

NBT BANCORP INC
Form DEF 14A
April 06, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934 (Amendment No.)

Filed by Registrant
Filed by Party other than the Registrant
Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

NBT Bancorp Inc.
(Name of Registrant as Specified in Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
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(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

NBT Bancorp Inc.
52 South Broad Street
Norwich, New York 13815

NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS

NBT Bancorp Inc. (“NBT”) will hold an annual meeting of shareholders at the DoubleTree by Hilton Hotel, 225 Water Street, Binghamton, New York 13901 on May 22, 2018 at 10:00 a.m. local time for the following purposes:

1. To elect thirteen directors each for a one-year term (Proposal 1);

To approve, on a non-binding, advisory basis, the compensation paid to the Company’s named executive officers, as disclosed in the Compensation Discussion and Analysis, compensation tables and other related tables and narrative discussion (“Say on Pay”) (Proposal 2);

3. To approve the NBT 2018 Omnibus Incentive Plan (Proposal 3);

4. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2018 (Proposal 4); and

5. To transact such other business as may properly come before the NBT annual meeting.

We have fixed the close of business on March 29, 2018 as the record date for determining those shareholders of NBT entitled to vote at the NBT annual meeting and any adjournments or postponements of the meeting. Only holders of record of NBT common stock at the close of business on that date are entitled to notice of and to vote at the NBT annual meeting.

By Order of the Board of Directors of
NBT Bancorp Inc.

/s/ Martin A. Dietrich
Martin A. Dietrich
Chairman of the Board

Norwich, New York
April 6, 2018

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER YOU OWN. EVEN IF YOU PLAN TO BE PRESENT, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD PROMPTLY IN THE ENVELOPE PROVIDED OR VOTE VIA THE TOLL-FREE TELEPHONE NUMBER OR VIA THE INTERNET ADDRESS LISTED ON THE PROXY CARD. YOU MAY REVOKE ANY PROXY GIVEN IN WRITING OR IN PERSON AT ANY TIME PRIOR TO THE VOTE AT THE ANNUAL MEETING.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on May 22, 2018: This Proxy Statement, along with our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and our 2017 Annual Report are available free of charge on our website at www.nbtbancorp.com/bncp/proxy.html.

NBT Bancorp Inc.
52 South Broad Street
Norwich, New York 13815

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
May 22, 2018

This proxy statement and accompanying proxy card are being sent to the shareholders of NBT Bancorp Inc. (“NBT” or the “Company”) in connection with the solicitation of proxies on behalf of the Board of Directors to be used at the 2018 annual meeting of shareholders. This proxy statement, together with the enclosed proxy card, is being mailed to shareholders on or about April 6, 2018.

When and Where the NBT Annual Meeting Will Be Held

We will hold our annual meeting of shareholders at the DoubleTree by Hilton Hotel, 225 Water Street, Binghamton, New York 13901 on May 22, 2018 at 10:00 a.m. local time.

What Will Be Voted on at the NBT Annual Meeting

At our annual meeting, our shareholders will be asked to consider and vote upon the following proposals:

· To elect thirteen directors each for a one-year term (Proposal 1);

To approve, on a non-binding, advisory basis, the compensation paid to the Company’s named executive officers, as disclosed in the Compensation Discussion and Analysis, compensation tables and other related tables and narrative discussion (“Say on Pay”) (Proposal 2);

· To approve the NBT 2018 Omnibus Incentive Plan (Proposal 3);

To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2018 (Proposal 4); and

· To transact such other business as may properly come before the NBT annual meeting.

We may take action on the above matters at our annual meeting on May 22, 2018, or on any later date to which the annual meeting is postponed or adjourned.

We are unaware of other matters to be voted on at our annual meeting. If other matters do properly come before our annual meeting, including consideration of a motion to adjourn the annual meeting to another time and/or place for the purpose of soliciting additional proxies, we intend that the persons named in this proxy will vote the shares represented by the proxies on such matters as determined by a majority of our Board.

Shareholders Entitled to Vote

We have set March 29, 2018, as the record date to determine which of our shareholders will be entitled to vote at our annual meeting. Only those shareholders who held their shares of record as of the close of business on that date will be entitled to receive notice of and to vote at our annual meeting. As of March 29, 2018, there were 43,615,653 outstanding shares of our common stock held by holders of record. Each of our shareholders on the record date is entitled to one vote per share.

Quorum Requirement

The presence, in person or by proxy, of at least a majority of the total number of issued and outstanding shares of common stock entitled to vote at the annual meeting is necessary to constitute a quorum at the annual meeting. Abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum for the transaction of business.

Vote Required to Approve the Proposals

Assuming the presence of a quorum at the annual meeting, the voting requirements for the matters presented are as follows:

- For a nominee to be elected as a director, more votes must be cast FOR the nominee than AGAINST (Proposal 1).
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The affirmative vote of a majority of the shares of common stock represented at our annual meeting, either in person or by proxy, and entitled to vote thereon is required to approve the Say on Pay Proposal, to approve and adopt the NBT Bancorp Inc. 2018 Omnibus Incentive Plan and to ratify the appointment of our independent registered public accounting firm.

Our Board urges our shareholders to complete, date and sign the accompanying proxy card and return it promptly in the enclosed postage-paid envelope or vote via the Internet or by telephone.

Effect of Abstentions and Broker Non-Votes

For the purpose of the Say on Pay Proposal, approval of the 2018 Omnibus Plan and the ratification of the appointment of our independent registered public accounting firm, abstentions will have the effect of a vote against the proposal. Broker non-votes are proxies received from brokers or other nominees holding shares on behalf of their clients who have not been given specific voting instructions from their clients with respect to non-routine matters. Brokers who hold their customers' shares in "street name" may, under the applicable rules of the exchange and other self-regulatory organizations of which the brokers are members, sign and submit proxies for such shares and may vote such shares on "routine" matters. Proposals 1, 2 and 3 are considered "non-routine" and Proposal 4 is considered "routine" under the applicable rules. Broker non-votes will not be counted as a vote cast or entitled to vote on any matter presented at the annual meeting and will therefore have no effect on the outcome of the voting on any matter presented at the annual meeting.

Voting Your Shares

Our Board is soliciting proxies from our shareholders. This will give you an opportunity to vote at our annual meeting without having to attend. When you deliver a valid proxy, the shares represented by that proxy will be voted by a named agent in accordance with your instructions.

If you are a shareholder and vote by proxy but make no specification on your proxy card that you have otherwise properly executed, the named persons will vote the shares represented by your proxy:

FOR electing thirteen persons nominated by our Board as directors
(Proposal 1);

FOR approving on a non-binding, advisory basis, the compensation of the Company's named executive officers
(Proposal 2);

FOR approving the 2018 Omnibus Incentive Plan (Proposal 3); and

FOR ratifying the appointment of KPMG LLP as our independent registered public accounting firm (Proposal 4).

If any other matters are properly brought before the annual meeting, the persons named in the proxy will vote the shares represented by such proxy or such matters as determined by a majority of the board of directors.

If you are a shareholder whose shares are registered in your name, you may vote your shares by using one of the following four methods:

Via the Internet. If you hold NBT common stock in your own name and not through a broker or other nominee, you can vote your shares of NBT common stock electronically via the Internet at www.proxyvote.com. Internet voting is available 24 hours a day until 11:59 p.m. local time on May 21, 2018. Internet voting procedures are designed to authenticate shareholders by using the individual control number on your proxy card. If you vote via the Internet, you do not need to return your proxy card.

Mail. To grant your proxy by mail, please complete your proxy card and sign, date and return it in the enclosed envelope. To be valid, a returned proxy card must be signed and dated.

Telephone. If you hold NBT common stock in your own name and not through a broker or other nominee, you can vote your shares of NBT common stock by telephone by dialing the toll-free telephone number 1-800-690-6903. Telephone voting is available 24 hours a day until 11:59 p.m. local time on May 21, 2018. Telephone voting procedures are designed to authenticate shareholders by using the individual control number on your proxy card. If you vote by telephone, you do not need to return your proxy card.

In person. If you attend the annual meeting in person, you may vote your shares by completing a ballot at the meeting. Attendance at the annual meeting will not by itself be sufficient to vote your shares; you still must complete and submit a ballot at the annual meeting.

If your shares are registered in the name of a bank or brokerage firm you will receive instructions from your holder of record that must be followed in order for the record holder to vote the shares per your instructions. Many banks and brokerage firms have a process for their beneficial holders to provide instructions over the telephone or via the Internet. If you hold shares through a bank or brokerage firm and wish to be able to vote in person at the meeting, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspector of elections with your ballot.

Changing Your Vote

Any NBT shareholder of record giving a proxy may revoke the proxy in one or more of the following ways:

- Delivering a written notice of revocation to the Corporate Secretary of NBT bearing a later date than the proxy;
- Submitting a later-dated proxy by mail, telephone or via the Internet; or
- Appearing in person and submitting a later-dated proxy or voting at the annual meeting.

Attendance at the annual meeting will not by itself constitute a revocation of a proxy; to revoke your proxy, you must complete and submit a ballot at the annual meeting or submit a later-dated proxy.

You should send any written notice of revocation or subsequent proxy to NBT Bancorp Inc., 52 South Broad Street, Norwich, New York 13815, Attention: F. Sheldon Prentice, Esq., Executive Vice President, General Counsel and Corporate Secretary, or hand deliver the notice of revocation or subsequent proxy to the Corporate Secretary at or before the taking of the vote at the annual meeting. Any later-dated proxy submitted by telephone or via the Internet must be submitted prior to 11:59 p.m. on May 21, 2018.

If you hold shares through a bank or brokerage firm, you must contact that firm to revoke any prior voting instructions. You may also vote in person at the annual meeting if you obtain a legal proxy as described above.

Solicitation of Proxies and Costs

We will bear our own costs of soliciting of proxies. We will reimburse brokerage houses, fiduciaries, nominees and others for their out-of-pocket expenses in forwarding proxy materials to owners of shares of our common stock held in their names. In addition to the solicitation of proxies by use of the mail, we may solicit proxies from our shareholders by directors, officers and employees acting on our behalf in person or by telephone, facsimile or other appropriate means of communications. We will not pay any additional compensation, except for reimbursement of reasonable out-of-pocket expenses, to our directors, officers and employees in connection with the solicitation. We have also engaged D.F. King & Co. to solicit proxies for an estimated fee of \$8,500, plus reasonable expenses. You may direct any questions or requests for assistance regarding this proxy statement to F. Sheldon Prentice, Corporate Secretary, by telephone at (607) 337-6530 or by email at sprentice@nbtbci.com or to D.F. King & Co., our proxy solicitor, by telephone at (800) 755-7250.

Annual Report

A copy of our 2017 Annual Report accompanies this Proxy Statement. NBT is required to file an annual report on Form 10-K for its 2017 fiscal year with the Securities and Exchange Commission. Shareholders may obtain, free of charge, a copy of the Form 10-K by writing to: NBT Bancorp Inc., 52 South Broad Street, Norwich, New York 13815, Attention: Chief Financial Officer, Michael J. Chewens. Our annual report on Form 10-K is available on our website www.nbtbancorp.com.

REGARDLESS OF THE NUMBER OF SHARES YOU OWN, YOUR VOTE IS IMPORTANT TO US. PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE OR VOTE BY TELEPHONE OR VIA THE INTERNET USING THE TELEPHONE NUMBER OR THE INTERNET ADDRESS ON YOUR PROXY CARD.

