2015 ANNUAL REPORT

NBT BANCORP

NBT Bancorp 2015 Annual Report

Corporate Headquarters

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

Company Profile

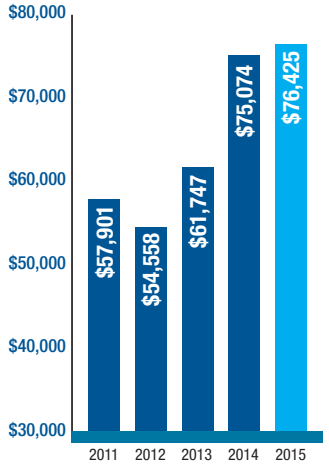
- Financial holding company
- Incorporated in 1986 in the state of Delaware
- Primarily operates through NBT Bank, N.A. and two financial services companies
- NBT Bank, N.A. offers personal banking, asset management and business services through 155 locations in six states, including New York, Pennsylvania, Vermont, Massachusetts, New Hampshire and Maine.
- EPIC Advisors, Inc., based in Rochester, N.Y., is a full-service 401(k) plan recordkeeping firm.
- NBT-Mang Insurance Agency, based in Norwich, N.Y., is a full-service insurance agency.

financial highlights

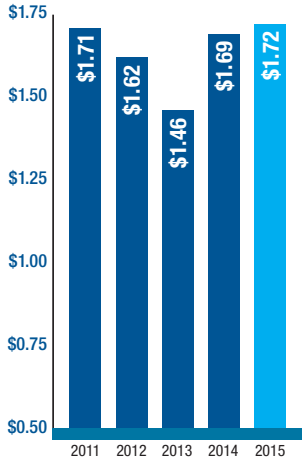
(all dollar amounts in thousands except per share data)

FOR THE YEAR	2015	2014
PERFORMANCE		
Net income	$ 76,425	$ 75,074
Return on average assets	0.96%	0.97%
Return on average tangible equity	13.31%	13.90%
Net interest margin	3.50%	3.61%
PER COMMON SHARE DATA		
Basic earnings	$ 1.74	$ 1.71
Diluted earnings	$ 1.72	$ 1.69
Cash dividends	$ 0.87	$ 0.84
Dividend yield	3.12%	3.20%
At December 31		
BALANCE SHEET DATA		
Total assets	$ 8,262,646	$ 7,807,340
Total loans	$ 5,883,133	$ 5,595,271
Allowance for loan losses	$ 63,018	$ 66,359
Deposits	$ 6,604,843	$ 6,299,605
Total shareholders' equity	$ 882,004	$ 864,181
ASSET QUALITY		
Nonperforming loans	$ 37,406	$ 46,015
Nonperforming assets	$ 42,072	$ 49,979
Nonperforming loans to total loans	0.64%	0.82%
CAPITAL		
Common equity tier 1 capital ratio	10.20%	N/A
Tier 1 capital ratio	11.73%	12.32%
Total risk-based capital ratio	12.74%	13.50%
Book value per share	$ 20.31	$ 19.69
Tangible book value per share	$ 13.79	$ 13.22
Closing stock price	$ 27.88	$ 26.27
Ending shares outstanding	43,430,702	43,896,454
Market capitalization	$ 1,210,848	$ 1,153,160
ASSETS UNDER MANAGEMENT		
Assets managed in a fiduciary capacity	$ 4,786,522	$ 4,866,548

