



2017
ANNUAL
REPORT





financial highlights

(all dollar amounts in thousands except share and per share data)

Like many other companies benefiting from a lower tax rate, NBT Bancorp Inc. (NBT) incurred a one-time, \$4.4 million (\$0.10 diluted earnings per share) non-cash charge in 2017 associated with the Tax Cuts and Jobs Act. This charge is excluded from each of the adjusted measures under the Operating Performance heading.

FOR THE YEAR	2017	2016
OPERATING PERFORMANCE		
Net income.....	\$ 86,561	\$ 78,409
Return on average assets	0.96%	0.92%
Return on average tangible equity	13.48%	13.13%
Diluted earnings per share.....	\$ 1.97	\$ 1.80

FOR THE YEAR

PERFORMANCE

	2017	2016
Net income.....	\$ 82,151	\$ 78,409
Return on average assets	0.91%	0.92%
Return on average tangible equity	12.82%	13.13%
Net interest margin	3.47%	3.43%

PER COMMON SHARE DATA

	2017	2016
Basic earnings	\$ 1.89	\$ 1.81
Diluted earnings.....	\$ 1.87	\$ 1.80
Cash dividends	\$ 0.92	\$ 0.90
Dividend yield.....	2.50%	2.20%

AT DECEMBER 31

BALANCE SHEET DATA

	2017	2016
Total assets	\$ 9,136,812	\$ 8,867,268
Total loans.....	\$ 6,584,773	\$ 6,198,057
Allowance for loan losses	\$ 69,500	\$ 65,200
Deposits.....	\$ 7,170,636	\$ 6,973,688
Total shareholders' equity.....	\$ 958,177	\$ 913,316

ASSET QUALITY

	2017	2016
Nonperforming loans.....	\$ 31,118	\$ 40,522
Nonperforming assets.....	\$ 35,647	\$ 46,103
Nonperforming loans to total loans.....	0.47%	0.65%

CAPITAL

	2017	2016
Common equity tier 1 capital ratio.....	10.06%	9.98%
Tier 1 capital ratio.....	11.42%	11.42%
Total risk-based capital ratio	12.42%	12.39%
Book value per share	\$ 22.01	\$ 21.11
Tangible book value per share	\$ 15.54	\$ 14.61
Closing stock price	\$ 36.80	\$ 41.88
Ending shares outstanding	43,542,809	43,257,750
Market capitalization	\$ 1,602,375	\$ 1,811,635

WEALTH MANAGEMENT DIVISION

	2017	2016
Assets under management and administration	\$ 7,150,645	\$ 6,346,337

company profile

- NBT Bancorp Inc. is a financial holding company incorporated in 1986 in the state of Delaware.
- The Company primarily operates through NBT Bank, N.A. and two financial services companies.
- NBT Bank, N.A. offers personal banking, commercial banking and wealth management services through 152 locations in six states (including New York, Pennsylvania, Vermont, Massachusetts, New Hampshire, and Maine) and through its online and mobile channels.
- EPIC Advisors, Inc., based in Rochester, NY, is a full-service 401(k) recordkeeping firm.
- NBT Insurance Agency, LLC, is a full-service insurance agency based in Norwich, NY. Previously known as NBT-Mang, the Agency began conducting business as NBT Insurance Agency in the first quarter of 2018.

to our shareholders

Fellow Shareholders,

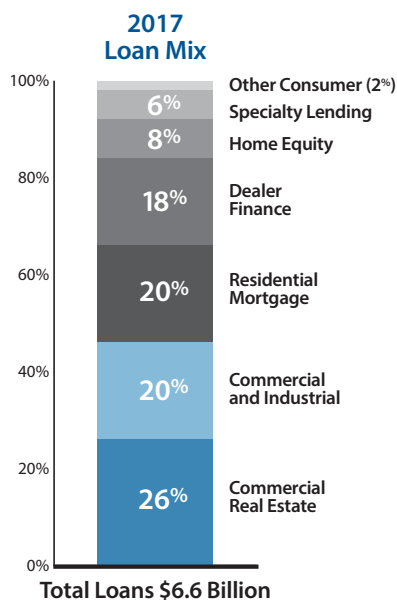
We write this letter having achieved record-setting performance for the last 5 years by doing what we do best: gathering deposits, making smart loans, diversifying our business, and supporting our talented team. Over time, we have implemented strategies in support of each of our core businesses, including:

- Introducing technology to enhance customer convenience and satisfaction;
- Growing and enabling the geographic diversification of our commercial and retail branch-based banking businesses;
- Growing our wealth management, retirement services, and insurance businesses organically and through acquisition;
- Delivering consumer lending products through multiple channels, including at the point of purchase through partnerships with nonbank technology companies; and
- Recruiting and developing the best team in community banking.