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PROPOSAL 1 ELECTION OF DIRECTORS

The Company elects all directors annually. Therefore, all thirteen directors are standing for election at the 2018 annual meeting.

The persons named in the enclosed proxy intend to vote the shares of our common stock represented by each proxy properly executed and returned to us FOR the election of the aforementioned nominees as directors, but if the nominees should be unable to serve, they will vote such proxies for those substitute nominees as our Board shall designate to replace those nominees who are unable to serve. Our Board currently believes that each nominee will stand for election and will serve if elected as a director. Assuming the presence of a quorum at the annual meeting, in order for each of the thirteen director nominees to be elected, more votes must be cast FOR the director nominee than AGAINST (Proposal 1). A director who fails to receive more votes FOR his or her election than AGAINST will tender his or her resignation to the Board of Directors for consideration, and our Nominating and Corporate Governance Committee will recommend to the Board of Directors whether to accept or reject the resignation, or whether other action should be taken. The Board of Directors will consider the recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of election results.

Information as to Nominees

Information regarding the nominees continuing in office is provided below. Each biography contains information regarding each person's business experience, director positions held currently or at any time during the last five years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the experience, qualifications, attributes or skills that caused the Nominating and Corporate Governance Committee and the Board of Directors to determine that such person should serve as a director at the time of filing of this proxy statement. Unless otherwise stated, each individual has held his or her current occupation for the last five years. The age indicated in each director's biography is as of December 31, 2017. There are no family relationships among the directors or executives. All nominees are currently members of the board of directors of NBT Bank, N.A. ("NBT Bank").

Board Nominees for 2018

John H. Watt Jr., 59, serves as the President and Chief Executive Officer ("CEO") of the Company effective December 19, 2016. Prior to that, Mr. Watt was an Executive Vice President and joined the Company's executive management team in 2015. He joined the Company and NBT Bank in 2014. Mr. Watt provided executive leadership for key functions, including commercial and consumer lending, credit administration and marketing. Mr. Watt became a director of NBT and NBT Bank in December 2016. Mr. Watt also serves on the NBT Financial Services, Inc. Board which is an affiliate board of the Company. Mr. Watt has over thirty years of experience in the financial services industry. Prior to joining the Company, he was executive vice president of commercial banking, investment management and bank operations at Alliance Bank, N.A. He was also a member of the board of directors for Alliance Bank and Alliance Financial Corporation, which merged with the Company in 2013. Previously, he was employed by JP Morgan Chase and its predecessors. Mr. Watt has served on numerous community-oriented boards in upstate New York, most recently on the finance committee of the Foundation of The Episcopal Diocese of Central New York, the finance committee of the Allyn Foundation and as President of the board of On Point for College in Syracuse, NY. He is a graduate of Rutgers University with a bachelor's degree in political science and earned his Juris Doctor from The National Law Center at George Washington University. Mr. Watt's past experience and current leadership as President and CEO of NBT and NBT Bank provides him with thorough knowledge of the Company's opportunities, challenges and operations.

Martin A. Dietrich, 62, served as the President and Chief Executive Officer of the Company and NBT Bank from January 2004 to December 19, 2016. Prior to that, Mr. Dietrich was President and Chief Operating Officer of NBT Bank from September 1999 to December 2003. He is currently a director of Preferred Mutual Insurance Company, New York Bankers Association, and Norwich Building Tomorrow Foundation Inc. Mr. Dietrich has been a director of

NBT Bank since 2003, and NBT since 2005. Mr. Dietrich became Chairman of NBT and NBT Bank Boards in May 2016. Mr. Dietrich also serves on the NBT Financial Services, Inc. Board which is an affiliate board of the Company. Mr. Dietrich's past leadership as President and Chief Executive Officer of NBT and NBT Bank provides him with thorough knowledge of the Company's opportunities, challenges and operations.

Patricia T. Civil, 68, served as the Managing Partner of PricewaterhouseCoopers LLP in Syracuse, NY from 1992 until her retirement in 2002. Ms. Civil has been a director of NBT and NBT Bank since 2003. Ms. Civil served as director for Anaran Inc. from December 2007 until its sale to a private equity firm in 2014 and for SRC Inc. from 2006 to 2015. She is currently a director of New York Central Mutual Fire Insurance Company. As a Certified Public Accountant specializing in banking and financial services, Ms. Civil provides the Board with extensive experience in corporate finance and accounting and serves as the Chair of the Audit and Risk Management Committee. In addition to her accounting background, Ms. Civil's service as the Managing Partner of the Syracuse, NY office of her accounting firm brings strong executive experience to the Board, and her recent service on the board of another public company provides the Board with additional corporate governance expertise.

Timothy E. Delaney, 55, is the President of the Wesson Group LLC. Mr. Delaney is Founder and former President of The Delaney Group, Inc. and is a former Executive Vice President of its successor company, Tetra Tech Construction, Inc. and President of Tetra Tech Canada Construction. Together, these companies make up the North American Renewable Construction division of Tetra Tech, Inc. (NASDAQ: TTEK), a public company, and they are principally engaged in energy related heavy civil engineering and construction since 1982. Mr. Delaney has been a director of NBT since January 2011 and has been a director of NBT Bank since 2006. Mr. Delaney's experience as a business owner in NBT's market area and experience as an NBT Bank director provides the Board with insight into the needs of NBT's customers, executive management and insight into NBT's challenges, opportunities and operations.

James H. Douglas, 66, is the former Governor of Vermont, a position he held for four, two-year terms, starting in 2002 and ending in 2010. Mr. Douglas has been a director of NBT and NBT Bank since January 2011. Mr. Douglas also serves on the NBT Financial Services, Inc. Board which is an affiliate board of the Company. Mr. Douglas served the people of Vermont for more than 35 years, having been elected to the Vermont House of Representatives after graduating from Middlebury College in 1972. Mr. Douglas was elected Secretary of State in 1980, a position he held until 1992. He was then elected as State Treasurer in 1994, a position he held until his election as Governor. Outside of government, Mr. Douglas is an executive in residence at Middlebury College and has been active in numerous community organizations. In addition, he is a director for National Life Group and National Life Insurance Company, as well as a director for Union Mutual of Vermont. Mr. Douglas' experience in state politics provides the Board with insight into one of NBT's newer market areas. Mr. Douglas also brings executive management and governance experience from his previous positions to the Board. Further, the skills he developed as State Treasurer provide the Board with additional finance experience.

Andrew S. Kowalczyk III, 60, is an attorney and partner at Kowalczyk & Deery, LLP in Utica, New York. His practice focuses on banking, business law and real estate. He was admitted to the New York State Bar in 1983. Mr. Kowalczyk is a graduate of St. Lawrence University and Albany Law School. He is a member of the Oneida County Bar Association, the New York State Bar Association and the American Bar Association. He served on the NBT Bank Advisory Board from 2006 through 2010. He was appointed to NBT Bank's board in October 2010 and NBT's board in May 2016. Mr. Kowalczyk brings leadership experience, legal technical expertise and Utica area market knowledge.

John C. Mitchell, 67, was formerly President and Chief Executive Officer of I.L. Richer Co., an agricultural business, from 1979 to 2008. He is currently a director of Preferred Mutual Insurance Company, Delaware Otsego Corporation and has been a director of NBT Bank and NBT since 1993 and 1994, respectively. Mr. Mitchell's over twenty years of service on NBT's Board provides him with a seasoned view of NBT's operations and challenges. He has a strong corporate governance background due to his service on other corporate boards, the Nominating and Corporate Governance Committee and his role as Chairman of the Compensation and Benefits Committee.

V. Daniel Robinson II, 61, has served on the Board of Directors of New York Central Mutual Fire Insurance Company since 1986 and was appointed as President and Chief Executive Officer in 2002. He also serves as President, Chief Executive Officer and a board member of automobile insurer A. Central Insurance Company, a subsidiary of New York Central Mutual Fire Insurance Company since 1999. He serves as director and president of A.F. Stager Independent Adjustors, since 1991 and 2018, respectively. He is a member of the Excellus BlueCross

BlueShield Board of Directors and the Utica College Advisory board since 2014 and 2006, respectively. He has served on the Board of A. O. Fox Hospital, an affiliate association with Bassett Health Care Network, from 2012 through July 2016 and continues his board membership with Basset Health Care Network. Mr. Robinson earned his bachelor's degree in marketing from St. Bonaventure University. He was appointed to NBT Bank's board in March 2008 and NBT's board in May 2016. Mr. Robinson also serves on the NBT Financial Services, Inc. Board which is an affiliate board of the Company.

Matthew J. Salanger, 62, was the longest-serving President and Chief Executive Officer of United Health Services, Inc. (“UHS”) having held the position from 2007-2017. He also served as President and Chief Executive Officer for UHS Hospitals, including UHS Binghamton General Hospital and UHS Wilson Medical Center from 1994-2017. Upon his retirement as President and Chief Executive Officer, Mr. Salanger continues to provide guidance to UHS in a Senior Strategic Advisor role and as a member of the UHS Board and Executive Committee. Mr. Salanger is a Fellow of the American College of Healthcare Executives, is a member of the Binghamton University Council, and recently completed his appointment by New York State Governor Paterson on the State’s Board of Examiners of Nursing Home Administrators. He earned his bachelor of arts degree at the University at Albany/SUNY and his master’s degree in hospital and health administration at Xavier University. He was appointed to NBT Bank’s board in January 2011 and NBT’s board in May 2016. Mr. Salanger brings executive leadership experience, board experience and knowledge of our Binghamton area market.

Joseph A. Santangelo, 65, is President and Chief Executive Officer of Arkell Hall Foundation Inc. Mr. Santangelo has been a director of NBT Bank and NBT since 1991 and 2000, respectively. Mr. Santangelo’s service on the Nominating and Corporate Governance Committee and past experience on the Compensation and Benefits Committee provides the Board with strong corporate governance and executive compensation experience. In addition, his seventeen plus years of service on the Board along with his considerable experience in operating one of the largest private foundations in the upstate NY region provides him with a seasoned view of NBT’s operations and the challenges facing NBT.

Lowell A. Seifter, 65, is Senior Vice President and General Counsel of St. Joseph’s Hospital Health Center in Syracuse, New York. He was a founding member of Green & Seifter Attorneys, PLLC, now known as Bousquet Holstein Attorneys, PLLC, where he practiced law from 1977 until 2011. From 2002 until 2006, Mr. Seifter was a member of the board of directors of Bridge Street Financial, Inc. and its banking subsidiary, Oswego County National Bank. From 2006 until the merger with NBT, Mr. Seifter served on the Board of Directors of Alliance Financial Corporation and its subsidiary Alliance Bank where he was Chairman of the Compensation Committee and member of the Governance, Business Development and Risk Committees. Mr. Seifter received a B.S. degree from Syracuse University, a Juris Doctor degree from Syracuse University College of Law and is a non-practicing certified public accountant. Mr. Seifter brings technical expertise, leadership experience, industry knowledge and an understanding of the Syracuse market area.

Robert A. Wadsworth, 68, was the Chief Executive Officer of Preferred Mutual Insurance Company from 1997 until his retirement in 2008. Mr. Wadsworth is currently the Chairman and a director of the board of Preferred Mutual Insurance Company. He is also a director of Preferred Services Corp., Preferred of New York Inc., and has been a director of NBT Bank and NBT since 2001 and 2006, respectively. Mr. Wadsworth’s service as the Chief Executive Officer of a corporation based in one of NBT’s communities brings to the Board strong executive experience and an understanding of the business and consumer needs of a community that NBT serves. His service on the boards of several insurance and financial services corporations provides the Board with additional insight into the financial services industry.

