

heights

*new*

reaching



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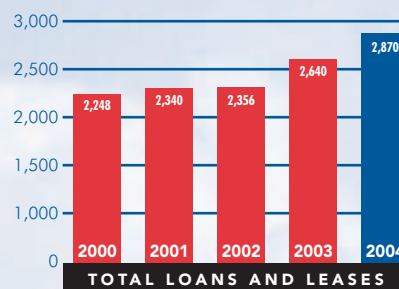
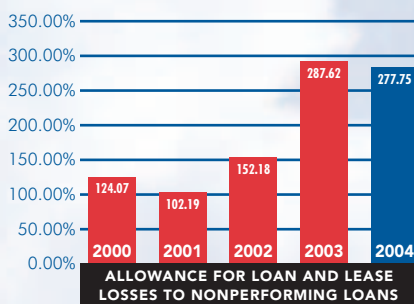
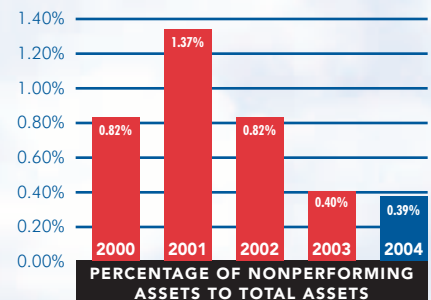
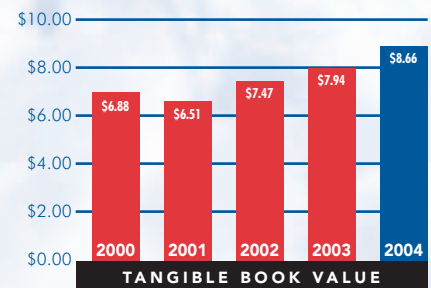
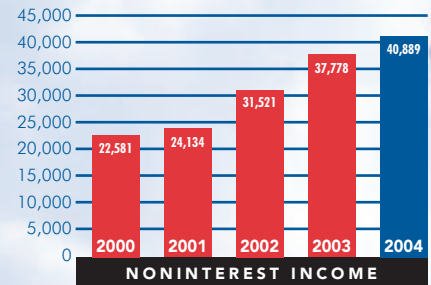
# financial highlights

Dollars in thousands, except per share data

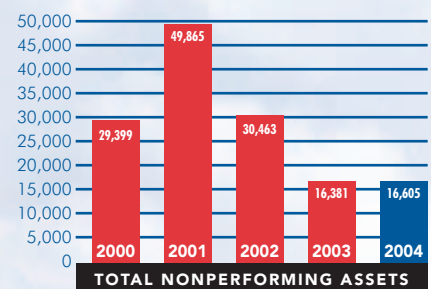
	2004	2003
<b>FOR THE YEAR</b>		
Net Income	\$ 50,047	\$ 47,104
Return on Average Assets	1.21%	1.22%
Return on Average Equity	15.69%	15.90%
Net Interest Margin	4.03%	4.16%

	2004	2003
<b>PER COMMON SHARE</b>		
Earnings		
Basic	\$ 1.53	\$ 1.45
Diluted	\$ 1.51	\$ 1.43
Book Value	\$ 10.11	\$ 9.46
Tangible Book Value	\$ 8.66	\$ 7.94
Cash Dividend	\$ 0.74	\$ 0.68

	2004	2003
<b>DATA AT YEAR-END</b>		
Assets	\$ 4,212,304	\$ 4,046,885
Loans and Leases	2,869,921	2,639,976
Allowance for Loan and Lease Losses	44,932	42,651
Deposits	3,073,838	3,001,351
Stockholders' Equity	332,233	310,034
Nonperforming Loans	16,177	14,829
Nonperforming Assets	16,605	16,381
Nonperforming Loans to Loans and Leases	0.56%	0.56%
Shares Outstanding	32,856,761	32,808,653
Closing Stock Price	\$ 25.72	\$ 21.44
Market Capitalization	845,076	703,418
Tier 1 Capital Ratio	9.78%	9.96%
Total Risk-Based Capital Ratio	11.04%	11.21%
Assets Managed in a Fiduciary Capacity	2,045,379	1,755,214



(Dollars in millions)



# to *our* stockholders

from Daryl R. Forsythe

*Chairman and Chief Executive Officer*

In *The Practice of Management*, Peter Drucker — the renowned management consultant and award-winning author — makes the following observation: “Achievement rather than knowledge remains both the proof and aim of management. Management is about human beings. The task of management is to make people capable of joint performance, to make their strengths effective and their weaknesses irrelevant.” I couldn’t agree more.

