

# 2020

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ANNUAL REPORT



## to our stockholders

Fellow Stockholders,

Today we are optimistic about the direction of the U.S. economy and the prospects for a strong recovery. NBT is well positioned to participate in that recovery for many reasons. Our Company grew stronger and even more resolved to succeed as we leveraged our culture and capabilities in 2020 to meet the relentless challenges of the COVID-19 pandemic and its wide-ranging impacts.

To understand our optimism, we must look back at a year where no aspect of life or business was untouched by adversity. In early 2020, NBT was off to a strong start when the pandemic forced the world to alter course. We acted immediately and decisively to protect the health and safety of our employees, to offer relief and financial solutions to distressed customers, and to provide support to our communities.

Our previous technology investments and comprehensive pandemic response plan enabled us to quickly transition over 90% of our non-branch staff to remote work. New health protocols and work processes were implemented to keep branch teams and other onsite workers safe. We offered additional health benefits and resources for dependent care, eldercare, and well-being to employees as we cross-trained and redeployed team members to the areas of greatest need. Through it all we are proud our efforts allowed us to maintain our dedicated workforce with no layoffs in 2020.

As the pandemic drove adoption of digital products and services to new levels, our long-established technology roadmap positioned us to meet this need. Despite the unprecedented disruption, we were not deterred from executing on major planned enhancements in 2020, including the successful implementation of new mobile, online, and mortgage platforms.

Through uncertain times, our team maintained unwavering customer focus. When we were unable to meet customers in person, we continued to serve them through drive-up windows, calls, emails, and video conferencing. We used our lending, operational, and technical expertise to participate in the SBA's Paycheck Protection Program (PPP), securing 3,000 loans for over \$540 million that helped retain more than 61,000 jobs. Our industry played a crucial role in delivering this relief to provide businesses and their employees with a bridge to a post-pandemic economy. These efforts continue as we aggressively assist current and new customers in the latest round of PPP funding.

Amid this volatility, we posted solid 2020 financial results with reported net income of \$104.4 million or \$2.37 per diluted share. Our profitability measures were influenced by the adoption of the Current Expected Credit Loss (CECL) accounting standard, which drove the doubling of loan provision expense resulting from the pandemic's perceived impact on the economy in the markets where we do business. Our allowance for loan losses to total loans under the CECL methodology increased to 1.47%. We believe this level of allowance coverage and our low observed level of charge-offs in 2020 positions us well to absorb any potential trailing impacts of the pandemic on our loan portfolio.

Loans were up over 5%, and deposits increased 20%. Both sides of the balance sheet were impacted by stimulus programs. In support of our clients and communities, we crossed the critical \$10 billion asset threshold. This places us in the top 100 U.S. banks by asset size and is supported by years of preparation to become a "midsize" community bank.

Our fee-based businesses delivered strong results. Total fee income was up 5% and represented nearly 32% of total revenue. This reflects contributions from wealth management, commercial banking, core banking fees, and the acquisition of Alliance Benefit Group in Illinois. We completed this acquisition on April 1, 2020 during the pandemic lockdown and successfully integrated new clients and teammates into our EPIC Retirement Plan Services business, increasing our total number of plan participants nationwide to over 265,000 and extending our mission of "Helping America Retire."

Our strong balance sheet and capital position, disciplined approach to credit and risk management, technology investments, and diversified fee business provided NBT with flexibility to navigate these difficult times. In June 2020, we accessed the capital markets and raised \$100 million in capital that we will deploy into growth opportunities in 2021 and beyond.

We also maintained NBT's long history of delivering consistent dividends with 2020 being our 163rd year of uninterrupted dividend payments. In addition, recognizing our responsibility

## 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 online and mobile channels and 141 locations in New York, Pennsylvania, Vermont, Massachusetts, New Hampshire, and Maine. NBT Bank is currently entering Connecticut.
- EPIC Retirement Plan Services is a full-service 401(k) recordkeeping firm based in Rochester, NY.
- NBT Insurance Agency, LLC is a full-service insurance agency based in Norwich, NY.