Jack H. Webb, 65, was the Chairman and Chief Executive Officer of Alliance Financial Corporation from January 2002 until March 2013 when the company merged with NBT at which time Mr. Webb became Executive Vice President of Strategic Support for NBT until May 2015. In March 2013, Mr. Webb also became a director of NBT and NBT Bank. Prior to the merger, he was also the President and Chief Executive Officer of Alliance Bank. He joined Alliance Financial Corporation in May 2000 after a 26-year career with Chase Manhattan Bank. He serves on the advisory board of CNY Lifetime Healthcare. Mr. Webb graduated from the Rochester Business Institute. His day to day leadership of Alliance Financial Corporation and Alliance Bank provides him with thorough knowledge of the financial services industry as well as NBT’s Syracuse market. Mr. Webb also serves on the NBT Financial Services, Inc. Board which is an affiliate board of the Company.

The Board of Directors unanimously recommends that shareholders vote “FOR” the election of all of its director nominees.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information, as of February 28, 2018 with respect to the beneficial ownership of the Company's Common Stock by: (1) each director and nominee; (2) each executive officer named in the Summary Compensation Table; and (3) all executive officers and directors as a group. Except as otherwise indicated, each of the stockholders named below effectively exercises sole, or shared with spouse, voting and investment power with respect to the outstanding shares of Common Stock beneficially owned.

Directors, Nominees for Director and Named Executive Officers	Number of Shares Owned (1)	Options Exercisable Within 60 Days	Total Beneficial Ownership of NBT Bancorp Common Stock	Percent of Shares Outstanding
Patricia T. Civil	24,298	3,630	27,928	*
Timothy E. Delaney (2)	43,639	-	43,639	*
Martin A. Dietrich (3)	125,669	-	125,669	*
James H. Douglas	6,924	-	6,924	*
Andrew S. Kowalczyk III	3,910	-	3,910	*
John C. Mitchell	32,781	-	32,781	*
V. Daniel Robinson II (4)	597,749	-	597,749	1.37 %
Matthew J. Salanger	18,756	-	18,756	*
Joseph A. Santangelo (5)	88,493	-	88,493	*
Lowell A. Seifter	44,391	-	44,391	*
Robert A. Wadsworth	14,826	-	14,826	*
Jack H. Webb	55,557	-	55,557	*
John H. Watt Jr.	43,029	-	43,029	*
Michael J. Chewens	51,351	-	51,351	*
Timothy L. Brenner	51,249	-	51,249	*
Sarah A. Halliday	2,296	-	2,296	*
Joseph R. Stagliano	64,501	5,500	70,001	*
Directors and Executive Officers as a Group (21 persons)	1,400,754	9,130	1,409,884	3.23 %

(*) Less than one percent.

(1) Shares under option from the 2008 Omnibus Incentive Plan, which are exercisable within 60 days of February 28, 2018.

(2) Includes 12,020 shares held by a trust for which Mr. Delaney has voting discretion.

(3) Includes 7,429 shares held by a trust for which Mr. Dietrich has voting discretion.

(4) Includes 587,558 shares held by NYCM of which Mr. Robinson is President and CEO.

(5) Includes 71,689 shares held by Arkell Hall Foundation Inc. of which Mr. Santangelo is President and CEO and shares investment and voting powers with that foundation's Board of Trustees.

BENEFICIAL OWNERSHIP OF PRINCIPAL HOLDERS OF VOTING SECURITIES OF NBT

The following table sets forth information as of February 28, 2018, except as indicated below, with respect to the beneficial ownership of common stock by any person or group as defined in Section 13(d)(3) of the Exchange Act who is known to the Company to be the beneficial owner of more than five percent of the common stock. As of February 28, 2018, the Company had 43,593,370 outstanding shares of common stock.

Name and Addresses of Beneficial Owners	Number of Shares; Nature of Beneficial Ownership (1)	Percent of Common Stock Owned
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	5,609,927 (2)	12.87 %
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	4,172,489 (3)	9.57 %

Based on information in the most recent Schedule 13D or 13G filed with the Securities and Exchange Commission pursuant to the Exchange Act with respect to holdings of the Company's common stock as of December 31, 2017.

In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner, for (1) purposes of this table, of any shares of Company common stock if such person has or shares voting power and/or investment power with respect to the security, or has the right to acquire beneficial ownership at any time within 60 days from February 28, 2018. As used herein, "voting power" includes the power to vote or direct the voting of shares and "investment power" includes the power to dispose or direct the disposition of shares.

BlackRock, Inc. reported that it has sole dispositive power over 5,609,927 shares (12.88% of outstanding shares) (2) and sole voting power over 5,505,557 shares (12.64% of outstanding shares) of Company common stock as of December 31, 2017.

The Vanguard Group, Inc. reported that it has sole dispositive and voting power over 4,123,404 shares and shared (3) dispositive and voting power over 49,085 shares of NBT common stock as of December 31, 2017, or an aggregate of 9.58% of Company shares outstanding as of such date.

CORPORATE GOVERNANCE

The business and affairs of the Company are managed under the direction of the Board of Directors. Members of the Board are kept informed of the Company's business through discussions with the Company's executive officers, by reviewing materials provided to them and by participating in meetings and strategic planning sessions of the Board and its committees. The Board has adopted corporate governance practices and policies which the Board and senior management believe promote sound and effective corporate governance.

Director Independence

Based on a review of the responses of the directors to questions regarding employment and compensation history, affiliations and family and other relationships and on individual discussions with directors, the full Board has determined that all directors, excluding Messrs. Dietrich, Watt and Webb, meet the standards of independence set forth by the NASDAQ Stock Market. In making this determination, the Board considered transactions and

relationships between each director or his or her immediate family and the Company and its subsidiaries, including those reported under “Compensation Committee Interlocks and Insider Participation” and “Certain Relationships and Related Party Transactions” found on page 42. Mr. Dietrich is not independent because he was formerly the President and Chief Executive Officer of the Company until his retirement in 2016. Mr. Watt is not independent because he is the current President and Chief Executive Officer of the Company. Mr. Webb is not independent because he was formerly the Executive Vice President of Strategic Support for the Company until his retirement in 2015.

The independent members of the Board meet at least twice annually in an executive session where non-independent directors and management are excused. Lead independent director John Mitchell, who serves as chairman of the Compensation and Benefits Committee, currently chairs these executive sessions.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to all employees, as well as each member of the Company's Board of Directors. The Code of Business Conduct and Ethics is available at the Company's website at www.nbtbancorp.com/bncp/corporategov.html.

Board Policy Regarding Communications with the Board

The Board of Directors maintains a process for shareholders to communicate with the Board of Directors. Shareholders wishing to communicate with the Board of Directors should send any communication to Corporate Secretary, NBT Bancorp Inc., 52 South Broad Street, Norwich, New York 13815. Any such communication must state the name of the shareholder and the number of shares beneficially owned by the shareholder making the communication. The Corporate Secretary will forward such communication to the full Board of Directors or to any individual director or directors to whom the communication is directed unless the communication is unduly hostile, threatening, illegal or similarly inappropriate. At each Board meeting, a member of management presents a summary of all communications received since the last meeting, if applicable, that were not forwarded and makes those communications available on request.

The Board's Role in Risk Oversight

The Board of Directors, together with the Audit and Risk Management Committee, the Nominating and Corporate Governance Committee, and the Compensation and Benefits Committee coordinate with each other to provide enterprise-wide oversight of our management and handling of risk. These committees report regularly to the full Board of Directors on risk-related matters and provide the Board of Directors with insight about our management of strategic, credit, interest rate, liquidity, compliance, operational and reputational risks. In addition, at meetings of the Board of Directors and its committees, directors receive regular updates and reports from management regarding risk management practices, including credit quality, financial reporting, technology, internal controls, compliance, legal matters, and asset liability and liquidity management, among others. Furthermore, current risk management issues are discussed regularly with the Board of Directors and its committees.

Board Leadership Structure

The Board of Directors does not have a policy on whether the same person may serve as both the chief executive officer and chairman of the board or, if the roles are separate, whether the chairman should be selected from the non-employee directors. The Board believes that it should have the flexibility to make these determinations at any given point in time in the way that it believes best to provide appropriate leadership for the Company at that time. Currently, Mr. Watt serves as the Chief Executive Officer of the Company, while Mr. Dietrich, serves as the Chairman of the Board of Directors. The Board of Directors believes that this leadership structure best serves the Company at this time because it allows Mr. Watt to focus on the Company's operations and strategy, while Mr. Dietrich, among other things, can provide leadership for the Board of Directors, set the agenda for meetings, and enable other directors to raise issues and concerns for Board consideration without immediately involving the Chief Executive Officer or other management. The Board of Directors believes it currently benefits from having a director, who is also a former executive officer of the Company, as its Chairman. Mr. Mitchell serves as the lead independent director providing an independent point of contact for the Board of Directors.

Director Attendance at Board Meetings and Annual Meetings

During 2017, the Board held nine meetings. Each incumbent director attended at least 75% of the aggregate of: (i) the total number of meetings of the Board held during the period that the individual served; and (ii) the total number of meetings held by all committees of the Board on which the director served during the period that the individual served. In addition, directors are expected to attend our annual meeting of shareholders. Twelve of our thirteen

directors were in attendance at the 2017 annual meeting, and we expect that all directors will be present at the 2018 annual meeting.

Committees of the Board of Directors

Our Board has a number of standing committees, including a Nominating and Corporate Governance Committee, Audit and Risk Management Committee and Compensation and Benefits Committee. The Board has determined that all of the directors who serve on these committees are independent for purposes of NASDAQ Rule 5605 and that the members of the Audit and Risk Management Committee are also “independent” for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”). A table showing the members of each of these committees follows:

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Director	Nominating and Corporate Governance	Audit and Risk Management	Compensation and Benefits
Patricia T. Civil	P	Chair	P
Timothy E. Delaney		P	P
James H. Douglas	Chair	P	
Andrew S. Kowalczyk III	P	P	
John C. Mitchell	P		Chair
V. Daniel Robinson II			P
Matthew J. Salanger		P	P
Joseph A. Santangelo	P		
Lowell A. Seifter		P	P
Robert A. Wadsworth	P	P	

A description of each of these committees follows:

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for determining the qualification of and nominating persons for election to the Board of Directors, including (if applicable) shareholder nominations that comply with the notice procedures set forth by SEC rules and the Company's Bylaws. The Committee also formulates our corporate governance guidelines and functions to insure successful development of management at the senior level and succession planning, as applicable. The Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee, a copy of which is available on the Company's website at www.nbtbancorp.com/bncp/corporategov.html. This Committee met three times during 2017.

During the past several years, the Nominating and Corporate Governance Committee has engaged in a process to evaluate our corporate governance processes against current trends. To further this endeavor, changes were made to align our corporate governance process with current trends including having our board elected annually, adopting a majority vote standard for directors in uncontested election with a director resignation policy, prohibiting the pledging of Company shares and determining not to adopt a new poison pill following the expiration of the Company's former poison pill in October 2014. In 2016, the Company made changes to NBT Bank's board of directors so that the same directors serve on both the Company and Bank boards, in order to improve continuity, efficiency and agility.