The success of these strategies is driven by our highly-motivated employees, their ability to collaborate, and their focus on our customers and the communities we serve.

Leveraging our many strengths in this way has served us well, even when market conditions and regulatory requirements presented challenges. As we experience lift from the tailwinds associated with a stronger economy, low unemployment, higher consumer confidence, accelerated capital investment, corporate tax relief, and regulatory reform, we are more confident than ever about NBT's long-term growth and, therefore, your investment in us.

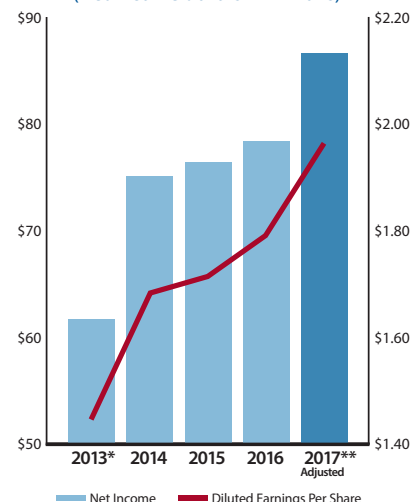
The Company's 2017 performance certainly reinforces our optimism. For the fifth year in a row, NBT set a new earnings record, generating operating net income of \$86.6 million in 2017, up from \$78.4 million in 2016—a 10.4% increase. Operating diluted earnings per share of \$1.97 for 2017—up from \$1.80 the prior year—also set a new record.



Our focus on our loan yields, loan growth, and cost of funds combined with a more favorable interest rate environment drove a \$19.1 million increase in net interest income in 2017. The net interest margin increased 4 basis points to 3.47%. This was the first time NBT experienced margin expansion in 7 years due to the challenging rate environment.

Loans grew 6.2% in 2017 with our teams in 6 states delivering these results. That equates to \$387 million that was well balanced across our commercial and consumer business lines. This diversification—both geographically and in terms of loan mix—is a core strength of NBT's balance sheet.

5-Year Performance
(Net Income dollars in millions)



*2013 includes merger expenses related to the acquisition of Alliance Financial Corporation

**Excludes one-time, non-cash charge of \$4.4 million related to the Tax Cuts and Jobs Act which equates to \$0.10 per diluted share

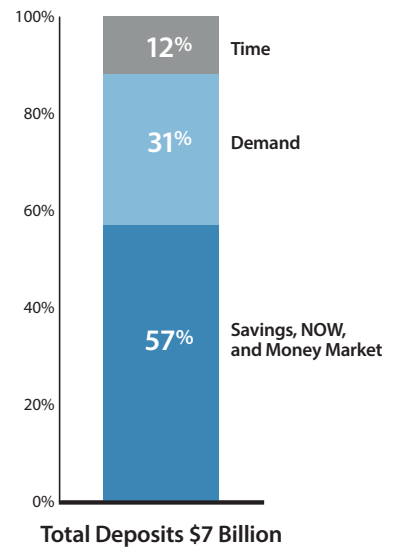
↑
\$5.6
MILLION

2017
Noninterest Income
Increase

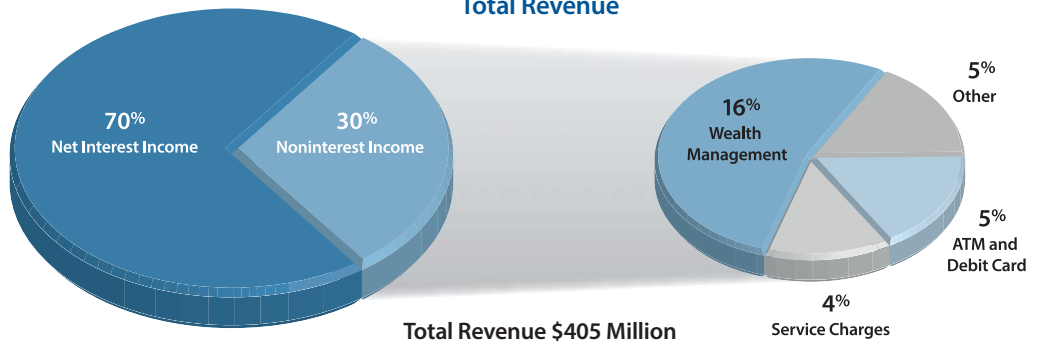
To help fund those loans, we grew low-cost demand deposit accounts by 8% in 2017. In fact, over the last 10 years, our average demand deposit growth has been 11.2% (excluding acquisitions). The growth in deposits has reduced our reliance on borrowings translating to lower-cost funding that has improved our bottom line. While achieving this growth, we were able to hold deposit costs constant. Looking forward, the federal funds rate and related market rates are projected to rise further and higher rates paid on deposits are a likely result. We believe the strong relationships we have with our customers will benefit us in managing our costs while providing a fair return to our deposit customers.

