



2006 Annual Report





CONTENTS

- 1 Financial Highlights
- 2 Financial Information
- 3 To Our Stockholders
- 10 NBT Bancorp Leadership
- 11 Board Listings
- 12 Bank Locations
- 13 Form 10-K
- Inside Back Corporate Information

Cover: NBT Bancorp is featured on NASDAQ's MarketSite Tower in New York City on July 14, 2006.

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Above: 1909 postcard image of The National Bank of Norwich, a forerunner of NBT Bancorp.

	2006	2005	
FOR THE YEAR			
Net Income	\$ 55,947	\$ 52,438	<i>Dollars are in thousands, except per share data.</i>
Return on Average Assets	1.14%	1.21%	
Return on Average Equity	14.47%	15.86%	
Net Interest Margin ¹	3.70%	4.01%	

PER COMMON SHARE

Earnings			
Basic	\$ 1.65	\$ 1.62	
Diluted	\$ 1.64	\$ 1.60	
Book Value	\$ 11.79	\$ 10.34	
Tangible Book Value	\$ 8.42	\$ 8.75	
Cash Dividend	\$ 0.76	\$ 0.76	

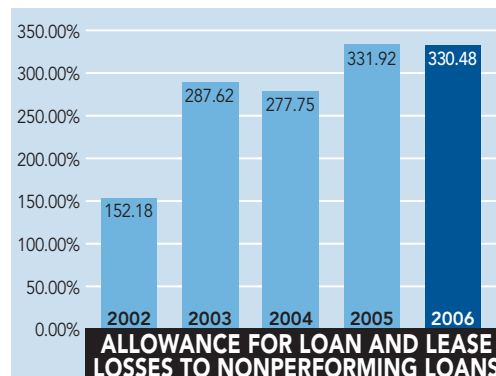
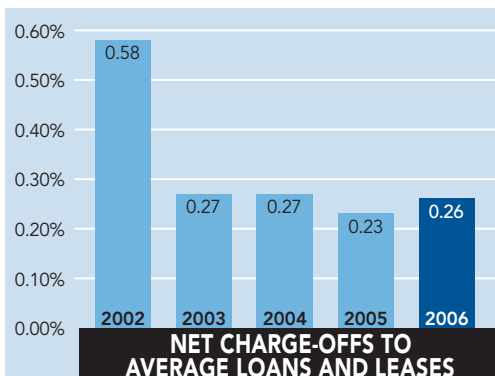
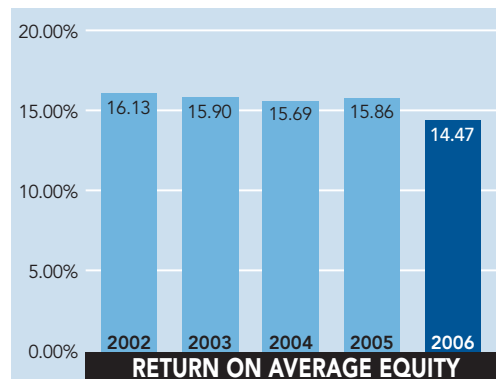
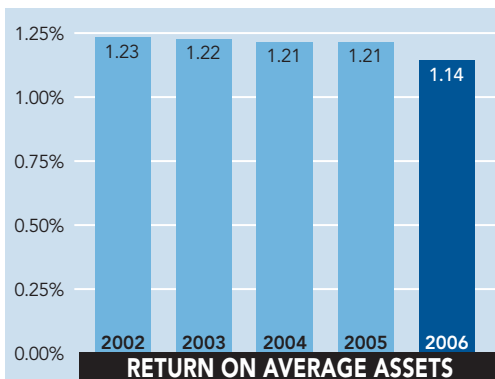
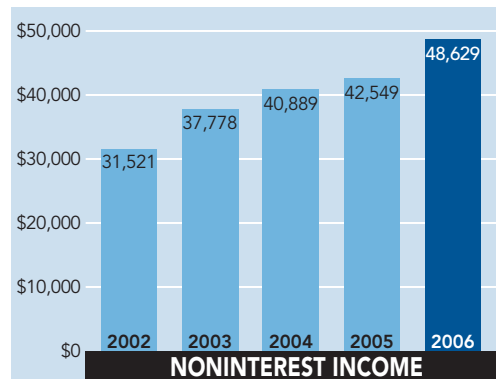
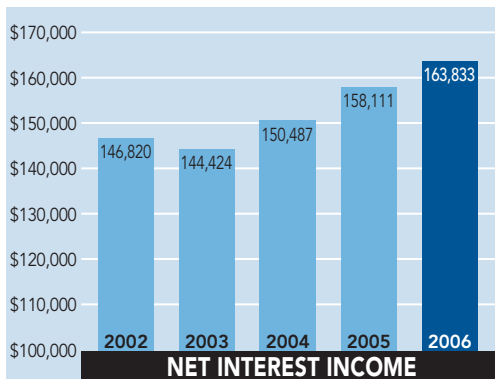
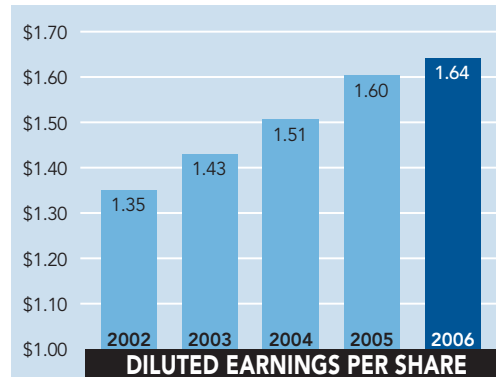
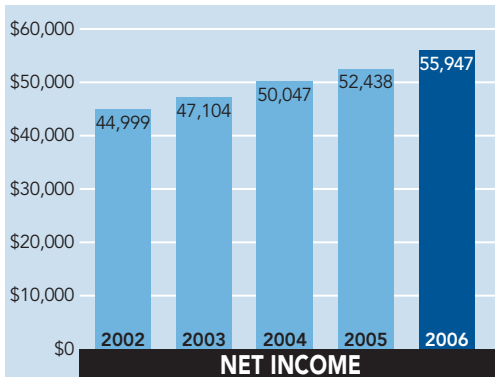
DATA AT YEAR-END