The Board of Directors believes that it should be comprised of directors who possess the highest personal and professional ethics, integrity, and values, and who shall have demonstrated exceptional ability and judgment and who shall be most effective in representing the long-term interests of the shareholders. While the Board of Directors and Nominating and Corporate Governance Committee have no formal policy on board diversity, diversity is considered by the Nominating and Corporate Governance Committee in determining the qualification of and nominating persons for election to the Board of Directors.

When considering candidates for the Board of Directors, the Nominating and Corporate Governance Committee takes into account the candidate's qualifications, experience and independence from management. In addition, in accordance with the Company's Bylaws:

- Every director must be a citizen of the United States;
- Each director must own \$1,000 aggregate book value of the Company's common stock (see ownership guidelines for continuing directors on page 26); and
- No person shall serve as a director beyond the Company's annual meeting following the date upon which he or she shall have attained the age of 72 years.

When seeking candidates for director, the Nominating and Corporate Governance Committee may solicit suggestions from incumbent directors, management or others. The Committee also has the authority to retain any search firm to assist in the identification of director candidates. The Committee will review the qualifications and experience of each candidate. If the Committee believes a candidate would be a valuable addition to the Board, it will recommend to the full Board that candidate's election.

The Company's Bylaws also permit shareholders eligible to vote at the annual meeting to nominate director candidates, but only if such nominations are made pursuant to timely notice in writing to the CEO of NBT. To be timely, notice must be delivered to, or mailed to and received at, the principal executive offices of NBT at least 150 days prior to the one-year anniversary of the date immediately preceding the prior year's annual meeting of shareholders. The Nominating and Corporate Governance Committee will consider candidates for director suggested by shareholders applying the criteria for candidates described above and considering the additional information required by Article III, Section 4 of the Company's Bylaws, which must be set forth in a shareholder's notice of nomination. Article III, Section 4 of the Company's Bylaws requires that the notice include: (a) as to each person whom the shareholder proposes to nominate for election as a director, (i) the name and address of such person and (ii) the principal occupation or employment of such person; and (b) as to the shareholder giving notice (i) the name and address of such shareholder, (ii) the number of shares of the Company that will be voted for the proposed nominee by such shareholder (including shares to be voted by proxy) and (iii) the number of shares of the Company which are beneficially owned by such shareholder.

Audit and Risk Management Committee

The Audit and Risk Management Committee represents our Board in fulfilling its statutory and fiduciary responsibilities for independent audits of NBT's consolidated financial statements, including monitoring accounting and financial reporting practices and financial information distributed to shareholders and the general public. The Audit and Risk Management Committee is also responsible for overseeing the Company's compliance with legal and regulatory requirements and the performance of the Company's Risk Management Division. Directors on our Audit and Risk Management Committee meet the expanded independence requirements of audit committee members. In addition, our Board of Directors has determined that Ms. Civil and Mr. Seifter are "audit committee financial experts" as that term is defined in Item 407(d)(5) of Regulation S-K.

This Committee met five times in 2017. Responsibilities and duties of this Committee are discussed more fully in the Audit and Risk Management Committee Report on page 44 and in the Audit and Risk Management Committee's charter, which is available on the Company's website at www.nbtbancorp.com/bncp/corporategov.html.

Compensation and Benefits Committee

All of the Company's Compensation and Benefits Committee members are independent directors, as determined by the Board, and as such term is defined in the NASDAQ Marketplace Rules as they apply to the Company.

The Committee is responsible for the development, oversight and administration of the Company's compensation program. The Committee works closely with the Company's CEO and Executive Vice President of Human Resources to implement our compensation program. In addition, the Committee typically engages in executive sessions without Company management present.

The Committee regularly reviews our compensation practices and policies and recommends to the Board of Directors the compensation and benefits for the CEO, directors and executive management team, including the named executive officers. In making compensation recommendations to the Board of Directors for the named executive officers, the Committee relies substantially on the recommendations of the CEO and, in the case of the CEO's compensation, upon the recommendation of the Chairman of the Board. The Committee generally determines the compensation for the named executive officers at its December meeting preceding the commencement of the fiscal year in which the

compensation will be paid or earned, or in its January meeting of such fiscal year.

The CEO's compensation reflects the Committee's evaluation of his performance measured against the following criteria: (i) implementation of the Company's short and long-term strategies; (ii) financial and operating performance; (iii) management development; (iv) customer service; and (v) leadership in positioning the Company to meet the significant operational and regulatory challenges of the evolving financial services industry. The Committee may use its discretion to deviate from or modify compensation policies and recommendations, but does so rarely, and typically, only in unusual circumstances.

The Committee also administers the Company's Defined Benefit Pension Plan ("Pension Plan"), 401(k) & Employee Stock Ownership Plan (the "401(k) Plan & ESOP"), the directors' and officers' stock plans as well as the 2008 Omnibus Incentive Plan (the "Omnibus Plan") and any future equity plans. Pursuant to the terms of the Company's Omnibus Plan, the Committee may delegate its authority to grant awards to nonexecutive officers under such plan to a member of the Board and the Committee has granted such authority, within certain defined limits, to Mr. Watt. A charter that reflects these responsibilities and delegated authority, which the Committee and the Board periodically review and revise, governs the Committee. A copy of the charter is available on the Company's website at www.nbtbancorp.com/bncp/corporategov.html. The Committee met six times in 2017.

Policy on Recovery of Awards

Incentive Compensation Clawback Policy

In the event of a restatement of incorrect financial results, the Company's Compensation and Benefits Committee (the "Committee") will review all cash and equity incentive awards made under the Company's Omnibus Plan that were paid or awarded to executive officers (within the meaning of Rule 3b-7 of the Exchange Act) for performance periods beginning on and after January 1, 2015, which occur during the restatement period. If any such awards would have been lower had the level of achievement of applicable financial performance goals been calculated based on such restated financial results, the Committee will, if it determines appropriate in its sole discretion, to the extent permitted by governing law, require the reimbursement of the incremental portion of the awards in excess of the awards that would have been paid based on the restated financial results.

Furthermore, if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company as a result of misconduct with regard to any financial reporting requirement under applicable securities laws, the individuals subject to the automatic forfeiture provisions under Section 304 of the Sarbanes-Oxley Act of 2002 and any other employee who knowingly engaged in the misconduct, was grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct or was grossly negligent in failing to prevent the misconduct, shall reimburse the Company the amount of any payment in settlement of an award earned or accrued during the 12-month period following the first public issuance or filing with the SEC (whichever first occurred) of the financial document that contained such material noncompliance.

Equity Compensation Clawback Policy

The Committee may specify in an award that a grantee's rights, payments, and benefits with respect to the award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of the award. Such events may include, but shall not be limited to, termination of employment for cause, termination of the grantee's provision of services to the Company, violation of material Company policies, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the grantee, or other conduct by the grantee that is detrimental to the business or reputation of the Company. These provisions will generally be limited to a three year look-back from the occurrence of the event that gives rise to the forfeiture.

Director Compensation

A directors' compensation analysis including a peer comparison was completed in 2017. The goal of the study was to evaluate our director compensation against our peer group to ensure the Company's compensation practices for our directors is consistent with banks our size and within our similar markets. The analysis revealed that both director cash and equity retainers as well as meeting fees were below peer median. In addition, committee chair fees were also below peer median. The peer group used in the director compensation analysis was consistent with the methodology outlined on page 20. The last time the Company increased director's fees and retainers was in 2011. Based on the analysis the following recommendations to director compensation were made:

- Increase member cash retainer from \$25,000 to \$40,000
- Increase board chairman and member equity retainer from \$21,000 to \$25,000
- Increase per meeting fee from \$1,000 to \$1,250
- Increase Audit and Risk Committee Chairman retainer from \$10,000 to \$15,000
- Increase all other committee chairmen retainer from \$5,000 to \$10,000
- Increase per committee meeting fees from \$800 to \$1,000

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Set forth below is the fee schedule for non-executive directors as of December 31, 2017:

	Cash	Restricted Stock Units
Annual Retainer Fees		
Chair:		
NBT Bancorp Inc. Board	\$ 50,000	\$ 12,500
NBT Bank, N.A. Board	\$ 50,000	\$ 12,500
Audit and Risk Management Committee	\$ 15,000	\$ -
All Other Committees	\$ 10,000	\$ -
Affiliate Board	\$ 2,500	\$ -
Member:		
NBT Bancorp Inc. Board	\$ 20,000	\$ 12,500
NBT Bank, N.A. Board	\$ 20,000	\$ 12,500
Fee per Board Meeting	\$ 1,250	\$ -
Fee per Committee Meeting	\$ 1,000	\$ -

The restricted stock unit awards in 2017 were issued pursuant to the Omnibus Plan. The restricted stock units awarded to the non-employee directors vest one-third annually beginning on the first anniversary of the grant date.

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$ (1))	Restricted Stock Awards (\$ (1) (2) (3))	Change in Pension	All Other Compensation (\$ (5))	Total (\$)
			Value and Nonqualified Deferred Compensation Earnings (\$ (4))		
Patricia T. Civil	83,350	23,781	854	2,232	110,217
Timothy E. Delaney	64,750	23,781	12,025	614	101,170
Martin A. Dietrich	151,000	29,775	-	563,166	743,941
James H. Douglas	76,600	23,781	-	-	100,381
Andrew S. Kowalczyk III	67,832	30,284	255	-	98,371
John C. Mitchell	77,550	23,781	-	5,437	106,768
Michael M. Murphy (6)	8,850	-	-	1,956	10,806
V. Daniel Robinson II	66,082	30,284	-	-	96,366
Matthew J. Salanger	68,832	30,284	-	-	99,116
Joseph A. Santangelo	79,150	23,781	2,246	5,337	110,514
Lowell A. Seifter	69,900	23,781	39,069	10,536	143,286
Robert A. Wadsworth	65,150	23,781	13,873	1,181	103,985
Jack H. Webb	70,300	23,781	-	-	94,081

(1) Includes all fees earned during the fiscal year whether such fees were paid currently or deferred.

The amounts reflect the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718. The director restricted stock unit awards granted for fiscal year ending December 31, 2017, were issued as of May 23, 2017, and the per share fair market value was \$34.87. Upon appointment to the Company's board, Messrs. Kowalczyk, Robinson and Salanger each received a pro-rata restricted stock unit award granted on January 3, 2017, and the per share fair market value was \$40.14. Mr. Dietrich received a pro-rata restricted stock unit award granted on February 3, 2017, and the per share fair market value was \$38.67. Assumptions used in the calculation of these amounts are materially consistent with those that are included in footnote 14 to the Company's audited consolidated financial statements contained in its Annual Report on Form 10-K.

- (3) The aggregate number of outstanding awards as of December 31, 2017, is as follows (Ms. Civil has 1,500 unexercisable options related to reloads as of such date):

Name	Unvested Stock Units	Options Exercisable
Patricia T. Civil	1,471	2,130
Timothy E. Delaney	1,471	-
Martin A. Dietrich	837	-
James H. Douglas	1,471	-
Andrew S. Kowalczyk III	844	-
John C. Mitchell	1,471	-
V. Daniel Robinson II	844	-
Matthew J. Salanger	844	-
Joseph A. Santangelo	1,471	-
Lowell A. Seifter	1,471	-
Robert A. Wadsworth	1,471	1,625
Jack H. Webb	1,471	-

- (4) Figures in the change in pension value and nonqualified deferred compensation earnings represent earnings for the fiscal year ending December 31, 2017, on deferred directors' fees under a nonqualified deferred compensation plan.