## financial highlights

(In thousands, except per share data)

to return capital to stockholders, we repurchased shares in 2020 and continued this activity in the first quarter of 2021.

Recently, NBT's Board of Directors took action to articulate our commitment to diversity, inclusion, and sustainability by resolving to define, measure, and highlight our long-established organizational values and corporate responsibility initiatives around the Environmental, Social, and Governance (ESG) pillars. This more formalized framework brings together the guiding principles of community banking that are embedded in our culture, and it provides us with an opportunity to better identify and enhance our impact as we move forward.

Closely tied to our Board's commitment to ESG principals is our concern for racial equity and justice. It is our responsibility to provide leadership on these issues in the markets we serve. As an employer, we have worked to enhance the diversity of our Board, our management team, and our employee population. This activity will increase awareness of the challenges our society faces and promote inclusion.

As we reflect on 2020 and its unprecedented events, there are many to whom we offer our thanks. First, we recognize our Board members for their guidance and perspective. We were pleased to welcome Johanna R. Ames as a Director in September 2020. In addition, the Board has supported the nomination of J. David Brown to serve as a Director, and his name is on the slate of 14 Directors submitted to you for election at our 2021 Annual Meeting of Stockholders. At that meeting, our colleague Robert A. Wadsworth will retire from the Board after 16 years of distinguished service. Bob's steady guidance through events like the financial crisis of 2008-2009, the COVID-19 pandemic, and his consistent focus on NBT's long-term strategic goals have made him a key contributor. He will be missed, and we wish Bob and his family all the best.

Finally, there aren't enough words to express our appreciation to all of NBT's employees. The courage and commitment our team drew upon to serve our customers and support our communities while facing tremendous personal challenges is humbling. We are grateful.

We entered 2020 with optimism and momentum and are thankful we ended the year in the same way. We believe 2021 will be an important year for NBT. We appreciate your ongoing support as we move forward with our strategies to continue our disciplined growth and build on the long-term value of your investment.

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

Martin A. Dietrich  
Chairman of the Board

FOR THE YEAR	2020	2019
<b>PERFORMANCE</b>		
Net income . . . . .	\$104,388	\$121,021
Return on average assets . . . . .	0.99%	1.26%
Return on average tangible equity . . . . .	12.48%	15.85%
Net interest margin . . . . .	3.31%	3.58%
<b>PER COMMON SHARE DATA</b>		
Diluted earnings . . . . .	\$2.37	\$2.74
Cash dividends . . . . .	\$1.08	\$1.05
Dividend yield . . . . .	3.36%	2.59%
Tangible book value per share . . . . .	\$20.52	\$19.03
<b>AT DECEMBER 31</b>		
<b>BALANCE SHEET DATA</b>		
Total assets . . . . .	\$10,932,906	\$9,715,925
Total loans . . . . .	\$7,498,885	\$7,136,098
Allowance for loan losses . . . . .	\$110,000	\$72,965
Deposits . . . . .	\$9,081,692	\$7,587,820
Total stockholders' equity . . . . .	\$1,187,618	\$1,120,397
<b>ASSET QUALITY</b>		
Net charge-offs to average loans . . . . .	0.23%	0.36%
Nonperforming loans to total loans . . . . .	0.64%	0.40%
Nonperforming assets to total assets . . . . .	0.45%	0.31%
Allowance for loan losses to total loans . . . . .	1.47%	1.02%
<b>CAPITAL</b>		
Common equity tier 1 capital ratio . . . . .	11.84%	11.29%
Tier 1 capital ratio . . . . .	13.09%	12.56%
Total risk-based capital ratio . . . . .	15.62%	13.52%
Closing stock price . . . . .	\$32.10	\$40.56
Market capitalization . . . . .	\$1,400,494	\$1,776,391

## 2021 annual meeting

Tuesday, May 25, 2021 | 10:00 a.m.

[www.virtualshareholdermeeting.com/NBTB2021](http://www.virtualshareholdermeeting.com/NBTB2021)

### Forward-Looking Statements

This letter contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to a number of risks and uncertainties. Such statements are not guarantees of future performance and actual results may differ materially from any forward-looking statements contained in this letter. For a discussion of the factors that might cause such differences, please refer to our filings with the Securities and Exchange Commission.