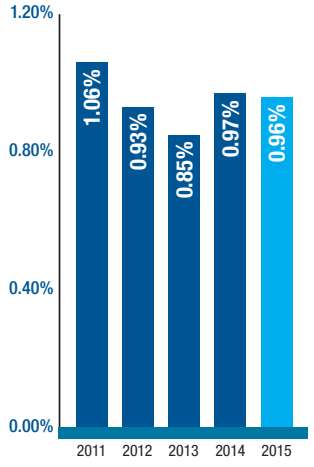
NET INCOME*



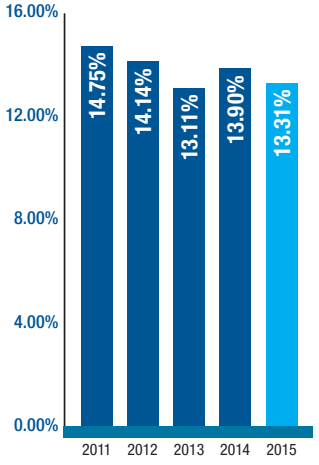
DILUTED EARNINGS PER SHARE*



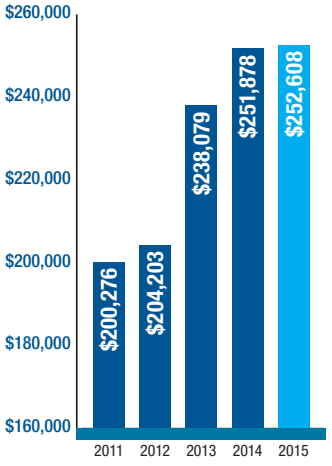
RETURN ON AVERAGE ASSETS*



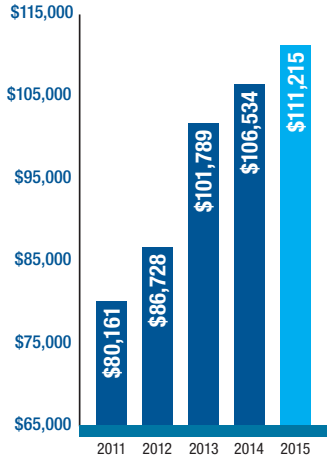
RETURN ON AVERAGE TANGIBLE EQUITY*



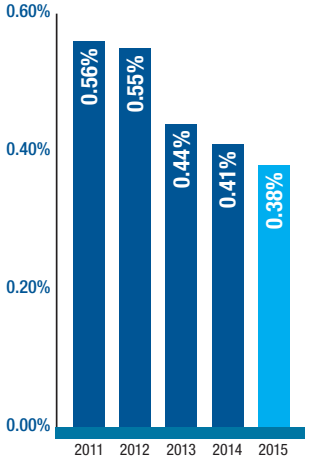
NET INTEREST INCOME



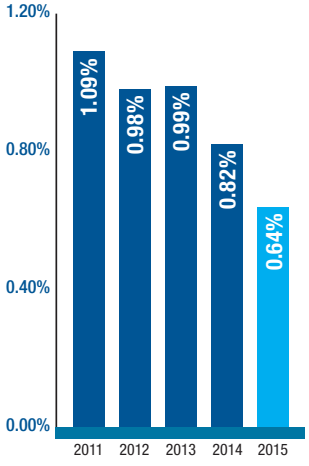
NONINTEREST INCOME**



NET CHARGE-OFFS TO AVERAGE LOANS



TOTAL NONPERFORMING LOANS TO TOTAL LOANS



Dollar amounts in thousands except per share data

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

***Shown excluding net securities gains and gains on the sale of our ownership in Springstone Financial, LLC*

to our shareholders

Fellow Shareholders,

Sometimes, we don't mind repeating ourselves. And this is one of those times.

We are very pleased to report—for the third year in a row—that NBT Bancorp Inc. (NBT) again set a new earnings record, generating net income of $76.4 million in 2015, up from $75.1 million in 2014. Diluted earnings per share was $1.72—our second highest ever—up from $1.69 for the prior year.

$76.4 MILLION

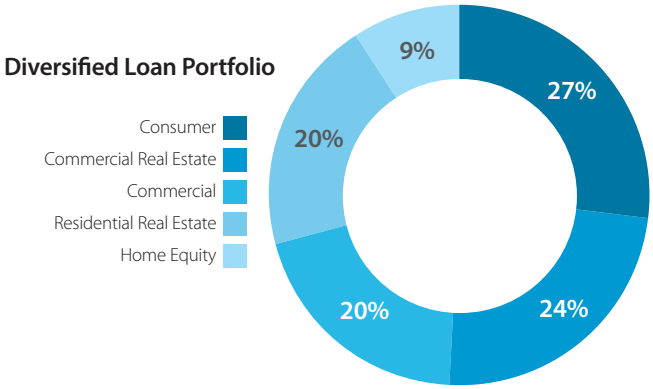
Net Income 2015

This third straight record year is actually the high mark in a long history of sustained profitability. What's more, we achieved this consistency despite the challenges of the Great Recession and the onslaught of new banking regulations that followed. Talk about a repeat performer!