All other compensation includes: cash dividends received on restricted stock and deferred stock granted pursuant to the Non-Employee Directors' Restricted and Deferred Stock Plan and the Omnibus Plan for all non-employee directors totaling \$13,075; health and/or dental/vision insurance offered through the Company for three active Directors as part of legacy director benefit plans no longer offered, the Company's associated premium costs totaled \$4,469. Mr. Seifter's compensation includes dividends paid through the Alliance Financial Corporation Deferred Compensation Plan. Mr. Dietrich's other compensation includes amounts earned as an employee of NBT Bancorp Inc. prior to retirement as follows: \$175,385 in salary, \$327,732 of equity compensation representing the grant date fair value of the awards granted, \$42,075 for the fair value of the vehicle transferred to him upon retirement, \$6,138 of matching contributions to the 401(k) Plan and ESOP, \$8,835 in health and life insurance premiums and \$3,001 for the value of split dollar life insurance premiums paid.

- (6) Mr. Murphy retired as a director upon the expiration of his term at the 2017 annual meeting.

Named Executive Officers of NBT Bancorp Inc.

The following table sets forth certain information for the Named Executive Officers ("NEOs") of NBT Bancorp Inc.

Name	Age at December 31, 2017	Positions Held with NBT and NBT Bank
John H. Watt Jr.	59	President and Chief Executive Officer
Michael J. Chewens	56	Senior Executive Vice President and Chief Financial Officer
Timothy L. Brenner	61	Executive Vice President and President of Wealth Management
Joseph R. Stagliano	49	Executive Vice President, Operations and Retail Banking
Sarah A. Halliday	47	Executive Vice President and President of Commercial Banking

Biographical information regarding the NEOs is set forth below. Information regarding Mr. Watt can be found under the section Board Nominees for 2018 found on page 4.

Michael J. Chewens, has been Senior Executive Vice President and Chief Financial Officer of NBT and NBT Bank since January 2002. Mr. Chewens was Executive Vice President and Chief Financial Officer of same from 1999 to 2001. He joined NBT's Executive Management Team in 1995 as Senior Vice President and head of the Risk Management Division. Mr. Chewens began his career at NBT Bank in 1994, after gaining ten years of experience in accounting and auditing with KPMG. He was also Corporate Secretary of NBT and NBT Bank from December 2000 to April 2010. Mr. Chewens also serves on the NBT Financial Services, Inc. Board which is an affiliate board of the Company. Mr. Chewens has over thirty years of experience in accounting and finance. Mr. Chewens graduated from the State University of New York at Oswego with a bachelor's degree in accounting. He earned an MBA from Syracuse University. Mr. Chewens is a certified public accountant and is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. Mr. Chewens is also an adjunct professor for the Martin J. Whitman School of Management at Syracuse University.

Timothy L. Brenner, has been Executive Vice President for NBT and President of Wealth Management for NBT Bank since March 2012. He is responsible for developing the company's wealth management strategies and overseeing the trust, investment and retirement services lines of business, which includes NBT's 401(k) plan recordkeeping firm, EPIC Advisors, Inc. In 2016, his role was expanded to include oversight of all non-bank lines of business, including NBT Insurance Agency, LLC. Mr. Brenner has over thirty years of experience in the financial services industry. Mr. Brenner also serves on the NBT Financial Services, Inc. Board which is an affiliate board of the Company. Prior to joining NBT, Mr. Brenner was employed at M&T Bank as Senior Vice President of the M&T Investment Group. In this role, he managed the multi-state Institutional Services Division. Previously, Brenner led M&T's Private Client Services Division. He was also President of the MTB Funds and M&T Life Insurance Company. Prior to that, he was a partner at Vivacqua and Company, an independent financial services and insurance agency. Mr. Brenner earned his bachelor's degree from Kalamazoo College in Kalamazoo, MI, and his master's degree in education from John Carroll University in Cleveland, OH.

Joseph R. Stagliano, has been Executive Vice President, Operations and Retail Banking for NBT since January 2016. Since his appointment in 2016, the Consumer Lending and Marketing divisions were also added to his responsibilities. He was promoted to Chief Information Officer and joined NBT's Executive Management Team in 2006. Mr. Stagliano joined NBT in 1999 and has held a number of leadership positions in Operations, including Director of Information Technology. Mr. Stagliano has over twenty-five years of experience in the financial services industry. Prior to joining the Company, Mr. Stagliano was employed by MetLife and advanced to leadership roles in customer service and call center management during his tenure there. Mr. Stagliano holds a Bachelor's Degree in business and public management from SUNY Polytechnic Institute, formerly the State University of New York Institute of Technology in Utica. His community activities include serving as a member of the board of education for the Norwich City School District.

Sarah A. Halliday, has been Executive Vice President and President of Commercial Banking with responsibility for NBT's Commercial Banking Division since she joined the Company in January 2017. She has more than twenty-five years of experience in banking and commercial lending. Prior to joining the Company, she was employed at M&T Bank as Capital Region Market President. Prior to joining M&T in 2005, Ms. Halliday worked for the New York Business Development Corporation for 11 years as Vice President and Loan Officer. She started her career with Fleet Bank. Ms. Halliday earned her Bachelor of Arts degree from Colgate University, graduating with honors in Economics. She is involved in several community and professional organizations, including the Capital Region Sponsor a Scholar, Junior Achievement of Northeastern New York, the foundation for the St. Anne Institute and Rensselaer Polytechnic Institute's Athletic Council.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and executive officers must, under Section 16(a) of the Exchange Act, file certain reports of their initial ownership of our common stock and of changes in beneficial ownership of our securities. Based solely on a review of reports submitted to NBT, or written representations from reporting persons that all reportable transactions were

reported, the Company believes that during the fiscal year ended December 31, 2017 all Section 16(a) filing requirements applicable to NBT's officers and directors were complied with on a timely basis with the exception of two transactions reported each in a late filing for Mr. Kowalczyk and Mr. Webb.

COMPENSATION DISCUSSION AND ANALYSIS

This section discusses the Company's executive compensation philosophy, guidelines and programs, and the material factors affecting the Company's decisions regarding the compensation of its named executive officers ("NEOs"). This information is presented to give our shareholders a clear and comprehensive picture of the Company's executive compensation program, and its individual components. It also describes the process followed by the Compensation and Benefits Committee (the "Committee") for making compensation decisions, as well as its rationale for specific decisions related to 2017. The NEOs for 2017 are:

- John H. Watt Jr., President and Chief Executive Officer ("CEO")
- Michael J. Chewens, Senior Executive Vice President and Chief Financial Officer ("CFO")
- Timothy L. Brenner, Executive Vice President and President of Wealth Management
- Joseph R. Stagliano, Executive Vice President, Operations and Retail Banking
- Sarah A. Halliday, Executive Vice President and President of Commercial Banking

Executive Summary

The Company has a strong pay for performance culture. Our executive compensation programs are designed to reward the NEOs for making decisions that lead to consistent financial performance and value creation for our shareholders. In 2017, the Company achieved record earnings. As a result, the NEO's achieved 100% of their targeted opportunity under the annual Executive Incentive Compensation Plan ("EICP") and 125.0% of their targeted opportunity in performance-vesting stock awards in the first year of the performance period.

2017 Business Highlights

We achieved our highest level of net income and diluted earnings per share in the Company's 161 year history. The following highlights improved performance from 2016:

- Diluted earnings per share was \$1.97* increasing 9.4%.
- Net income was up 10.4%* from 2016.
- Net interest margin expanded by 4 basis points to 3.47%.
- Loan growth continued to be strong, increasing 6.2%.
- Average demand deposits grew 8.4%.

* These results for 2017 exclude the \$4.4 million one-time noncash charge related to the enactment of the Tax Cuts and Jobs Act ("Tax Reform") as the Committee's assessment of 2017 incentive compensation relative to Company performance did not include the impact of Tax Reform.

Below is a summary of key financial metrics. Refer to "Pay for Performance" on page 20 for a summary of our pay for performance analysis.

Performance Metric	2017
Net Income (\$ Millions)	\$86.6
Diluted earnings per share ("EPS") (1)	\$1.97
Return on Average Assets ("ROAA") (1)	0.96 %
Return on Average Tangible Equity ("ROATE") (1)	13.48 %
Loan Growth	6.2 %
Demand Deposit Growth	8.4 %
NonPerforming Assets ("NPA") to Total Assets	0.39 %

(1) Non-GAAP measures adjust GAAP measures to exclude the \$4.4 million charge related to Tax Reform and also for ROATE the effects of acquisition related intangible amortization expense on equity.

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Say-on-Pay Results

We continue to be focused on aligning our compensation plans with our business objectives, performance, shareholder interests, and the practices of our peers. We considered the 95.5% non-binding advisory basis approval of the executive compensation of our NEOs by our shareholders at the annual meeting on May 23, 2017 and also have considered feedback from shareholders and commentary received from proxy advisory groups and independent compensation consultants to evaluate our compensation practices. We considered the 95.5% approval rating of the executive compensation of our NEOs as strong endorsement of our compensation programs.

Compensation Governance

The Company instituted and maintained policies and practices that promote strong compensation governance:

- Link a significant portion of compensation to performance through the use of short-term (cash) and long-term (equity) compensation to encourage both proactivity and long-term sustainability.
- Employ a variety of performance metrics to deter excessive risk-taking by eliminating any incentive focus on a single performance goal.
- Build in appropriate levels of discretion to adjust incentive payouts if results are not aligned with credit quality, regulatory compliance or leading indicators of future financial results.
- Use equity incentives to promote total return to stockholders, long-term performance and executive retention.
- Conduct annual incentive risk reviews to ensure that our compensation programs do not promote imprudent behaviors or excessive risk-taking.
- Engage an independent compensation consultant who advises and reports directly to the Compensation Committee.
- Prohibit hedging and pledging of company stock.
- Require meaningful stock ownership from our executive officers. Our CEO and other NEOs have a requirement of three times and one and half times their base salaries, respectively.
- In the event the Company restates its financial results, our incentive compensation clawback policy allows our Board to recoup any excess incentive compensation paid to our NEOs upon which an award is based due to fraud, intentional misconduct or gross negligence.

What Guides Our Program

Compensation Philosophy

The ultimate goal of our executive compensation philosophy is to create long-term shareholder value by rewarding performance that furthers the strategic goals and growth of the Company. At the same time, the Committee seeks to maintain an executive compensation program that is competitive with comparably-sized financial institutions. The Committee regularly reviews the compensation components in order to ensure that the NEOs compensation remains competitive and aligned with Company performance.

The primary objectives of the Company's executive compensation program are to:

- Attract and retain talented senior executives;
- Align executive compensation with our overall business strategies, values, and shareholder interests; and
- Motivate senior executives by rewarding them for outstanding corporate and individual performance.

The following guiding principles are at the core of the Company's executive compensation program. Executive compensation should be:

- Closely aligned with both short-term and long-term shareholder interests;
- Appropriately balanced to reflect performance related to the achievement of corporate and individual goals;

· Designed to encourage senior executives to build and maintain significant equity investments in the Company; and
· Determined by a committee composed entirely of independent directors having sufficient resources to do its job, including access to independent, qualified experts.