# leadership

## Executive Management Team

### John H. Watt, Jr.

President and  
Chief Executive Officer

### Timothy L. Brenner

Executive Vice President and  
President of Wealth Management

### Sarah A. Halliday

Executive Vice President and  
President of Commercial Banking

### Shauna M. Hyle

Executive Vice President,  
Consumer Lending

### Angela Wolfe Kelley

Executive Vice President, General  
Counsel and Corporate Secretary

### John V. Moran, CFA®

Executive Vice President  
and Chief Financial Officer\*

### Catherine M. Scarlett

Executive Vice President  
and Chief Ethics and  
Human Resources Officer

### Joseph R. Stagliano

Executive Vice President, President  
of Retail Community Banking and  
Chief Information Officer

### 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

### Johanna R. Ames

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

Paul D. Horger, Esq.

Janet H. Ingraham

Van Ness D. Robinson

Paul M. Solomon

Paul O. Stillman

*Additional information regarding  
our Executive Management Team  
and Board of Directors can be  
found in the proxy statement  
for our 2021 Annual Meeting  
of Stockholders.*

## Operating Committee

The following NBT leaders serve on  
the Operating Committee with the  
Executive Management Team.

**Annette L. Burns**, Senior Vice  
President and Chief Accounting  
Officer\*

**Leonard P. Chinski**, Senior Vice  
President and Director of Audit

**Jeffrey S. Delepine II**, Senior  
Vice President, Chief Compliance  
Officer and Chief Diversity Officer

**Kurt T. Edwards**, Senior Vice  
President and Chief Consumer  
Credit Officer

**Dawn D. Gillette**, Senior Vice  
President and Head of FinTech  
Partners and Specialty Lending

**Amy S. Hurta**, Senior Vice  
President and Senior Director  
of Operations

**David A. Kavney**, Regional  
President, Mohawk Valley

**David Krupski**, Regional President,  
Capital Region

**Jeffrey D. Lake**, Regional  
President, Greater Binghamton

**Tucker H. Lounsbury, cfc**,  
President,  
NBT Insurance Agency, LLC

**Stephen P. Lubelczyk**, President  
of New England

**Mark R. Mershon**, Corporate  
Senior Vice President and  
Treasurer

**Richard J. Shirtz**, Regional  
President, Central New York

**David R. Theleman**, Senior Vice  
President, Chief Commercial Credit  
Officer

## Regional Presidents

**Andreas A. Kapetanopoulos**  
Connecticut

**David A. Kavney**  
Mohawk Valley

**David Krupski**  
Capital Region

**Jeffrey D. Lake**  
Greater Binghamton

**Stephen P. Lubelczyk**  
New Hampshire

**Richard J. Shirtz**  
Central New York

**Kimberly J. Twitchell**  
Maine

**Daniel P. Werme**  
Vermont and Massachusetts

## EPIC Retirement Plan Services

**Manuel Marques, CPC, QPA, QKA,  
QPFC, AIF®**  
President

## NBT Insurance Agency, LLC

**Tucker H. Lounsbury, cfc**  
President

**NBTB**  
Nasdaq Global Select Market

# stockholder information

## Corporate Headquarters

NBT Bancorp Inc.  
52 South Broad Street  
Norwich, NY 13815  
800.NBT.BANK

## Independent Auditors

KPMG LLP  
515 Broadway  
Albany, NY 12207

## 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.nbtbancorp.com or by  
writing to the attention of our  
Chief Financial Officer at the  
corporate headquarters address.

## Stockholder 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.nbtbancorp.com.  
Those seeking additional  
information may contact us  
by phone at 800.NBT.BANK  
(800.628.2265, Option 7) or  
by mail at the corporate  
headquarters address.

## 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)  
www.astfinancial.com  
help@astfinancial.com

\*John Moran will resign from his position as CFO on May 7, 2021, and Annette Burns  
will become Interim CFO and serve on the Executive Management Team in that capacity.



www.nbtbancorp.com | 800.NBT.BANK