I think NBT Bancorp’s achievements in 2004 show that we not only understood Drucker’s concept but practiced it quite well too. It was truly our people — working together for the greater good of the organization and building on their collective strengths — who made our record earnings possible. I couldn’t be more

pleased with the results. In addition to our outstanding financial performance, we reached new heights in a number of areas — including new markets, new products and new services.



The NBT Bank sign is raised to the top of the six-floor Albany building that houses the bank’s Capital Region Financial Center. This center, located on the building’s first floor, opened in May 2004. Last year, the bank also opened two offices in the Greater Binghamton area — downtown Binghamton (July) and Endicott (September).

## FOCUS ON > COMMERCIAL BANKING

Drivers of Commercial Banking’s success in 2004:

- An experienced, market-savvy and productive group of regional commercial loan managers and their staffs.
- Increased leveraging of existing business relationships.
- Better-than-expected loan production in New York’s Capital Region, where NBT Bank established a new financial center last year. This region accounted for more than \$28 million in new loans.
- Larger Pennstar Bank lending presence in three of the fastest-growing counties in Pennsylvania — Pike, Monroe and Wayne.



## *strong* loan growth results in record net income and earnings

Our net income for 2004 reached \$50 million (or \$1.51 per diluted share), up 6% from the end of 2003. These are remarkable results considering that we faced rising interest rates and continued soft economies in many of our served markets. Our growth in earnings was fueled once again by strong loan volume, which was up nearly \$230 million (or 9%) from 2003. We had solid growth in both commercial and retail lending.

We achieved strong commercial loan growth in the Albany, Binghamton and northeastern Pennsylvania markets, where we expanded our presence during the year. Continued growth of home equity and mortgage loans drove results for retail loans. During this growth spurt, our nonperforming loans and leases continued to be at very acceptable levels. As a percentage of total loans and leases, nonperformers ended the year at 0.56%, which is well in line with our peer-bank averages. This robust loan growth was offset to some extent by the continued decline of our net interest margin, which dropped to 4.03% for the year ended December 31, 2004.



Pennstar Bank opened an office in Mountaintop in December.



## strategic acquisition

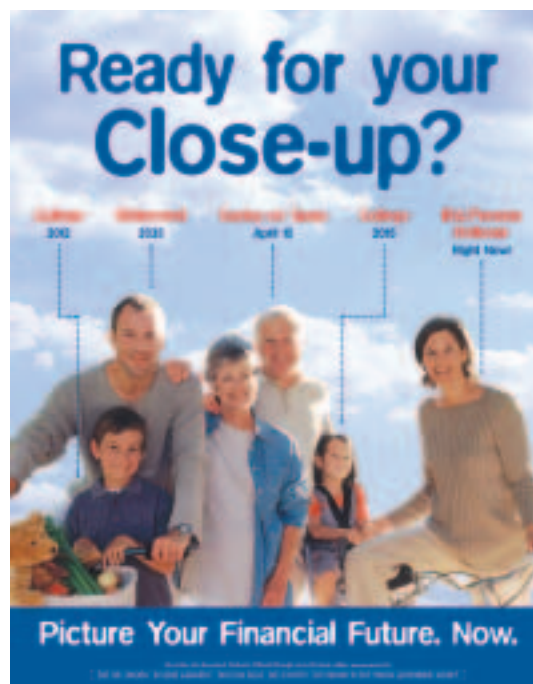
In January 2005, NBT Bancorp acquired EPIC Advisors, Inc. Located in Rochester, N.Y., EPIC is a full-service 401(k) plan recordkeeping firm serving financial institutions and small and midsize companies. This addition will play an important role in diversifying NBT's revenue channels and strengthening its position as a financial resources provider. EPIC will continue to operate under its well-respected brand name.

Much of EPIC's business comes from financial institutions — such as NBT Bank and Pennstar Bank — that have chosen to outsource participant-level 401(k) plan recordkeeping. Financial institutions look to EPIC because it has developed automated-trading links with many mutual fund companies and with the most widely used trust systems.