Assets	\$ 5,087,572	\$ 4,426,773	
Loans and Leases	\$ 3,412,654	\$ 3,022,657	
Allowance for Loan and Lease Losses	\$ 50,587	\$ 47,455	
Deposits	\$ 3,796,238	\$ 3,160,196	
Stockholders' Equity	\$ 403,817	\$ 333,943	
Nonperforming Loans	\$ 15,307	\$ 14,297	
Nonperforming Assets	\$ 15,696	\$ 14,562	
Nonperforming Loans to Loans and Leases	0.45%	0.47%	
Shares Outstanding	34,255,942	32,299,543	
Closing Stock Price	\$ 25.51	\$ 21.59	
Market Capitalization	\$ 873,869	\$ 697,347	
Tier 1 Capital Ratio	10.42%	9.80%	
Total Risk-Based Capital Ratio	11.67%	11.05%	
Assets Managed in a Fiduciary Capacity	\$ 2,489,955	\$ 2,206,281	

¹Calculated on a fully taxable-equivalent basis

FINANCIAL INFORMATION

Dollars are
in thousands,
except
per share data.



Financial Results For NBT Bancorp (NBT) and other financial companies, 2006 was very challenging in many respects. However, I am pleased to report that we were able to again achieve outstanding results, posting record net income for the fifth consecutive year. Our net income for 2006 was \$55.9 million, up \$3.5 million (or 6.7%) from 2005. On a diluted per share basis, earnings were \$1.64 per share, up from \$1.60 in 2005. Important contributors to these record results were continuing organic growth and the acquisition of Gloversville, N.Y.-based CNB Bancorp, Inc. (CNB). Net interest income, fueled by loan growth of 13%, was

\$163.8 million, up 3.6% over the previous year. On a fully taxable-equivalent basis, our net interest margin in 2006 was 3.70%, down 31 basis points from 2005. This decline in net interest margin was due to a difficult interest rate environment facing our industry.