Several important financial drivers contributed to our record results in 2015:

- Average demand deposits increased by 11.2% over the prior year, totaling $2 billion at year-end, or 30% of overall deposits. In fact, average demand deposits have grown more than 10% for each of the past five years. These noninterest-bearing deposits are key to our success because they provide a low-cost source of funding, an especially important competitive advantage when interest rates rise. They are also a gateway to deeper relationships with customers.
- Loans grew by 5.1% in 2015, compared to 3.5% in 2014 and in line with our five-year organic loan growth rate of 5.5%. Commercial loans, auto loans and residential mortgages all posted year-over-year increases in a very competitive environment.
- Revenue from our wealth management businesses—which include trust, retirement and other financial services—continued to grow, up 6% over 2014. Revenue from retirement plan administration in particular was up 17% over 2014, thanks in part to fees generated by Third Party Administrators, Inc. (TPA, Inc.), a New Hampshire company we acquired in October 2015. TPA, Inc. offers retirement plan design and compliance consulting, complementing the 401(k) recordkeeping services provided by our EPIC Advisors, Inc. subsidiary.

It's important to note that as loans grew in 2015, asset quality remained strong. Nonperforming loans to total loans improved to 0.64% at year-end 2015, compared to 0.82% at the close of 2014. Past due loans to total loans improved to 0.62% from 0.69% in 2014, and net charge-offs to average loans improved for the seventh consecutive year to 0.38%.



The loan portfolio remains well diversified, evenly distributed across commercial real estate loans, commercial loans, home-secured loans and consumer loans. The portfolio represents a wide geography as well, including growth in both legacy and newer markets. Loan production in New England is exceeding our expectations, with balances approaching $1 billion after just six years in the region.

Our high percentage of low-cost core deposits, approximately 86% of total deposits at the close of 2015, remains one of the company's great strengths. This—combined with a well-balanced loan portfolio, good credit quality and a diverse revenue mix—is the basis for our consistently strong performance relative to peer benchmarks. Even more important, all of this puts NBT on solid footing for the future.

the right people, doing the right things, in the right way...

Behind the strong balance sheet is the real secret to our success: our employees. These are people who embrace swift advances in technology, who respond to rapidly evolving customer preferences, and who uncover opportunities as the financial services industry realigns. Time and again, guided by core values that put customers first, our employees imagined and implemented strategies for strengthening NBT as the world around us changed.

While the number of banks in the U.S. was declining from 12,000 to 6,000 over the last ten years, the people at NBT successfully devised and deployed a plan to bring our unique brand of community banking to select markets in New England.

As customers began choosing self-service options over traditional banking and the number of branches nationwide steadily dropped, the people at NBT rolled out new digital offices, mobile banking upgrades and innovative online tools.

And as demand for access to branches shifted, the people at NBT implemented plans to optimize our brick-and-mortar presence, reconfiguring and in some cases consolidating locations. Whether redesigning existing spaces, upgrading them with new digital options, or consolidating, the changes made NBT more efficient by better matching branch resources to customer needs. It's worth mentioning that all of this was done with consideration and compassion for all parties affected.

