

Michael M. Murphy

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

Executive management and board information is as of December 31, 2012. Additional information regarding our executive management team and board of directors can be found in our proxy statement for our 2013 Annual Meeting of Shareholders.

**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 7, 2013, 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.

Shareholder Relations

Information regarding NBT Bancorp Inc. can be found on our website at www.nbtbankcorp.com. To make contact by phone, please call 800-NBT-BANK and select Option 7. Requests for any additional information or assistance can be directed in writing to the Shareholder Relations Department in the care of NBT Bank, 20 Mohawk Street, Canajoharie, New York 13317.

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 visiting our website at www.nbtbankcorp.com. Copies may also be obtained without charge by writing to Chief Financial Officer Michael J. Chewens at the corporate headquarters address provided above.

Stock Transfer and Registrar Agent

NBT Bank
20 Mohawk Street
Canajoharie, New York 13317
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 enrollment form may be obtained via the Shareholder Forms link on our website at www.nbtbankcorp.com. Or, a request can be sent to Shareholder Relations at the address provided above.

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 completing the authorization form found using the Shareholder Forms link on our website at www.nbtbankcorp.com. This can also be arranged by contacting Shareholder Relations by phone at 800-NBT-BANK and selecting Option 7. Or, a request can be sent to Shareholder Relations at the address provided above. 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 or call 800-NBT-BANK
For the NBT Financial Group, select Option 4
For NBT Capital Corp., dial ext. 6141
- **Pennstar Bank**, visit www.pennstarbank.com or call 866-4STAR-PA
For the Pennstar Financial Group, call 570-504-6543
- **Hampshire First Bank**, visit www.hampshirefirst.com or call 866-826-7146
- **EPIC Advisors, Inc.**, visit www.epic1st.com or call 585-362-4252
- **Mang Insurance Agency, LLC**, visit www.manginsurance.com or call 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