Actions from the Federal Reserve have continued to result in a flat, or even inverted, interest rate yield curve. As the Fed has pushed up short-term rates, long-term rates have remained relatively unchanged. Traditionally, banks' liabilities (such as deposits and borrowings) tend to be priced off the shorter end of the yield curve, while banks' earning assets (such as loans and investments) are more often associated with pricing from the longer end of the curve. A flat or inverted yield curve compresses the difference between the rates earned on liabilities and assets, resulting in a lower net interest margin. Our ability to continue growing our loan portfolio in 2006 offset this decline in the margin. We expect the yield curve to remain flat or inverted for most of 2007, which will continue to put pressure on net interest income.

Revenue from noninterest sources showed solid improvement in 2006. We have a number of sources for fee income, which totaled \$48.6 million in 2006, up 14% over 2005. Revenue from our trust and investments area is an important component of our overall fee income. Trust revenue totaled \$5.6 million in 2006, up 12% over 2005. Likewise, revenue from EPIC Advisors, our 401(k) plan



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

recordkeeping subsidiary located in Rochester, N.Y., posted a 25% increase. Our retail financial services area also showed good results in 2006, with total revenue of \$3.9 million, an improvement of 24%. We continue working hard to increase the profitability of noninterest lines of business to reduce our dependence on net interest income in the face of declining margins. Our noninterest expense—or overhead—totaled \$123.0 million in 2006, up 7% from 2005. The single-largest cost reflected in this increase was related to the acquisition of CNB.

Asset quality continues to be one of our highest priorities. Nonperforming loans at December 31, 2006, were \$15.3 million, up from \$14.3 million in 2005. As a percentage of total loans, nonperforming loans improved from 0.47% in 2005 to 0.45% in 2006. Our allowance for loan and lease losses was 1.48% of loans and leases at December 31, 2006, compared with 1.57% at December 31, 2005.

At year-end 2006, our assets totaled \$5.1 billion, up 15% over year-end 2005. For 2006, return on average assets—how much net income we earned as a percentage of average total assets—was 1.14%. Our return on average equity—how much net income we earned as a percentage of average total equity—was 14.47%. These two measures were down from 2005 levels of 1.21% and 15.86%, respectively.

Milestones On February 10, we completed our acquisition of CNB, the parent company of the City National Bank and Trust Company. This purchase expanded our market share in Fulton, Hamilton, Montgomery and Saratoga counties. As mentioned, our growth in earnings last year

was due in part to this acquisition. In Fulton County, NBT and CNB had overlapping offices in Gloversville, Johnstown and Northville. We completed substantial renovation projects at these locations in order to consolidate our presence.

On February 10, 2006, a worker installs an NBT Bank sign at a former City National Bank office in Gloversville, N.Y.



In late June, we faced one of our greatest operational challenges. The devastating floods between June 26 and June 28 resulted in a third of our branches in New York and Pennsylvania being closed after states of emergency were declared. This is believed to be the largest weather-related shutdown in our history. Hardest hit were our Canajoharie Operations Center and our Oneonta Southside and Great Bend branches. Our employees, guided by an established disaster recovery plan, helped restore and maintain operations with minimal interruption to our customers. This was among our finest achievements last year—or *any* year.



In late June 2006, floodwaters surround Pennstar Bank's branch in Great Bend, Pa.

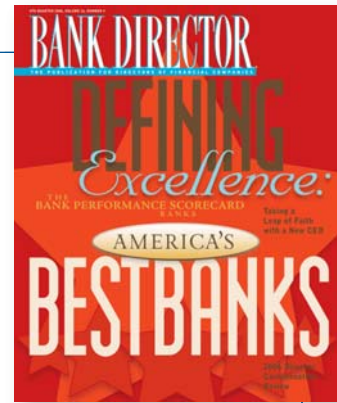
On July 15, we marked 150 years in business. In conjunction with this important anniversary, our executive team opened the trading day at the NASDAQ Stock Market in New York City on July 14. The next day, we hosted a number of activities in Norwich for our employees, customers and community members. Our longevity is rare in the business world, but we have had generations of employees dedicated to helping meet the financial needs of our customers. As a community bank, we have stayed true to our roots of personalized service, even as we have grown from one office in Norwich in 1856 to 118 offices throughout New York and Pennsylvania at year-end 2006.