## noninterest income shows solid increase

Also contributing to our record results was an 8% growth in noninterest income. This was due mainly to solid gains from our Trust and Investment group and from our Financial Services consultants' sales of financial services products throughout our NBT Bank and Pennstar Bank branch system. Trust increased its revenue by 14% from 2003, while Financial Services increased its revenue by 11%.

The Trust group's assets under management increased in 2004 to over \$2 billion — a significant milestone. Much of that growth was the result of strategically placing private client advisors throughout our market regions to better serve our current and potential trust clients. Private client advisors are experienced professionals who offer financial advice and planning to help individuals and organizations address wealth creation and preservation needs.



Merchandising poster promoting NBT's financial services capabilities.

## NBT facts

- According to data published in 2004, NBT Bank was #1 or #2 in 65% of the towns it served in terms of deposit market share. Pennstar Bank was #1 or #2 in 39% of the towns it served. (Source: FDIC, June 2004)
- In 2004, NBT Bank was ranked as the third-largest agricultural bank in New York State based on the total dollar amount of agricultural loans. (Source: Ag Lender magazine, April 2004)

## *core deposits* continue *growing*

Turning to the company balance sheet, we are particularly pleased with the continued growth of our core deposits. While time deposits (certificates of deposits) fell modestly, core deposits (checking accounts, money market accounts and savings accounts) grew by \$54 million, year over year, to \$2 billion. This is a testament to the sales efforts of our branch personnel.

Our total assets also increased, ending the year at slightly over \$4.2 billion. This represents a \$165 million increase over the previous year and is a new high for our company. Stockholders' equity ended the year at \$332.2 million, a strong 7% increase. Our return on assets and our return on equity remained above our peer-bank averages, coming in at 1.21% and 15.69%, respectively. We are all quite pleased with the rise in our stock price, which hit a yearly high of \$26.84 in December. At that time, this resulted in a market value of over \$888 million, another all-time high.

## *employees* *focus* *on customer service and building our brand*

Our record performance in 2004 was achieved by our dedicated employees who worked together, built on each other's strengths and focused on a common goal: superior customer service.

Our employees' teamwork was never more evident than during the conversion of Central National Bank offices to NBT Bank offices last July. Although CNB had been a division of NBT Bank since 2001, change can present challenges for everyone involved. The entire transition was virtually seamless to our CNB customers, due to a tremendous amount of planning and exceptional execution by our integration team. New signs may have gone up outside the branches, but it was business as usual inside — thanks to our employees who made their customers feel right at home with the change. We now have a single brand and standardized products and services throughout our branches in New York State.

Our Pennstar Bank team continued its solid performance and innovative approaches to meeting the needs of its customers. At its new Mountaintop Office, for example, Pennstar was the first bank in this growing community to offer Sunday lobby and drive-up hours.



Employees are honored for their 2004 sales and service performance at employee recognition events for Pennstar Bank (above) and NBT Bank (right).



## *new* products and services

To continue growing and diversifying our company, we added these important revenue channels during 2004:

- In June, NBT Settlement Services, a **title agency**, was formed to provide title insurance services. NBT Settlement Services can insure any residential or commercial real estate transaction in New York or Pennsylvania. 
- In October, our Financial Services area introduced a variety of **insurance products** — including life, disability and long-term-care insurance — through its team of financial consultants based at NBT Bank and Pennstar Bank branches. These products, offered to individuals and businesses, help our customers protect their families and assets. With these new capabilities, we have more opportunities to enhance relationships and further position our company as a trusted financial resources provider.
- In November, we began offering **automated lockbox services**. These services give our customers a cost-effective solution to streamline the collection and posting of their receivables. We can provide lockbox solutions to meet a variety of needs, including utility bill collections, insurance payments, municipal tax collections and credit card payments.

## *strategic change* *in financial services*

In December 2004, we entered into an agreement to sell our broker-dealer subsidiary, M. Griffith, Inc., which we purchased in 2000. We had intended to utilize this Utica-area brokerage firm to help our banks provide financial planning services to high-net-worth individuals. However, we ultimately decided to develop these services internally through our Financial Services area and our Trust group's private client advisors. We plan to continue partnering with M. Griffith by providing our company's extensive trust services to certain segments of the firm's customer base.