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The Principal Elements of Pay: Total Direct Compensation (“TDC”)

To encourage our NEOs to execute our business plan and create shareholder value, we seek to align each executive’s compensation with our short-term and long-term financial goals. We focus on TDC, which is the sum of base salary, short-term incentives and long-term equity-based incentives. Our TDC is weighted heavily toward results, with a substantial portion of direct total compensation “at risk.” The following table shows the principal components of TDC, each one contributing to the accomplishment of our compensation program goals:

Compensation Component	Description	Purpose
Base Salary	Pay to recognize executive’s role, responsibilities, skills, experience, individual achievements and NBT performance.	To provide competitive and fair fixed compensation.
		To provide market competitive compensation.
Executive Incentive Compensation Plan (a component of the 2008 Omnibus Incentive Plan)	Annual cash rewards for achievement of pre-determined level of EPS, ROAA and individual goals.	To motivate and reward executives for achieving annual Company, department and individual goals which support our long-term strategic plan.
		To encourage executives to make a significant personal contribution to the Company’s success.
Equity Awards Under the 2008 Omnibus Incentive Plan	Performance-based restricted stock units earned over a designated performance period and subject to Company performance.	To strengthen pay for performance relationship by increasing the weighting of performance-based equity compensation.
	Time-vesting restricted stock units granted based on individual performance and earned over a designated time-period.	To align executives with long-term interests of the Company and shareholders, provide reward for superior performance, encourage stock ownership and enhance our ability to retain our top talent.
	Performance-based and retention awards have an individual performance measure that allows for negative discretion based on NEOs individual performance.	

Our ability to attract and retain exceptional leadership team is also dependent on having a full complement of compensation tools available to us and the flexibility to use them. This includes retirement and other limited benefits and perquisites, as well as the ability to leverage employment, change of control and severance agreements:

Compensation Component	Description	Purpose
	NEOs participate in Company-wide tax-qualified plans including: a defined benefit pension plan and a 401(k) Plan & ESOP.	To provide market competitive and reasonable retirement benefits as well as financial security for retirement.
Retirement Benefits	Certain NEOs are eligible to receive a discretionary Company contribution to the deferred compensation plan based on Company and individual performance.	To enhance Company's ability to attract and retain the executives.
Perquisites and Other Personal Benefits	Certain NEOs participate in a SERP. Benefits may include automobiles, life and disability insurance, long-term care insurance and club dues. Eligibility for each perquisite varies depending on the position of the NEO.	These benefits are intended to attract and retain superior executive employees and foster continuity in executive leadership.
Termination and Severance Pay	NEOs have employment agreements providing post-termination severance compensation under certain scenarios, including change in control.	Employment agreements assist in attracting and retaining the NEOs and minimize the impact on executives when exploring or executing strategic change in control opportunities.

Setting Executive Compensation

The Role of the Committee. The Committee operates under a written charter that establishes its responsibilities. A copy of the Committee Charter can be found on the Company's website at www.nbtbankcorp.com. The Committee reviews the charter annually to ensure that the scope of the charter is consistent with the Committee's expected role. Under the charter, the Committee is charged with general responsibility for the oversight and administration of the Company compensation program. The charter gives the Committee the sole responsibility for determining the compensation of the CEO based on the Committee's evaluation of his performance. The charter also authorizes the Committee to engage consultants and other professionals without management approval to the extent deemed necessary to discharge its responsibilities.

The Role of CEO. The CEO does not provide recommendations concerning his own compensation, nor is he present when his compensation is discussed by the Compensation Committee. The Compensation Committee, with input from its independent compensation consultant, discusses the elements of his compensation in executive session and makes a recommendation to all of the non-management members of the Board for discussion and final approval. The CEO, with input from the Compensation Committee's independent compensation consultant, assists in setting compensation for the other NEOs.

The Role of the Independent Consultant. The Committee has the sole authority to retain and terminate a compensation consultant and to approve the consultant's fees and all other terms of the engagement. In 2017, the Committee retained the services of Pearl Meyer & Partners LLC ("Pearl Meyer"), an independent compensation consulting firm, to perform a competitive assessment of the Company's executive compensation programs. The annual executive compensation assessment includes, but is not limited to, an assessment of the Company's compensation program compared to its peers, recommendations for total direct compensation opportunities (base salary, cash incentives and long-term incentives), an assessment of the Company's financial performance relative to its peers, and a review of the alignment

of pay and performance. The assessments provide the Committee with a broad array of information from which to evaluate the effectiveness of its compensation programs and serve as a foundation for compensation decisions.

In addition to providing annual assessments, Pearl Meyer advises the Committee on best practices in light of the changes in the banking and corporate regulatory environment and assists the Committee in designing compensation arrangements that reflect the Company's compensation philosophy. In 2017, Pearl Meyer assisted the Compensation Committee in developing a peer group for the purpose of providing the Company with a basis for comparing its compensation against the compensation arrangements provided by other similarly-situated financial institutions. In addition, Pearl Meyer assisted the Committee with the incoming CEO's compensation package and program refinements to continue alignment with Company and shareholder expectations. While the Committee considers input from Pearl Meyer when making compensation decisions, the Committee's final decisions reflect many factors and considerations.

Pearl Meyer reports directly to the Committee and does not provide any other services to the Company. The Committee has analyzed whether the work of Pearl Meyer as a compensation consultant has raised any conflict of interest, taking into consideration the following factors, among others: (i) the provision of other services to the Company by Pearl Meyer; (ii) the amount of fees from the Company paid to Pearl Meyer as a percentage of Pearl Meyer's total revenue; (iii) Pearl Meyer's policies and procedures that are designed to prevent conflicts of interest; (iv) any business or personal relationship of Pearl Meyer or the individual compensation advisors employed by Pearl Meyer with an executive officer of the Company; (v) any business or personal relationship of the individual compensation advisors with any member of the Committee; and (vi) any stock of the Company owned by Pearl Meyer or the individual compensation advisors employed by Pearl Meyer. The Compensation Committee has determined, based on its analysis of the above factors, among others, that the work of Pearl Meyer and the individual compensation advisors employed by Pearl Meyer as compensation consultants to the Company has not created any conflict of interest.

Benchmarking

The compensation review process entailed the use of survey data and peer group information prepared and presented by Pearl Meyer to the Committee. The peer group used as reference for TDC and financial performance comparisons consists of community-based banking organizations in the Northeast and in the Midwest with assets between \$4 billion and \$15 billion (approximately 0.5x – 2x of the Company's asset size), operating in a market similar to the Company's and competing for comparable executive talent. In 2017, the peer group consisted of the following companies:

Berkshire Hills Bancorp, Inc.	Independent Bank Corp.
Brookline Bancorp, Inc.	Northwest Bancshares, Inc.
Chemical Financial Corporation	Old National Bancorp
Community Bank System, Inc.	Park National Corporation
Customers Bancorp, Inc.	Provident Financial Services, Inc.
Eagle Bancorp, Inc.	S&T Bancorp, Inc.
First Commonwealth Financial Corporation	Sterling Bancorp
First Financial Bancorp.	TFS Financial Corporation
First Merchants Corporation	Tompkins Financial Corporation
First Midwest Bancorp, Inc.	United Financial Bancorp, Inc.
Flagstar Bancorp, Inc.	WSFS Financial Corporation
Flushing Financial Corporation	

The Committee generally sets target TDC (base salary, annual incentive and long-term incentive opportunity) for the NEOs at levels that are commensurate with individual and Company performance. After reviewing the study, the Committee deemed the TDC targets are appropriate and consistent with this approach. It is important to note that this market data was not the sole determinant in setting executive pay levels. Compensation Committee also considers Corporate and individual performance, the nature of an individual's role within the Corporation, as well as his or her experience and contributions to his or her current role when making its compensation-related decisions.

Pay for Performance

At the request of the Committee, Pearl Meyer conducts regular analyses to monitor pay and performance alignment (both financial and operational), particularly with regards to the CEO. The goal is to use this information proactively to set appropriate pay opportunity ranges and retroactively to assess the actual pay delivered based on performance.

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It is the Committee’s philosophy to reward the NEOs for operational excellence. Operational excellence is achieved by selecting a composite of key financial metrics which define management’s strategic objectives and tie to strategy execution and the resulting increase in shareholder value. The Committee reviews TDC regularly in light of the Company’s financial performance. The 2017 study revealed that the Company’s CEO and top five executives (combined, including CEO) TDC is aligned with operational performance using a composite of five key metrics (ROAA, ROATE, NPA/Total Assets, Efficiency Ratio, and Net Interest Margin). The table below indicates the percentile rankings for the Company in one-year and three-year average performance periods as of year-end 2016, and TDC, versus the peer group. This analysis informed the Committee of the Company’s pay and performance alignment.

	For This Level of Performance...	...TDC Was At This Percentile of the Peer Group	
	Composite Measures	CEO	Top 5 Executives
One-Year Performance	73 rd percentile	27 th percentile	36 th percentile
Three-Year Performance	64 th percentile	23 rd percentile	41 st percentile

2017 Compensation Decision

Base Salary

The Committee reviews executive base salaries annually. Base salary is the only fixed portion of compensation for salaried employees of the Company, including the NEOs. The Company has entered into employment agreements with each NEO providing for a minimum base salary, subject to annual adjustments upon the Committee approval.

In 2017, the Committee determined the base salaries of the NEOs based on the Company’s guiding principles and policies and competitive market. Mr. Watt received a promotional increase resulting from his appointment to President and CEO of the Company. Messrs. Chewens, Brenner and Stagliano received a 3% salary increases in order to maintain market competitive base salaries and recognize their performance and contribution. Ms. Halliday was hired in January 2017. The Committee’s recommendations were in line with the results of the compensation analysis provided by Pearl Meyer. Pearl Meyer was consulted in the development of the CEO compensation package, including base salary. Below are the base salaries for the NEOs for 2017.

Name Executive	January 1, 2017 Base Pay	2017 Base Pay Increase
John H. Watt Jr.	\$ 650,000	44 %
Michael J. Chewens	\$ 473,800	3 %
Timothy L. Brenner	\$ 375,950	3 %
Joseph R. Stagliano	\$ 354,835	3 %
Sarah A. Halliday	\$ 325,000	-

Variable Compensation

In addition to fixed base salaries, the Company provides cash and equity-based incentive compensation. Incentive compensation varies in amount depending on the factors discussed below and is designed to promote superior performance and achievement of corporate goals, to encourage the growth of shareholder value, and to share the long-term growth and profitability of the Company with key employees.

Executive Incentive Compensation Plan (“EICP”)

The EICP is a component of the Omnibus Plan, a shareholder-approved incentive plan authorizing several forms of cash and equity based incentive compensation.

The EICP is a short-term cash incentive plan that directly ties annual cash awards to the Company's performance as measured by EPS, ROAA and individual performance objectives. EICP awards are defined as a percentage of salary and weighted between corporate performance goals and individual performance objectives reflecting each executive's role and responsibilities. If the threshold EPS goal is not achieved, no awards will be paid. When determining the payouts under the EICP, the Committee may objectively adjust the reported performance results considering any of the following events that occur during a performance period: (a) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (b) any reorganization and restructuring programs, and (c) acquisitions or divestitures activity and related expenses.

At the beginning of each year, the Committee decides whether to provide incentive opportunities under the EICP and sets the EPS and ROAA target levels that will determine year-end payout. The Committee approves the group of employees eligible to participate for that year. The Committee recognizes the current interest rate environment and macroeconomic conditions when setting the incentive compensation targets with a long-term view in building shareholder value and discourages undue risk taking for short-term gains. The EPS target level for 2017 was set at \$1.89, a 5% increase from 2016.