Empowering employees to manage and initiate change has led to landmark events in our history, including our expansion into New England and our merger with Alliance Financial Corporation in 2013. So it's no surprise to us that 2015 was another year of hard work and improvement in many areas:

- We continued to proactively prepare for the day when NBT reaches $10 billion in assets, which will trigger a number of added regulatory requirements. Our total assets were $8.3 billion at the end of 2015, up $455.3 million from 2014. While it's difficult to predict when organic growth or a potential acquisition might carry us over the $10 billion threshold, we do have a team engaged in the planning necessary to ensure we will be ready.
- We expanded on strategies to develop employees more effectively and efficiently using technology and cross training.
- We continued to evaluate ways we can optimize our branch system, implementing technology to address changes in customer needs and preferences.
- We introduced new digital options, including External Account Transfers, so online banking customers can move funds to and from their accounts at other U.S. financial institutions, Apple Pay® for our debit cardholders using newer iPhones,® and an online application for personal loans.

- Our subsidiaries EPIC Advisors, Inc. and NBT-Mang Insurance Agency both launched new mobile-friendly websites.
- Plans were set in motion to incorporate a personal financial management tool into NBT Online Banker. This service became available in the first quarter of 2016.
- We also initiated the process of totally reimagining the NBT Bank website to create a clutter-free, mobile-friendly experience that will provide visitors with ready access to helpful information and resources. The site will launch in mid-2016.

We look forward—along with you—to building upon the record-setting performance of 2015. We also thank you for helping us stay the course, especially when market conditions have been less than favorable. We have proven that NBT can succeed through a historic recession, an industrywide credit crisis and a prolonged low-rate environment, and we remain confident that the company is well positioned for continued success when rates begin to rise.

We believe NBT will most certainly prosper when we have the right people, doing the right things, in the right way. . . always for the benefit of our customers, and ultimately enhancing shareholder value.

Martin A. Dietrich
President and
Chief Executive Officer

Daryl R. Forsythe
Chairman of the Board

NBT Bancorp leadership

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

Matthew K. Durkee
Executive Vice President

Jeffrey M. Levy
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,
Chief Human Resources
Officer and Chief Ethics
Officer

Joseph R. Stagliano
Executive Vice President,
Operations and
Retail Banking

John H. Watt, Jr.
Executive Vice President

Additional information regarding our Executive Management Team and the NBT Bancorp Board of Directors can be found in the proxy statement for our 2016 Annual Meeting of Shareholders.

NASDAQ SYMBOL NBTB

board listings

NBT Bancorp Inc.

Daryl R. Forsythe,
Chairman

Martin A. Dietrich,
President and CEO

Patricia T. Civil
Timothy E. Delaney
James H. Douglas
John C. Mitchell
Michael M. Murphy
Joseph A. Santangelo
Lowell A. Seifter, Esq.
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
James H. Douglas
Brian K. Hanaburgh
Andrew S. Kowalczyk III, Esq.
Susan H. Kwiatek
Thomas G. Mazzotta, Esq.
John C. Mitchell
Michael M. Murphy
V. Daniel Robinson II
Matthew J. Salanger
Joseph A. Santangelo
Lowell A. Seifter, Esq.
Russell B. Strait
Robert A. Wadsworth
Jack H. Webb

Honorary Directors
Carl Barbic
J. Peter Chaplin
Richard Chojnowski
Peter B. Gregory, DDS
Paul D. Horger, Esq.
Janet H. Ingraham
Andrew S. Kowalczyk Jr., Esq.
Van Ness D. Robinson
Paul M. Solomon
Paul O. Stillman
J.K. Weinman

shareholder information

Annual Meeting

Tuesday, May 3, 2016, 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.nbtbancorp.com or by writing to Chief Financial Officer Michael J. Chewens at the corporate headquarters address provided on the back cover.

Shareholder Relations

Information regarding NBT Bancorp, 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 should contact Shareholder Relations by phone at 800.NBT.BANK (800.628.2265), Option 7, or by mail in the care of NBT Bank at P.O. Box 351, Norwich, N.Y. 13815.