Rise.  
And Shine!



PERSONAL BANKING  
ASSET MANAGEMENT • BUSINESS SERVICES

In 2004, NBT Bank and Pennstar Bank rolled out new branding campaigns. These campaigns — which included print, radio, television and merchandising — focused on “aspirational” messages that urged new or existing customers to Reach for your Star<sup>SM</sup> or Imagine the Possibilities. The goal of these campaigns was to position each bank as a financial institution that can help customers achieve their goals, whatever these may be. The campaigns also emphasized each bank's broad range of services.



# other notable accomplishments and activities

The following are additional company milestones for 2004.

- ★ **Our first-ever “Outstanding” Community Reinvestment Act rating.** The CRA was enacted in 1977 to encourage banks to help meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods. Last year, the Office of the Comptroller of the Currency completed a review of our CRA performance, and we received the highest rating possible — “Outstanding.” Our banks were praised for lending levels that reflected: an excellent responsiveness to the credit needs of our assessment areas; an excellent distribution of loans to borrowers of different income levels; and a high level of community development lending.
- ★ **Technology enhancements.** We completed a number of technology projects last year, including:
  - Launching a mortgage resource center that provides extensive mortgage-related information and allows customers to apply for a mortgage online.
  - Installing a new human resources information system to more efficiently administer personnel and payroll data.
  - Rolling out enhanced portfolio account statements to provide customers with a convenient snapshot of their banking products.
  - Updating our systems to comply with the requirements of The Check Clearing for the 21st Century Act (known as Check 21), which enables banks to handle more checks electronically.
  - Broadening our imaging capabilities to further streamline the sharing and storage of documents.
  - Expanding our business recovery testing program to help keep us prepared in the event of a disaster.
  - Implementing new processes for controlling system changes and for tracking our service delivery to internal and external customers.
- ★ **Containing costs.** With the rising price of doing business, it is more important than ever to control costs. Last year, we renegotiated a major recordkeeping contract with a vendor that will save us more than \$1 million a year. We also focused on employee wellness programs and reducing costs associated with disability and workers’ compensation programs.
- ★ **Community involvement.** Our company and employees show community support in many ways — through donations, volunteering and fund-raising. Two major efforts last year centered on boosting tourism and leading a United Way campaign. NBT Bank was proud to be the official sponsor of New York’s Tourism Trail. The 200-mile trail encompasses seven major upstate New York tourist destinations that are in the heart of the bank’s service area. In northeastern Pennsylvania, Pennstar Bank President David Raven served as chairperson of the United Way of Lackawanna County’s 2004/2005 fund-raising campaign. Under David’s leadership, the United Way of Lackawanna County reached its goal for the first time since 2001. Pennstar employees were also instrumental in this success. The funds go toward more than 100 local programs and services for those in need.



Pennstar Bank President and United Way of Lackawanna County Campaign Chairperson David Raven thanks campaign volunteers.



NBT Bank's 2005 calendar features Tourism Trail sites.



## *company's board and leaders* **respond** *to new challenges*

No company can achieve record results without the full support of its board of directors. I am pleased to say that our board has provided that support. The current regulatory environment — which stems primarily from the Sarbanes-Oxley Act that regulates corporate governance and financial reporting — requires that boards take a much more active role in company oversight. Our board has risen to the occasion, and its dedicated service is very much appreciated. I would also like to take this opportunity to acknowledge Paul Stillman and his 28 years of service as a director. Paul will be retiring from the board at our annual meeting of stockholders in May. His leadership and guidance will be greatly missed. He was instrumental in helping us expand our company.

In 2004, we began the process of transitioning the leadership of our company to Martin Dietrich. On January 1, Marty was promoted from NBT Bank president and chief operating officer to NBT Bank chief executive officer and NBT Bancorp president. In early 2005, Marty also joined NBT Bancorp's board. Upon my retirement on January 1, 2006, Marty will become NBT Bancorp CEO, and I will remain as chairman of NBT Bank and NBT Bancorp. Marty has assumed — and will continue to assume — more corporate CEO responsibilities. He has taken on his new role with great enthusiasm and success. The board and I remain confident that this transition will leave the company well positioned for further growth.