The following table depicts the range of potential payouts to the NEOs under the EICP for 2017 as a percentage of base salary at the end of the year, based upon 100% attainment of corporate EPS goals, without consideration for the potential negative adjustments for the ROAA performance target levels and individual performance objectives.

EICP Payout Level	% of EPS Target	CEO Potential Total Payouts (% of base salary)	Messrs. Brenner, Chewens, Stagliano and Ms. Halliday Potential Total Payouts (% of base salary)
Level 1	90%	25.0%	21.2%
Level 2	95%	37.5%	31.8%
Level 3	98%	45.0%	38.1%
Level 4 Target	100%	50.0%	42.3%
Level 5	104%	56.3%	47.6%
Level 6	109%	62.5%	52.9%

ROAA is an additional corporate performance component of the short-term cash award. Once the EPS performance level is determined, 15% of the CEO's award and 10% of the other NEO's award may be reduced if the ROAA target for each EPS performance level is not met. The following ROAA targets were set for each level of EPS:

EICP Payout Level	ROAA Target
Level 1	0.83%
Level 2	0.87%
Level 3	0.90%
Level 4 Target	0.92%
Level 5	0.96%
Level 6	1.00%

In addition to the EPS performance target and ROAA, the Committee approves individual performance objectives as a component of the overall payout for each of the NEOs. The Committee sets the individual performance objectives for the CEO. The CEO provides input for the individual performance objectives for the other NEOs. Each NEO has several individual performance objectives that are tied to both the executive's respective corporate responsibilities and the Company's overall strategic plan. Objectives more critical to the Company are given more significant weight than other objectives. EPS payout level percentages are subject to reduction based upon each NEO's individual performance objectives with the maximum possible reduction being 100% of the award otherwise payable.

The Company's diluted EPS, excluding impact of Tax Reform, of \$1.97 was 104% of target EPS performance of \$1.89. Based on these results, and in accordance with the plan, the portion of the award that is based on the corporate component was payable to each of the NEOs at the payout level representing achievement of 100% of target EPS in 2017. The Company's ROAA of 0.96% exceeded the Level 4 ROAA Target of 0.92% and resulted in 100% payout of the ROAA corporate component of the short-term incentive award.

Each NEO's individual performance achievement is evaluated against the predefined goals at year-end. The total result of each executive's performance objectives plus the respective achieved corporate earnings percentage are combined and multiplied by base salary to derive the total payout.

Mr. Watt's performance is determined by corporate earnings; however, the Committee has discretion to reduce the amount of the award based on individual performance achievements. In 2017, these goals included successful leadership transition strategies; growth strategies with key initiatives in our specialty lending, digital and New England market; maintaining strong regulatory ratings; cultivating investor relations, and readiness to cross the \$10 billion asset threshold. In 2017, the Committee determined Mr. Watt met all the measures and did not reduce the amount of his award.

For the 2017 performance year, the Committee also set the following individual performance objectives and resulting payout percentage for the other NEOs who remained with the Company at the end of 2017:

Mr. Chewens, Senior Executive Vice President and Chief Financial Officer. Mr. Chewens' individual performance objectives were aligned with the Company's strategic focus areas of optimization of cost structure, growing our non-margin business and meeting regulatory compliance. Mr. Chewens achieved his goals of providing leadership opportunities for developing talent, reviewing and adjusting metrics to analyze our non-margin acquisitions, and initiative strategies relative to our growth to an asset size of \$10 billion. These achievements resulted in his earning 100% of his target incentive pay which was his full potential payout.

Mr. Brenner, Executive Vice President and President of Wealth Management. Mr. Brenner's individual performance objectives were aligned with the Company's strategic focus areas of enhancing relevant noninterest income business lines in order to reduce dependency on interest income, develop and retain our human capital and optimizing our cost structure. Specifically, Mr. Brenner achieved his goals of adding accomplished leadership in the NBT Insurance agency, continued improvement in compliance and operational excellence, advancing technology platforms for investment, retirement and financial planning sales, completing a successful conversion of the trust operations systems platform and successfully closed an acquisition. In addition, Mr. Brenner achieved the majority of his wealth financial targets. These achievements provided Mr. Brenner with 100% of the target incentive which was his full potential payout.

Mr. Stagliano, Executive Vice President, Operations and Retail Banking. Mr. Stagliano's individual performance objectives were aligned with the Company's strategic focus areas of organic growth, investment in human capital, optimizing our cost structure and furthering our customer value proposition. Further, he was instrumental in driving our key initiative of evolving our digital strategy. The tenants of customer mobility, employee mobility, branch digitization and digital marketing. Under Mr. Stagliano's guidance, technology was leveraged to create many efficiencies from sales enablement in Wealth Management to engaging current and prospective customers. Mr. Stagliano achieved the majority of his revenue and operational goals in Retail Banking, Consumer Lending, Banking Operations, IT and Marketing, resulting in his payout of 100% of his target incentive.

Ms. Halliday, Executive Vice President and President of Commercial Banking. Ms. Halliday's individual performance objectives were aligned with the Company's strategic focus areas of organic growth, recruiting, motivating and retaining our workforce and optimizing our cost structure. Specifically, Ms. Halliday created succession planning strategies for developing talent, collaborated with business partners on revenue growth goals, and enhanced several operational processes. Ms. Halliday achieved the majority of her financial targets. These achievements resulted in Ms. Halliday earning 100% of her target incentive.

The Committee considered such results together with the corporate component results in determining awards under the EICP as follows:

	2017	Actual Performance	2017
Named Executive Officer	Target Incentive	Achievement	Incentive Earned
	(\$)	(% of Target)	(\$)
John H. Watt Jr.	325,000	100%	325,000
Michael J. Chewens	200,000	100%	200,000
Timothy L. Brenner	159,500	100%	159,500
Joseph R. Stagliano	151,000	100%	151,000
Sarah A. Halliday	137,800	100%	137,800

Omnibus Incentive Plan

The Omnibus Plan provides NEOs, and other eligible employees, with annual and long-term incentives in the form of cash, equity and performance-based awards. The terms and conditions governing the grant of awards under the Omnibus Plan are described below.

The elements of the Omnibus Incentive Plan are further detailed below:

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Current Long-Term Incentive Plan:

Two Components

- Executive Long-Term Incentive and Retention Equity Awards
1. Retention Units: Time-based Restricted Stock Units subject to a five-year vesting schedule, also with an Individual Performance measure in 2014 through 2017.
 2. Performance Units: Performance-based Restricted Stock Units dependent upon two-year relative performance based upon a composite score of performance metrics in 2017 and 2016, ROATE in 2015 and Individual Performance. The composite score includes the following performance metrics: ROAA, ROATE, Net Interest Margin, NPAs to Total Assets and Efficiency Ratio. Units are released one year following completion of the two-year performance period.

Prior Years' Long-Term Incentive Plans Included in Equity Compensation Tables:

- Long-Term Incentive Awards - NEOs
- Stock Options
- Stock grant for NEOs covering a period of January 2012 to Retirement Date. EPS goals were established at the beginning of each year and stock or units are credited over the six-year period based on performance against the EPS goals. Awards have not been granted since 2013.
- Nonqualified Stock Options with a five-year vesting schedule (40% year one followed by 20% increments) with an automatic reload. Options have not been granted since 2011, except for reloads on prior grants.

Executive Long-Term Incentive and Retention Equity Awards

In January 2017, the Committee granted Long-Term Incentive and Retention Equity Awards under the Omnibus Plan. The 2017 awards (in the form of restricted stock units) are long-term, equity-based incentive awards that link executive compensation to the Company's profitability and shareholder value. The awards consist of a grant of (i) Retention Units, which are subject to a time-based vesting schedule (over five years) and a reduction, at the time of grant, based upon the grantee's achievement of individual performance factors for the 2017 calendar year; and (ii) Performance Units, which vest based on the Company's achievement of specific performance goals established on the grant date (the outcome of which is substantially uncertain on such date) over a two-year performance period. The Committee determined the number of Retention Units and Performance Units underlying the awards based on a percentage of the grantee's salary as of the grant date, which was then converted to a number of units based on the fair market value of the Company's common stock. In determining the size of the awards, the Committee considered a number of factors, including the grantee's organizational position, historical performance, prior awards, current performance and potential future contribution to the Company, as well as feedback from an independent compensation consultant on target long-term compensation levels. No dividends or dividend equivalents are paid on any unvested awards. For the performance award in year one, the performance target for each NEO is based on the Company's composite score ranking of several performance metrics (defined in the table above) against a comparative peer group. There is a potential for a reduction in the following year based upon the Company's composite score ranking against a comparative peer group. Full vesting and payout occur following the completion of an additional one-year time-based vesting requirement after the end of the two-year performance period (subject to acceleration upon certain terminations or a change in control). In addition, the Performance Units are also subject to reduction based upon individual performance in the same manner as the retention award. The following table depicts the composite score performance levels for the 2017 long-term incentive award.

Composite Score Ranking	% Payout Level	CEO Potential Payout % of Salary	Messrs. Chewens, Brenner, Stagliano and Ms. Halliday Potential Payout % of Salary
1	150.0%	45.0%	41.3%
2	143.5%	43.1%	39.5%
3	137.5%	41.3%	37.8%
4	131.3%	39.4%	36.1%
5	125.0%	37.5%	34.4%
6	118.8%	35.6%	32.7%

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7	112.5%	33.8%	30.9%
8	106.3%	31.9%	29.2%
9	100.0%	30.0%	27.5%
10	83.4%	25.0%	22.9%
11	66.7%	20.0%	18.3%
12	50.0%	15.0%	13.8%
13 to 17	0.0%	0.0%	0.0%

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For 2017, the Company's composite score ranking was set at 5 and achieved the 125.0% target level payout percentage for the performance award.

As shown in the table below, Messrs. Watt, Chewens, Brenner, Stagliano and Ms. Halliday received the following long-term noncash compensation awards under the Omnibus Plan in 2017. In granting these awards, the Committee considered market data, as well as individual performance contributing to the Company's success.

Named Executive Officer	Retention Units (1)	Performance Units (2)
John H. Watt Jr.	4,760	5,949
Michael J. Chewens	3,180	3,975
Timothy L. Brenner	2,523	3,154
Joseph R. Stagliano	2,382	2,977
Sarah A. Halliday	2,181	2,727

(1)NEOs met their performance objectives. These awards vest 20% annually for the five years.

(2)NEOs met their performance objectives. The performance units are based on meeting the composite score ranking of 5. The amount of the award above is subject to a potential reduction at December 31, 2018 based upon the quartile ranking of the Company's composite score ranking against a comparative group of peer institutions, with full vesting and payout occurring following the completion of an additional one-year time-based vesting requirement after the end of the performance period. The following table outlines the quartile peer ranking and the corresponding adjustment factor:

Composite Score Performance Factor	
Percentile Ranking	Adjustment Factor
Above 50th percentile	100%
Third quartile	75%
Bottom quartile	50%

2018 Compensation Changes

In assessing Mr. Watt's TDC for 2018, the Committee considered individual and Company performance, current compensation trends, peer group data and feedback from proxy advisory groups. Given Company and individual achievements in 2017 and the desire to bring TDC closer to peer median, the following adjustments were made to Mr. Watt's compensation:

- Base salary increased to \$725,000 (12% increase);
- Short-term incentive compensation target increased to 60% of base pay; and
- Long-term incentive equity compensation increased to 70% of base pay.