Stock

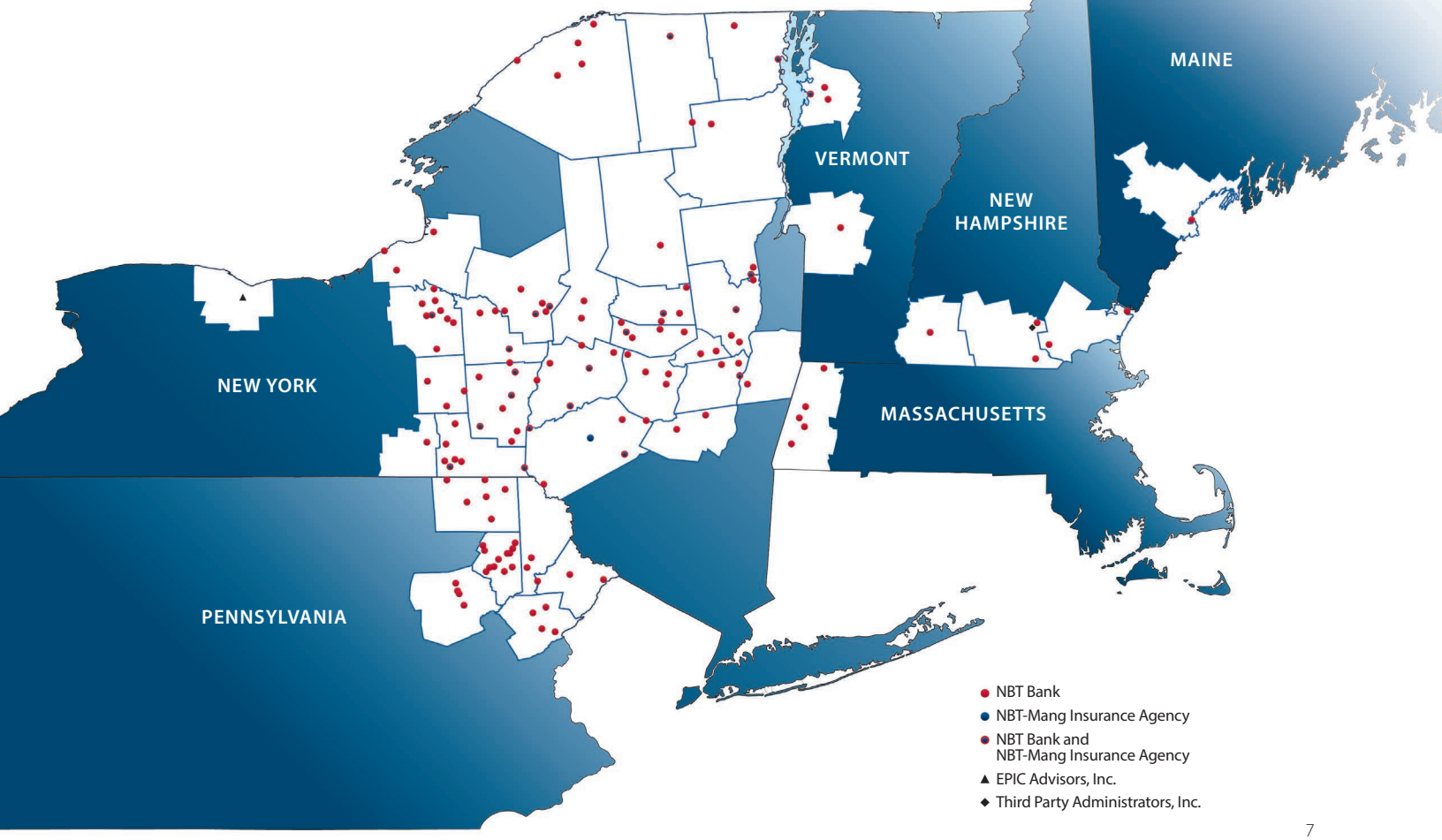
Traded on:
NASDAQ Global Select Market
Symbol: NBTB

Stock Transfer and Registrar Agent

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, N.Y. 11219
800.NBT.BANK
(800.628.2265), Option 7
www.amstock.com
info@amstock.com

Independent Auditors

KPMG LLP
515 Broadway
Albany, N.Y. 12207



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www.nbtbank.com

www.nbtmang.com

www.epic1st.com