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

## *reaching even higher*

On behalf of our company's more than 1,350 employees and our board of directors, I would like to express my gratitude for your support. We are deeply committed to superior customer service — which, in the end, is the only true differentiator in our business — and to creating opportunities for our employees to grow. We will continue to remain focused on providing you, our investors, with results that meet or exceed your expectations.

Being a community bank means we rely on the guidance and market knowledge of our employees. After all, these employees are closest to the customers we serve. Our model of local authority and decision making, along with the requisite integrity of each employee's actions, is one of the fundamental reasons for our success.

Our company is as strong today as it has ever been, and we are poised to take the next steps necessary to sustain our growth. Exciting times lie ahead for us. We are eager to reach even newer heights, both personally and professionally. With your support, we can attain these new goals and continue to prosper well into the future. Thank you for your confidence in our team.

*Daryl R. Forsythe*

# *banking* locations

## NBT Bank Locations

### ALBANY COUNTY

Albany (2), Guilderland

### BROOME COUNTY

Binghamton (2), Deposit, Endicott, Maine, Vestal, Whitney Point

### CHENANGO COUNTY

Afton, Bainbridge, Earlville, Greene, New Berlin, Norwich (3), Oxford, Sherburne, South Otselic

### CLINTON COUNTY

Ellensburg Depot, Plattsburgh (2)

### DELAWARE COUNTY

Grand Gorge, Hancock, Hobart, Margaretville, Sidney

### ESSEX COUNTY

Lake Placid (2), Saranac Lake

### FRANKLIN COUNTY

Malone

### FULTON COUNTY

Gloversville, Johnstown, Northville, Vail Mills

### HERKIMER COUNTY

Herkimer, Middleville

### MONTGOMERY COUNTY

Amsterdam, Canajoharie, Fonda, Fort Plain, Palatine Bridge, St. Johnsville

### ONEIDA COUNTY

Clinton, New Hartford (2), Rome (2), Whitesboro

### OTSEGO COUNTY

Oneonta (4), Cherry Valley, Cooperstown (2), Edmeston, Richfield Springs

### ST. LAWRENCE COUNTY

Canton, Massena, Norfolk, Ogdensburg, Potsdam

### SARATOGA COUNTY

Clifton Park, Halfmoon, Saratoga Springs

### SCHENECTADY COUNTY

Duanesburg

### SCHOHARIE COUNTY

Cobleskill, Middleburgh, Schoharie, Sharon Springs

### TIOGA COUNTY

Newark Valley

## Pennstar Bank Locations

### LACKAWANNA COUNTY

Archbald, Carbondale (2), Clarks Green, Clarks Summit, Dalton, Dickson City, Dunmore (2), Elmhurst, Eynon, Mayfield, Mount Cobb, Scranton (4), Taylor (2)

### LUZERNE COUNTY

Dallas, Kingston, Mountaintop, Wilkes-Barre (2)

### MONROE COUNTY

Marshalls Creek, Mountainhome, Mount Pocono, Tannersville

### PIKE COUNTY

Lords Valley, Milford (2)