Noninterest income rose \$5.6 million to \$121.3 million in 2017. The drivers include a 7% increase in the contribution from our Wealth Management Division and a \$1.9 million increase in ATM and debit card fees.

2017
Average Deposit Mix



2017
Total Revenue



Wealth Management (including our traditional trust and fiduciary business, financial services, our insurance agency, and retirement plan services businesses) accounts for more than half of our total noninterest income, and noninterest income to total revenues was 30% for 2017 compared to peer median at 25%. Like our deep well of core deposits, this revenue mix is one of our key strengths and competitive advantages.

\$9.1
BILLION

2017
Year-End Assets

NBT ended 2017 with \$9.1 billion in assets, up from \$8.9 billion at the close of 2016. As we grow closer to the \$10 billion mark, we are well prepared to cross that threshold with confidence. Our team has developed a detailed and adaptable readiness plan that will help us see this journey through. In the meantime, we keep an eye on the legislation pending in Congress to streamline the Dodd-Frank Act and its requirements for banks with assets of \$10 billion or more. As we have expressed in the past, we are supportive of reasonable regulatory reform.

2017 Strategy Highlights

BUSINESS STRATEGIES

We continue to execute key business strategies that allow NBT to deliver our customer-focused approach to banking and financial services in new markets and through new channels.

- Our New England expansion has exceeded expectations since we began in 2009. We finished 2017 with 19 locations across four states: Vermont, Massachusetts, New Hampshire, and Maine. Our talented and growing team of bankers has originated \$1.1 billion in outstanding and committed loans across the region, representing year-over-year growth of 17% or 40% of our total loan growth.
- Our digital initiatives continue to evolve in support of the customer experience. When our lines of business collaborate, smart solutions emerge that make us more responsive, convenient, and efficient. In 2017, numerous enhancements to our mobile and online services were introduced, including biometric authentication for multiple device types, mobile check images, and text alerts. Technology will always be a focus for NBT as a means of increasing customer convenience, creating new opportunities for face-to-face consultation, and streamlining internal processes. We have placed particular focus on how we can use technology to reduce friction points between us and our customers.
- Through our Specialty Lending line of business, we are originating consumer loans at the point of purchase enabled by technology developed and deployed by our nonbank partners. NBT has over a decade of experience in this area through partnerships with technology companies where we provide consumer financing for personal and household expenditures. In 2017, we launched a new partnership with Sungage Financial, Inc. of Boston to originate loans that finance solar energy solutions for homeowners. To support Sungage and other partners, we established a presence for our Specialty Lending team in Woburn, Massachusetts.
- Retirement Plan Services is another dynamic line of business for NBT. In April 2017, we acquired Downeast Pension Services, Inc. (DPS) located in New Gloucester, Maine. DPS not only added another dimension to our presence in New England, it added 850 clients, 38,000 plan participants, and over \$2 billion in assets under management to our retirement plan business.

INVESTING IN OUR TEAM, OUR CUSTOMERS, AND OUR COMMUNITIES

At the heart of the Company's record-setting performance in 2017 was our team, which is our greatest asset. We are focused on cultivating their talents and abilities through our learning and development programs and employee engagement initiatives, including four distinct programs focused on the development of high performers.

We appointed a Chief Diversity Officer in 2017 to provide leadership on our journey of fostering diversity and inclusion in our workforce. We will continue to enable an environment that is open and welcoming to all, leading to high employee engagement and job performance. We believe this will enable NBT to perform at higher levels and, as a result, enhance shareholder return.

The federal Tax Cuts and Jobs Act that took effect January 1, 2018, created another opportunity to invest in our people. With the support of our Board of Directors, we increased the starting hourly



40%

Total
Loan Growth
Occurred In
New England



OVER
60%

Mobile/Online Banking
Adoption By
Checking Customers



New Solar
Specialty Lending
Partnership



183,000

Retirement Plan
Participants

pay rate to \$15 per hour and provided eligible employees earning base pay of \$50,000 or less with a permanent minimum increase of 5%. This action is positively impacting over 60% of the Company's workforce. By supporting the intent of the Act in this way, we have enhanced a critical component of our strategy to recruit and retain a high-performing workforce.

Tax relief has also provided us with the opportunity to allocate capital toward additional investments in customer-facing technology that we will introduce this year and to increase resources available for contributions to nonprofit organizations across our footprint. While these actions are enabled by this unique opportunity, they are also consistent with NBT's long-standing commitment to our customers and communities as a locally-focused community bank.