NBT Bancorp President and Chief Executive Officer Martin Dietrich (center) writes his signature as part of the NASDAQ Stock Market opening ceremony on July 14, 2006. His signature and the company's logo appeared on NASDAQ's seven-story MarketSite Tower in New York's Times Square. He is shown with NBT Bancorp and NASDAQ representatives.

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It was especially gratifying in our 150th year to be recognized by *Bank Director* magazine as the top financial company based in New York State and as among the top 50 nationwide in terms of financial performance. Using publicly available data, the magazine's annual survey measured performance across a range of metrics, such as profitability, capitalization and asset quality.



Looking Ahead In 2007, we expect to continue to face a difficult interest rate environment.

There does not appear to be near-term relief for the margin pressure caused by the flat yield curve. Tighter margins have also resulted in even greater competition for quality loans and deposits, with banks trying to overcome lower margins by generating greater volume. We must manage our company under the assumption that our net interest earnings will continue to be burdened by a tighter margin and increased competition, which could dampen our overall earnings if significant adjustments are not made.

Our executive team has been taking the necessary steps to weather this unusual rate environment, while continuing to position our company for future success. To do this, our planning efforts have focused on six strategic initiatives that we feel will best position our company for long-term success. The following are brief descriptions of these initiatives:

- 1. Deliver consistently superior customer service.** We strongly believe that one of our most important competitive advantages is our ability to provide exceptional customer service. As a community bank, we strive to establish ourselves as a trusted advisor to our customers. We must find additional ways to target products and services that are relationship-based. We also need to better understand what our customers expect of us and how *they* define superior service.
- 2. Recruit, develop, motivate and retain exceptional employees.** Our ability to attract and retain top employees—and to motivate and develop these employees to reach their full potential—is vital to optimizing the performance of our company. Our success is largely a result of the excellent workforce we have. It is the passion and commitment of our employees that, in turn, allow us to serve our customers well and meet ongoing challenges. A major training and development initiative we are implementing this year is called Star Leaders. All our managers will participate in this program, which is designed to improve leadership qualities. Star Leaders also integrates and reinforces our company's core values.

- 3. Sharpen our focus on organic growth, particularly in the area of core deposits.** One of the best measures of a company is its ability to grow organically, such as entering new markets or developing new or existing lines of business. Companies that stop growing organically—or are highly dependent on acquisitions for growth—may have limited long-term viability. Over the last ten years, we have successfully expanded through a combination of organic growth and acquisitions. Looking ahead, we believe our ability to grow organically will be tested by more competition. Our managers are focused on steadily increasing their lines of business, even though many of our markets are experiencing only limited growth. We are making gains by taking good care of our existing customers and by working hard to earn the business of new customers. This “call to arms” has resounded throughout our company, with the strong expectation that all our employees and directors are responsible for helping grow our business.
- 4. Develop and/or enhance lines of business that will reduce our dependency on interest income.** As the competitive climate for loans and deposits continues to tighten net interest margins in the banking industry, it is imperative that we expand our nonmargin sources of revenue. It is clear to us that tighter net interest margins are here to stay and will probably shrink even further over time. As a result, we need to continue developing revenue streams that are not tied to margins. Some of the fastest-growing areas in our company are fee-based lines of business, such as trust and investments, financial services and 401(k) plan recordkeeping. Good progress has been made in these areas over the last two years, but more progress is needed. It is critical, however, that new revenue sources add to our earnings within a reasonable period of time and that new lines of businesses are linked to our broader strategies.



5. **Optimize our cost structure.** Because we have had significant growth since 2000, our expense structure has also grown. We are now challenging ourselves to look at *how* we do things. Our policies, procedures, practices and product offerings need to be reviewed to make sure we are doing the right things the right way. What made sense several years ago may no longer be as relevant. We will find ways to deliver better service with less bureaucracy and fewer administrative burdens. The first process we have targeted is our commercial loan approvals. Commercial banking is one of our core competencies, and we have a great team supporting this function. There is an opportunity, though, to better organize our workflow in this area to be even more responsive to our customers.
6. **Improve our capital planning.** We are a well-capitalized institution by any measure. However, capital remains a scarce resource. To better optimize our return to stockholders, we must improve our decision-making abilities in terms of how we deploy capital among competing opportunities and needs.