### SUSQUEHANNA COUNTY

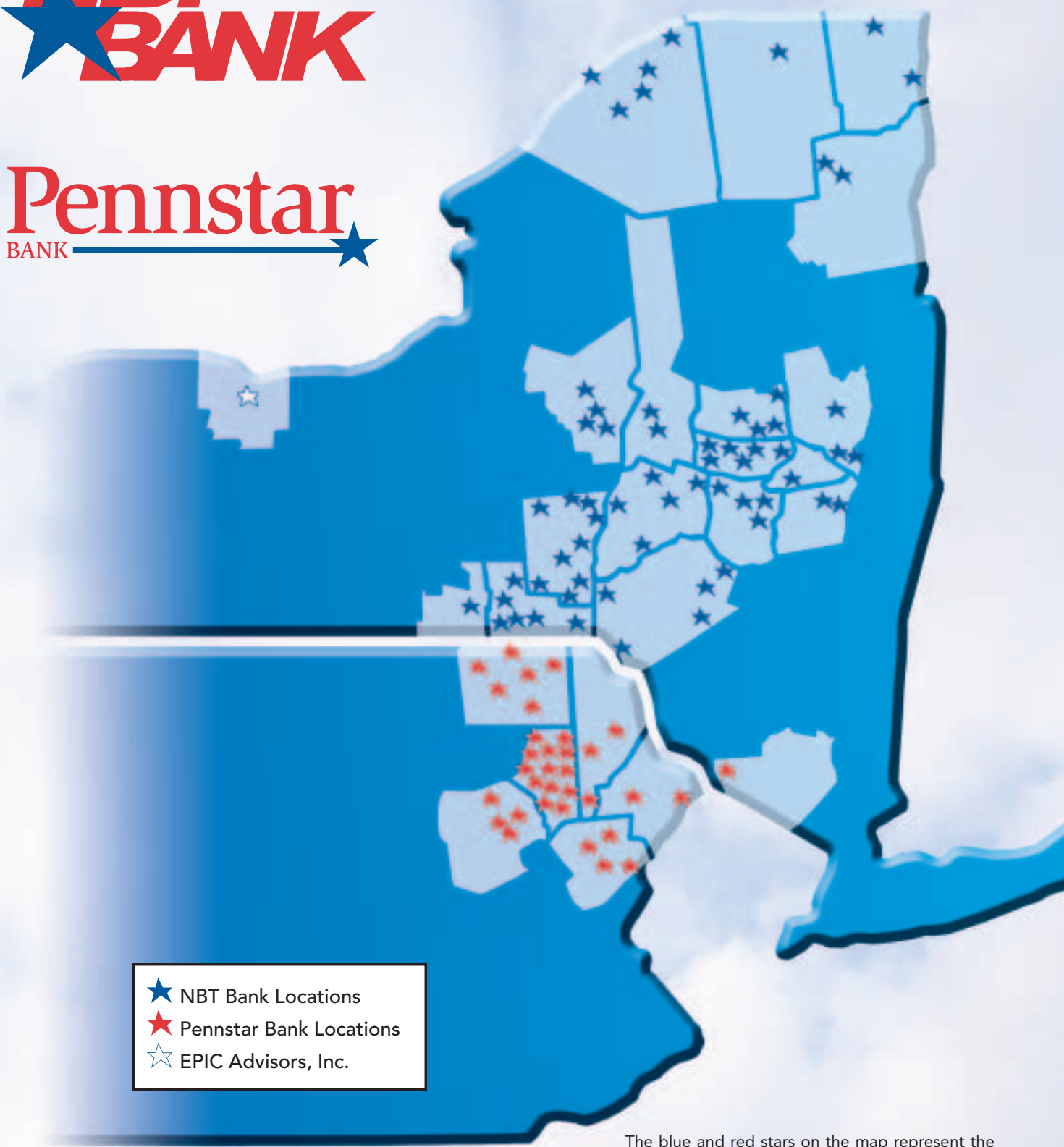
Choconut, Great Bend, Lenox, Montrose, New Milford, Susquehanna

### WAYNE COUNTY

Green Dreher, Hamlin Corners, Lake Ariel

### ORANGE COUNTY, NY

Port Jervis



- ★ NBT Bank Locations
- ★ Pennstar Bank Locations
- ☆ EPIC Advisors, Inc.

The blue and red stars on the map represent the communities served by our 115 banking locations. The white star represents EPIC Advisors, Inc., our full-service 401(k) plan recordkeeping firm based in Rochester. In our listing of locations, a number in parentheses indicates where there are multiple offices serving a community.

*NBT Bancorp*  
*Board of Directors*



DARYL R. FORSYTHE



MARTIN A. DIETRICH



RICHARD CHOJNOWSKI



PATRICIA T. CIVIL



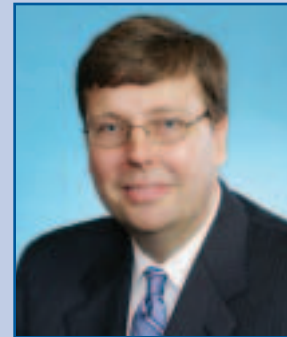
PETER B. GREGORY, DDS



WILLIAM C. GUMBLE



PAUL D. HORGER, ESQ.



MICHAEL HUTCHERSON



JANET H. INGRAHAM



ANDREW S. KOWALCZYK JR., ESQ.



JOHN C. MITCHELL



MICHAEL M. MURPHY



JOSEPH G. NASSER



WILLIAM L. OWENS, ESQ.