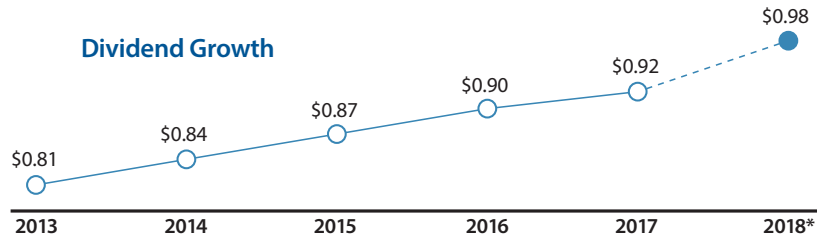
In 2017, NBT achieved a favorable Community Reinvestment Act rating from our regulators. One of the innovative programs we offer in support of our communities is called "Home in the City." Available in 25 cities across our footprint, this special program partners NBT with municipalities and nonprofit housing organizations to provide access to homeowner counseling, grant programs for down payment and closing cost assistance, and a discounted interest rate for first-time homebuyers. We are proud to have launched this program and to support its growth.

CONCLUSION

We appreciate the support of our shareholders and have a long and consistent history of returning capital to you in the form of cash dividends. In fact, we recently announced an 8.7% increase in our dividend for shareholders of record as of June 1, 2018. This dividend, payable June 15, 2018, will be the Company's 505th consecutive cash dividend.

3.93%

2018*
5-Year Dividend
Compound
Annual Growth Rate



*Annualized based on second quarter 2018 dividend declared of \$0.25

As we look to the future, we are optimistic about our prospects for continued growth. That optimism is grounded in the tailwinds that are lifting our economy and in the knowledge that our team is strong. The potential for regulatory reform is an additional source of positive momentum, and we support current efforts in Congress to accomplish this reform. We believe the fundamentals we operate under and the smart execution of our strategies have NBT well positioned for the future.

John H. Watt, Jr.
President and
Chief Executive Officer

Martin A. Dietrich
Chairman of the Board

leadership

Executive Management Team

John H. Watt, Jr.

President and
Chief Executive Officer

Michael J. Chewens

Senior Executive Vice President
and Chief Financial Officer

Timothy L. Brenner

Executive Vice President
and President of Wealth
Management

Matthew K. Durkee

Executive Vice President
and President of
New England Region

Sarah A. Halliday

Executive Vice President
and President of
Commercial Banking

F. Sheldon Prentice

Executive Vice President,
General Counsel and
Corporate Secretary

Catherine M. Scarlett

Executive Vice President
and Chief Ethics and Human
Resources Officer

Joseph R. Stagliano

Executive Vice President,
Operations and Retail Banking

Amy Wiles

Executive Vice President and
Chief Credit and Risk Officer

Board of Directors

Martin A. Dietrich

Chairman

John H. Watt, Jr.

President and
Chief Executive Officer

Patricia T. Civil

Timothy E. Delaney

James H. Douglas

Andrew S. Kowalczyk, III, Esq.

John C. Mitchell

V. Daniel Robinson, II

Matthew J. Salanger

Joseph A. Santangelo

Lowell A. Seifter, Esq.

Robert A. Wadsworth

Jack H. Webb

NBT Bank

Honorary Directors

Richard Chojnowski,
Daryl R. Forsythe, Peter B.
Gregory, DDS, Paul D. Horgger,
Esq., Janet H. Ingraham,
Andrew S. Kowalczyk, Jr., Esq.,
Van Ness D. Robinson, Paul M.
Solomon, and Paul O. Stillman.

*Additional information
regarding our Executive
Management Team and Board
of Directors can be found in the
proxy statement for our 2018
Annual Meeting of Shareholders.*

Regional Presidents

John F. Buffa, Mohawk Valley

David Krupski, Capital Region

Jeffrey D. Lake,

Greater Binghamton

Stephen P. Lubelczyk,

New Hampshire

Richard J. Shirtz, Syracuse

Kimberly J. Twitchell, Maine

EPIC Advisors, Inc.

Manuel Marques, CPC, QPA,

QKA, QPFC, AIF*

President

NBT Insurance Agency, LLC

Tucker H. Lounsbury, CIC

President

shareholder information

Annual Meeting

Tuesday, May 22, 2018

10:00 a.m.

DoubleTree by Hilton Hotel

225 Water Street

Binghamton, NY 13901

Stock

Symbol: NBTB

Market: Nasdaq Global Select

Corporate Headquarters

NBT Bancorp Inc.

52 South Broad Street

Norwich, NY 13815

800.NBT.BANK

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 at left.

Shareholder Relations

Information regarding
the Company, our dividend
reinvestment and stock
purchase 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
(800.628.2265), Option 7,
or by mail to: NBT Bank,
52 South Broad Street,
Norwich, NY 13815.

Stock Transfer and Registrar Agent

American Stock Transfer
& Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
800.NBT.BANK (800.628.2265),
Option 7
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