These initiatives will serve as a “road map” for our management processes, such as business plans, budgets and incentive programs. We need to focus on the opportunities that will have the greatest impact on our company and the most direct link to these initiatives. By doing so, we believe we will be well positioned for 2008.

Our hope is that 2008 and beyond will bring a more favorable interest rate environment. In the meantime, we are taking action to continue moving our company ahead. We will not, however, make changes that do not make long-term sense. We are very proud of what we have built at NBT, and we look forward to taking our company to new levels of success in the years ahead. Thank you for your ongoing commitment to our company.



Martin A. Dietrich
President and Chief Executive Officer



Daryl R. Forsythe
Chairman of the Board

IN APPRECIATION...

I am very grateful for all the support and help I received in my first year as chief executive officer. We are very fortunate to have such a motivated and engaged team of employees at NBT. It is our people who truly make the difference. As I often say, our main competitive advantages are the quality of our people and the level of service we provide. In a year filled with many challenges, I appreciate the exceptional job that our employees did. Leading the way was my executive team, whose members were and are the driving force behind our success.

Another great source of support has been Daryl Forsythe. Although Daryl officially retired as NBT's chief executive officer at the end of 2005, he remains very close to our business as an active chairman of the board. I often seek his guidance, and I am thankful for his continued involvement. I would also like to acknowledge our board of directors for their counsel and hard work. Our board members are strongly committed to the best interests of NBT and its stockholders, and they take great care in carrying out their fiduciary responsibilities. It is an honor for me to be able to work with such a fine group of company stewards.

Three of our corporate and bank directors retired in 2006, and their contributions to our boards will be greatly missed. Andy Kowalczyk served on the NBT and NBT Bank boards for 11 years. Ken Axtell served on the NBT Bank board for 35 years. Harry Schoenagel, who came to our Pennstar Bank board from LA Bank, served a total of 21 years. On behalf of our board and executive team, I would like to thank these individuals for their outstanding efforts.

Bob Wadsworth, who joined the NBT Bank board in October 2005, became a member of the NBT board in October 2006. He has over 35 years of experience in the financial services industry and is the chairman and chief executive officer of Preferred Mutual Insurance Company in New Berlin, N.Y. We are pleased to have Bob on both our bank and corporate boards.



*NBT Bancorp executive management team members (clockwise from top left):
Martin Dietrich,
Michael Chewens,
Jeffrey Levy,
David Raven,
Joseph Stagliano and
Catherine Scarlett.*



Executive Management Team

Martin A. Dietrich

President and Chief Executive Officer

Michael J. Chewens

*Senior Executive Vice President,
Chief Financial Officer and Corporate Secretary*

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 A. Stagliano

*Corporate Senior Vice President
and Chief Information Officer*



NBT Bancorp's corporate headquarters in Norwich, N.Y.

NBT Bancorp Inc.

Daryl R. Forsythe,
Chairman

Martin A. Dietrich,
President and CEO

Richard Chojnowski
Patricia T. Civil
Peter B. Gregory, DDS
William C. Gumble, Esq.
Paul D. Horger, Esq.
Michael Hutcherson
Janet H. Ingraham
John C. Mitchell
Michael M. Murphy
Joseph G. Nasser
William L. Owens, Esq.
Van Ness D. Robinson
Joseph A. Santangelo
Robert A. Wadsworth

NBT Bank, N.A.