VAN NESS D. ROBINSON



JOSEPH A. SANTANGELO



PAUL O. STILLMAN

# NBT Bancorp

## Executive Management Team



**DARYL R. FORSYTHE**



**MARTIN A. DIETRICH**



**DAVID E. RAVEN**



**MICHAEL J. CHEWENS**



**THOMAS R. DELDUCHETTO**



**LANCE D. MATTINGLY**

### NBT BANCORP EXECUTIVE MANAGEMENT TEAM

**Daryl R. Forsythe,**  
Chairman and  
Chief Executive Officer

**Martin A. Dietrich,**  
President

**David E. Raven,**  
Pennstar Bank President  
and Chief Operating Officer

**Michael J. Chewens,**  
Senior Executive Vice President,  
Chief Financial Officer and  
Corporate Secretary

**Thomas R. Delduchetto,**  
Executive Vice President  
and Director of Human Resources

**Lance D. Mattingly,**  
Executive Vice President  
and Chief Information Officer

### BOARD LISTINGS

#### NBT BANCORP INC.

Daryl R. Forsythe,  
Chairman and CEO

Martin A. Dietrich,  
President

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

#### NBT BANK, N.A.

Daryl R. Forsythe,  
Chairman

Martin A. Dietrich,  
President and CEO

Kenneth M. Axtell Jr.  
Patricia T. Civil  
Peter B. Gregory, DDS  
Michael Hutcherson  
Janet H. Ingraham  
Andrew S. Kowalczyk Jr., Esq.  
John C. Mitchell  
William L. Owens, Esq.  
Van Ness D. Robinson  
Joseph A. Santangelo  
Paul O. Stillman

#### Honorary Directors

J. Peter Chaplin  
Francis "Mike" Demeree  
Leah S. Drexler

#### Honorary Directors continued

Thomas J. Mirabito  
Richard F. Monroe  
Anthony M. Paino  
William Sluiter  
J.K. Weinman

#### PENNSTAR BANK

William C. Gumble,  
Chairman  
Daryl R. Forsythe, CEO  
David E. Raven,  
President and COO

Donald E. Chapman  
Richard Chojnowski  
Martin A. Dietrich  
Paul D. Horger, Esq.  
Susan H. Kwiatek  
Michael M. Murphy  
Joseph G. Nasser  
Harry F. Schoenagel

#### NBT FINANCIAL SERVICES, INC.

Daryl R. Forsythe,  
Chairman and CEO

Michael J. Chewens  
Martin A. Dietrich  
Andrew S. Kowalczyk Jr., Esq.  
John C. Mitchell

# corporate information

## CORPORATE HEADQUARTERS

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

## ANNUAL MEETING

Tuesday, May 3, 2005, 10 a.m.  
Binghamton Regency  
One Sarbro Square • Binghamton, New York 13901  
1-800-723-7676

## 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.nbtbankcorp.com](http://www.nbtbankcorp.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.nbtbankcorp.com](http://www.nbtbankcorp.com).

## STOCK TRANSFER AGENT AND REGISTRAR

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

## MARKET MAKERS

Advest, Inc.  
Alternate Display Facility  
The Archipelago Exchange  
B-Trade Services LLC  
Boenning & Scattergood Inc.  
Boston Stock Exchange  
Citigroup Global Markets Inc.  
Goldman, Sachs & Co.  
GVR Company LLC  
Keefe, Bruyette & Woods, Inc.  
Knight Equity Markets, L.P.  
Lehman Brothers Inc.  
McConnell Budd & Downes  
Merrill Lynch, Pierce, Fenner  
Morgan Stanley & Co., Inc.  
National Stock Exchange  
Prudential Equity Group, Inc.  
THE BRUT ECN, LLC  
UBS Capital Markets L.P.  
UBS Securities, LLC

## 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.

## DIVIDEND CALENDAR

Dividends on NBT Bancorp Inc. common stock are customarily payable on or about the 15th of March, June, September and December.

## 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.

## 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 offered by:

- **NBT Bank**, visit [www.nbtbank.com](http://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](http://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.
- **EPIC Advisors, Inc.**, visit [www.epic1st.com](http://www.epic1st.com) or call 585-232-9060, ext. 158.

## EQUAL OPPORTUNITY AT NBT BANCORP INC.

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