Mr. Chewens, Mr. Brenner and Ms. Halliday received a 3% salary increases in order to maintain market competitive base salaries and recognize their performance and contribution. Mr. Stagliano received a 5% increase to recognize the addition of Consumer Lending and Marketing to his role. The Committee's recommendations were in line with the results of the compensation analysis provided by Pearl Meyer.

Retirement Plans

Defined Benefit Pension Plan

The eligible NEOs participate in the Pension Plan, which is a noncontributory, tax-qualified defined benefit pension plan. The Pension Plan is available to all Company employees who have attained age 21 and have completed one year of service, as defined in the Pension Plan. The Pension Plan provides for 100% vesting after three years of qualified service. The Pension Plan has a cash balance feature, in which all of the eligible NEOs participate. The footnotes to the Pension Benefits Table on page 34, including the narrative discussion that follows such table, contain a detailed description of the defined benefit/cash balance pension plan, including a description of the eligibility, crediting, vesting, mortality, and other terms and assumptions used for the calculation of Pension Plan benefits. Beginning January 1, 2010, participants in the Pension Plan were eligible for additional discretionary contributions to the 401(k) Plan & ESOP in lieu of interest credits to the cash balance portion of the pension plan.

Supplemental Retirement Benefits

Certain NEOs participate in a SERP, which is principally designed to restore benefits that would have been paid to the NEO if certain federal tax limitations were not in effect, as well as to attract and retain qualified and experienced executive officers. Each SERP is embodied in an agreement between the Company and the respective NEO. The narrative that follows the Nonqualified Deferred Compensation table on page 36 contains a detailed description of each SERP.

401(k) Plan & Employee Stock Ownership Plan

The 401(k) Plan & ESOP is a tax-qualified defined contribution retirement savings plan available to all Company employees who have attained age 21 and are either scheduled to complete one year of service or have completed one year of service, as defined by the 401(k) Plan & ESOP. Participants in the 401(k) Plan & ESOP may contribute up to the limit prescribed by the Internal Revenue Service on a before-tax basis. The Company matches 100% of the first 1% of pay contributed to the plan plus 50% of the next 5% of compensation for a total matching contribution of 3.5% of compensation. Additionally, the Company can make discretionary contributions to the 401(k) Plan & ESOP based on its financial performance. All Company contributions to this retirement plan after 2013 were made in cash and vest at the rate of 20% per year with full vesting following five years of benefit service. Prior to 2013, Company contributions were made in Company stock. The NEOs participate in the 401(k) Plan & ESOP. The Company may make discretionary contributions to the 401(k) portion of the 401(k) Plan & ESOP to offset the elimination of interest credits to the Pension Plan, as described above. The value of Company contributions to the 401(k) Plan & ESOP are included in the Summary Compensation Table on page 29.

Deferred Compensation Plan and Other Compensation Deferrals

The Deferred Compensation Plan allows the NEOs, and such other key employees as the Committee may approve annually, to defer some or all of their salary, commissions and/or bonus, to a future date. The Deferred Compensation Plan also permits the Company to make discretionary contributions to the accounts of eligible employees. Eligible employees are generally those employees determined to be highly-compensated employees of the Company. In addition, the Omnibus Plan permits award recipients to defer receipt of vested equity awards to a future date. Certain NEOs elected to defer compensation or received discretionary contributions under this plan as detailed in the Nonqualified Deferred Compensation table on page 36. The Company awarded Messrs. Watt, Chewens, Brenner, Stagliano and Ms. Halliday \$145,000, \$58,562, \$46,350, \$54,709 and \$40,170, respectively, of base salary discretionary contribution based upon their 2017 performance. Company contributions are not subject to vesting provisions.

Perquisites and Other Personal Benefits

The Company provides NEOs with perquisites and other personal benefits that the Committee and the Company believe are reasonable and consistent with the Company's guiding compensation principles. These benefits enable the Company to attract and retain superior employees for key positions. During 2017, these benefits included the use of Company-owned automobiles, life and disability insurance, long-term care insurance, and for certain NEOs, club memberships. For the CEO, the Company also maintains a split-dollar bank-owned life insurance policy for the benefit of the Company and the CEO. All NEOs have the use of a Company-owned automobile and any personal mileage incurred by the executive is taxed as additional compensation in accordance with IRS regulations. The Committee periodically reviews the levels of perquisites and other personal benefits provided to NEOs. The dollar amount of these benefits is reflected in the Summary Compensation Table on page 29. The aggregate amounts of perquisites and other personal benefits paid to Messrs. Chewens, Stagliano and Ms. Halliday were determined to be less than the established reporting thresholds for detailed disclosure.

Stock Ownership Guidelines

To more directly align their interests with shareholders' interests, the Committee maintains stock ownership guidelines for the Board of Directors and the Company's executive management team, including the NEOs. The guidelines include retention requirements for restricted stock units and revised the NEOs required ownership levels to be based on a multiple of salary. The guidelines require directors to own 5,000 shares of Company stock. The NEOs share requirements are based upon a multiple of salary with the CEO to own 3 times salary of Company stock, Messrs. Chewens, Brenner, Stagliano and Ms. Halliday to own 1.5 times salary of Company stock. Vested restricted stock units are included in an individual's ownership for purposes of compliance with guidelines. The executives must comply with the guidelines within five years from the date of promotion to the executive management team or election to the Board of Directors. Failure to meet the guidelines could, at the Committee's discretion, affect future equity-based awards. As of December 31, 2017, all NEOs and Directors are in compliance or expect to be in compliance with the guidelines.

Hedging and Pledging Policies

All directors and employees are prohibited from engaging in any speculative transaction designed to hedge or offset any decrease in the market value of the Company's securities, including hedging of the Company's common stock. The Company also prohibits any pledging of Company securities in a margin account and restricts all other pledging of any Company securities by requiring directors and employees to obtain the prior approval of the CEO, CFO or General Counsel before entering into any such agreement.

Risk Assessment

A formal risk assessment of the Company's incentive compensation plans is performed annually. A risk assessment matrix is used which considers and analyzes the following factors:

- Type of award and who was eligible for the award;
- Performance metrics associated with each plan;
- Conditions of payout;
- Party responsible for granting awards and assessing performance;
- Potential risk features in plan design;
- Major business risks that might be impacted by performance metrics;
- Correlation of plan's performance metrics to the Company's overall business objectives;
- Consideration of internal controls present to prevent the manipulation of the budgeting process or performance outcomes;
- Determination of the plan's risk level as low, moderate or high;
- Plan provisions for risk mitigation; and
- Assessment of the plan's probability to result in adverse material risk.

The annual risk assessment is overseen by the Chief Risk Officer and reviewed annually by the Committee.

Tax and Accounting Matters

Section 162(m)

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to a company for compensation in excess of one million dollars paid to a company's CEO, and to the next four highest paid officers of the company, unless the compensation qualifies as "performance-based compensation" or falls under certain other specified exceptions under Section 162(m). Generally, to qualify as performance-based compensation, the plan or arrangement must contain specific performance criteria, specific limits on awards and amounts and must have shareholder approval. Performance awards under the Omnibus Plan (and the specific arrangements thereunder providing for performance awards, such as the EICP) contain specific performance criteria and are intended to meet the performance-based compensation exception to the annual one million dollar limitation. We have historically structured incentive compensation arrangements with a view toward qualifying them as performance-based compensation exempt from the deduction limitations under Section 162(m) of the Internal Revenue Code (Section 162(m)), although we have viewed and continue to view the availability of a tax deduction as only one relevant consideration. The Committee believes that its primary responsibility is to provide a compensation program that attracts, retains and rewards the executive talent necessary for our success.

Federal tax legislation enacted in December 2017 eliminated the Section 162(m) performance-based compensation exemption prospectively and made other changes to Section 162(m), but with a transition rule that preserves the performance-based compensation exemption for certain arrangements and awards in place as of November 2, 2017. We intend to continue to administer arrangements and awards subject to this transition rule with a view toward preserving their eligibility for the performance-based compensation exemption to the extent practicable and consistent

with the non-tax compensation program objectives noted above.

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Section 409A

Section 409A of the Internal Revenue Code generally provides that unless certain requirements are met, amounts deferred under a nonqualified deferred compensation plan are currently includible in an employee's gross income to the extent not subject to a substantial risk of forfeiture. Section 409A applies to most forms of deferred compensation, including but not limited to, nonqualified deferred compensation plans or arrangements, certain equity-based performance awards, and severance plans or individual severance arrangements contained within employment agreements. Generally, under Section 409A, any severance arrangement not in compliance with Section 409A covering an NEO pursuant to an employment or change in control agreement, which is effective upon termination of employment, any deferrals under a nonqualified deferred compensation plan that do not comply with Section 409A or any stock option award grants with an exercise price of less than fair market value on the date of grant may subject the NEO to: (i) current income inclusion of the relevant amounts; (ii) interest at the IRS underpayment rate; and (iii) an additional 20% excise tax. The Nonqualified Deferred Compensation Table on page 36 provides detailed information about the Company's nonqualified deferred compensation arrangements.

Sections 4999 and 280G

Section 4999 of the Internal Revenue Code imposes a 20% excise tax on certain "excess parachute payments" made to "disqualified individuals." Under Section 280G of the Internal Revenue Code, such excess parachute payments are also nondeductible to the Company. If payments that are contingent on a change of control to a disqualified individual (which terms include the NEOs) equal or exceed three times the individual's "base amount," they constitute "excess parachute payments" to the extent they exceed one times the individual's base amount.

All the Company's NEO employment agreements provide for a cutback of change in control benefits in circumstances where the executive would not be better off on a net after-tax basis by at least \$50,000 by being paid the full change in control benefit. In circumstances where the executive will be better off by at least \$50,000 on a net after-tax basis by being paid the full change in control benefit owed, the executive will be responsible for the payment of all excise taxes. However, neither the Company nor NBT Bank will be permitted to claim a federal income tax deduction for the portion of the change in control benefit that constitutes an "excess parachute payment."

Accounting Considerations

The Committee is informed of the financial statement implications of the components of the compensation program for NEOs. However, a compensation component's contribution to the objectives of the Company's compensation program and its projected economic cost, which may or may not be reflected on the Company's financial statements, are the main elements of NEO compensation decisions.

EXECUTIVE COMPENSATION

The following table sets forth information regarding compensation earned by each of the NEOs for each of the last three completed fiscal years. The compensation received by each NEO was a combination of cash and equity compensation and long-term and short-term compensation. The Committee concluded that this mix reflects the compensation principles discussed in the Compensation Discussion and Analysis, as applied to each NEO's responsibilities and performance.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$ (1))	Bonus (\$ (2))	Stock Awards (\$ (3))	Non-Equity Incentive Plan Compensation (\$ (4))	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$ (5))	All Other Compensation (\$ (6))	Total (\$)
John H. Watt Jr. President and Chief Executive Officer	2017	650,000	-	407,858	325,000	156,369	194,852	1,734,079
	2016	394,616	-	130,379	210,000	4,306	223,787	963,088
Michael J. Chewens Senior Executive Vice President	2017	473,800	-	272,502	200,000	327,187	72,966	1,346,455
	2016	460,000	-	498,845	194,580	208,087	71,085	1,432,597
and Chief Financial Officer	2015	446,610	-	219,596	170,024	76,990	355,461	1,268,681
Timothy L. Brenner Executive Vice President and President of Wealth Management	2017	375,950	-	216,212	159,500	7,167	77,467	836,296
	2016	355,794	-	537,369	154,395	5,900	60,394	1,113,852
	2015	331,050	-					