Daryl R. Forsythe,
Chairman
Martin A. Dietrich,
President and CEO

Patricia T. Civil
Timothy Delaney
Peter B. Gregory, DDS
Brian Hanaburgh
Michael Hutcherson
Janet H. Ingraham
John C. Mitchell
William L. Owens, Esq.
Van Ness D. Robinson
Joseph A. Santangelo
Robert A. Wadsworth
Honorary Directors
Kenneth M. Axtell Jr.
J. Peter Chaplin
Leah S. Drexler
Andrew S. Kowalczyk Jr., Esq.
Thomas J. Mirabito
Richard F. Monroe
Anthony M. Paino
William Sluiter
Paul O. Stillman
J.K. Weinman

Pennstar Bank

William C. Gumble, Esq.,
Chairman
David E. Raven,
President and CEO

Donald E. Chapman
Richard Chojnowski
Martin A. Dietrich
Daryl R. Forsythe
Paul D. Horger, Esq.
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
Patricia T. Civil
John C. Mitchell
Robert A. Wadsworth

Executive management and board information is as of December 31, 2006. Additional information regarding our executive management team and board of directors can be found in our proxy statement for our 2006 Annual Meeting of Stockholders.



NBT Bancorp serves customers in the New York and Pennsylvania counties highlighted above and listed below. For specific locations, visit www.nbtbank.com or www.pennstarbank.com. We provide 401(k) plan recordkeeping services through EPIC Advisors, our Rochester, N.Y.-based subsidiary.

NBT Bank

Albany County	Herkimer County
Broome County	Montgomery County
Chenango County	Oneida County
Clinton County	Otsego County
Delaware County	Saratoga County
Essex County	Schenectady County
Franklin County	Schoharie County
Fulton County	St. Lawrence County
Hamilton County	Tioga County

Pennstar Bank

Lackawanna County
Luzerne County
Monroe County
Pike County
Susquehanna County
Wayne County

CORPORATE INFORMATION

Corporate Headquarters

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

Annual Meeting

Tuesday, May 1, 2007, 10:00 a. m.
Holiday Inn Arena
2-8 Hawley Street
Binghamton, New York 13901
607-722-1212

Stock Information

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

Investor/Shareholder Inquiries

Requests for information or assistance regarding NBT Bancorp Inc. should be directed to 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. Information is also available on our website at www.nbtbank.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, quarterly reports on Form 10-Q and news releases may be obtained without charge by writing to Michael J. Chewens, chief financial officer, at the corporate headquarters address. Select information is also available on the Internet at www.nbtbank.com.

Stock Transfer and Registrar Agent

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

Market Makers

Goldman, Sachs & Co.
UBS Securities, LLC
Morgan Stanley & Co., Inc.
Lehman Brothers Inc.
Knight Equity Markets, L.P.
E*Trade Capital Markets LLC
Citigroup Global Markets Inc.
Keefe, Bruyette & Woods, Inc.
Automated Trading Desk
Citadel Derivatives Group LLC
Merrill Lynch, Pierce, Fenner
Susquehanna Capital Group
B-Trade Services LLC
Sterne, Agee & Leach, Inc.
NASDAQ Execution Services LLC
Maxim Group LLC
Prudential Equity Group, LLC
Moors & Cabot, Inc.
Friedman Billings Ramsey & Co.
McConnell Budd & Downes
Boenning & Scattergood Inc.
Sandler O'Neill & Partners
FTN Midwest Securities Corp.

Dividend Reinvestment and Direct Stock Purchase Plan

Shareholders may participate in the Dividend Reinvestment and Direct Stock Purchase Plan. The plan provides that additional shares of common stock may be purchased with reinvested dividends and by voluntary cash payments. A plan description and an enrollment card may be obtained upon 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 and quarterly 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.

Duplicate Mailing Notification

Shareholders of record who are currently receiving multiple copies of the annual report are encouraged to contact 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.

Product Information

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

- **NBT Bank**, visit www.nbtbank.com or call 1-800-NBT-BANK
For Trust and Investments, select Option 4
For NBT Financial Services, select Option 1, ext. 6005
For NBT Capital Corp., select Option 1, ext. 6141
- **Pennstar Bank**, visit www.pennstarbank.com or call 1-800-4STAR-PA
For Trust and Investments, call 570-341-8468
For Pennstar Financial Services, call 570-341-8416
- **NBT Settlement Services**, call 1-866-763-8573
- **EPIC Advisors, Inc.**, visit www.epiclst.com or call 585-232-9060, ext. 158
- **Hathaway Insurance Agency**, visit www.hathawayagency.com or call 518-773-7981

Equal Opportunity at NBT Bancorp Inc.

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



www.nbtbancorp.com